2021 Notice of Annual Meeting of Stockholders and Proxy Statement

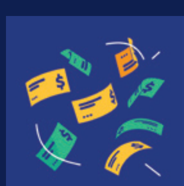
2020 Annual Report

PayPal

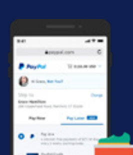
Our Two-sided Platform Serves Merchants and Consumers

MERCHANTS	CONSUMERS
Power all aspects of digital checkout online, on mobile, and in store	Provide solutions to help people manage and move money both domestically and internationally
Offer access to seamless credit solutions to enable growth	Offer credit services that are accessible and cost effective
Help identify fraud and improve risk management	Facilitate simple, secure payments across devices
Offer tools and insights to attract new customers and increase sales	Deliver flexibility with payment options globally, across platforms and merchants

Innovating at Scale in 2020



Stimulus Check Direct Deposit
04 . 20



Buy Now, Pay Later
08 . 20

Crypto Buy, Hold, Sell
10 . 20

Enhanced Giving Platform
11 . 20

04 . 20
Paycheck Protection Program Participation

05 . 20
QR Code Checkout

10 . 20
Venmo Credit Card

11 . 20
Xoom Direct Transfers to Bank Accounts and Debit Cards

xoom
A PayPal Service

Message from Our President and CEO

Dear Colleagues, Customers, Partners and Stockholders:

2020 was a uniquely challenging and transformative year. The COVID-19 pandemic, which has already had far-reaching effects on almost every aspect of our lives and communities, will continue to impact millions across the globe for years to come. Underserved communities have been hit the hardest, and we all need to do our part to ensure an inclusive recovery. At PayPal, our mission to democratize financial services and advance the financial health of families, businesses and communities has never been more important. We are proud of the ways we have continued to live our values and make a meaningful difference for our customers and communities, while driving long-term, sustainable growth for our stockholders.

Since the onset of the pandemic, our top priority has been the health and well-being of our employees. We worked quickly to transition nearly 100% of our global workforce to work remotely in a safe and effective manner. We introduced new benefits and resources, and we pledged to continue paying employees unable to work because of the impacts of COVID-19. For our consumers and merchants, we provided relief from the pressures of the pandemic, mobilized to become one of the first non-bank lenders approved to provide access to Paycheck Protection Program ("PPP") loans to small businesses in need, and enabled consumers to receive stimulus payments through their Venmo and PayPal accounts.

Last year also made clear that everyone has a responsibility to take action in support of racial equity and social justice. The pandemic has had a disproportionate effect on communities of color – as demonstrated by case numbers and mortality rates, as well as the devastating economic impact on Black-owned small businesses in particular. In alignment with our mission, vision and values, we made a $535 million commitment to do our part to address the economic underpinnings of these inequities and to help close the racial wealth gap. This will be a sustained area of focus for us. We will continue to fulfill our core value of inclusion by demonstrating our unwavering belief that Black lives matter, and by furthering our work to build more just communities and economies.

The pandemic has accelerated the global movement toward digital payments. It has unleashed a digital wave of change across almost all industries, advancing digital transformation by at least three to five years. The shift away from cash, already well underway before the pandemic began, has become even more apparent. This transition opens new opportunities to upgrade the current financial system to one that is fundamentally more affordable, efficient and inclusive.

This shift to the digital economy, combined with the quick and effective efforts of our teams to respond to the moment, and the strong foundation of customer and public trust in our platform and products, led to PayPal's strongest year of performance. We delivered a record 73 million net new active accounts, reached 29 million merchant accounts on our platform and processed a record 15.4 billion payment transactions. We achieved new heights in product innovation, launching the Venmo credit card and driving wide adoption of our QR codes and Global Pay Later solutions, like Pay in 4. And we expanded our digital wallet capabilities by enabling U.S. customers to buy, sell and hold select cryptocurrencies through their PayPal account.

The Future of Digital Payments

We have made great strides since becoming a publicly-traded company, but the coming years hold even greater promise. We have solidified our role as an essential company in the financial lives of our customers and we will continue to build on that foundation. The opportunity ahead is enormous, and PayPal is well-positioned to play a leading role in driving the future of digital payments and commerce.

We see five key trends emerging that will change how people and businesses connect, and we believe we are uniquely positioned to drive these trends going forward:

Digital-First
The new digital-first paradigm will change the way people live, work, play and pay. The lines between physical and digital are disappearing, and this will fundamentally change how business is conducted. Digital will be the primary method of customer engagement.

Home Delivery/Store Pickup
Retail strategy is shifting away from physical storefronts to optimizing for home delivery and store pick-up. Consumers are prioritizing safety and convenience.

Digital Wallets
Digital wallets will create a connected ecosystem and a simple way to enable, pay and track transactions across all touchpoints. As separate apps become one, platforms can more effectively personalize recommendations and safeguard data.

E-commerce
As consumers move away from in-store purchasing, commerce will be done in new spaces. There will be more ways to meet consumers where they are – including tailored offers, universal checkout, and increased importance of platforms like Honey that will enable merchants to tap into demand.

Digital Currencies
Finally, a new cashless financial system is emerging. Digital currencies will increasingly be developed by central banks and adopted by consumers. This technology can help address fundamental problems in the current system, but will also require deep public-private collaboration.

We are building a digital wallet for consumers and commerce platform for merchants, designed to directly address and help shape these trends, while keeping our customers and their security at the forefront. Our digital wallet will integrate payments, financial services, shopping tools and digital IDs, and will work seamlessly both online and offline. And our PayPal Commerce Platform will enable merchants of all sizes to embrace a digital-first strategy. For our small business customers, who are so essential to our local communities, it is imperative that they not only survive the transition to the digital economy, but thrive in it. We cannot – and we will not – leave them behind. We aim to serve as a strategic partner to our merchants to help enable them to adapt to this new context, and to contribute to the development of a more inclusive economy for our customers and communities.

Driving Responsible Innovation

We are working to lead a responsible transition to the digital economy, but we also know that no single company, organization or institution can do it all alone. It will require cooperation and collective action among all stakeholders, above and beyond the current level of engagement. The world has changed and our challenges and opportunities have changed as well. We need a greater level of collaboration between the public and private sectors to serve our shared constituencies, achieve systemic impact and build new frameworks for the future. Corporations should increasingly consider and commit to a multi-stakeholder approach, focusing on delivering shared value across all key stakeholders, including employees, stockholders, customers, local communities and those in the public sector.

We take a transparent and collaborative approach to our regulatory relationships and share a commitment to protecting our customers, their data and our platform. We will continue to focus on building and sustaining trusted relationships at all levels to scale our innovation in a responsible manner. We always strive to meet or exceed the letter and spirit of the laws of the countries in which we do business through continuous focus and significant investment in our compliance programs, platforms and practices.

We have invested in building a world-class compliance and risk management team and compliance structure that enables us to work closely with regulators and governments. Since we became an independent public company, this function has grown to almost 4,000 people, enabling us to take a leading role in creating meaningful partnerships between the private, public and non-profit sectors. We have developed expertise in detecting bad actors on our platform and have become a notable leader in the fight against financial crime. This investment is a key differentiator for PayPal and will help ensure we identify and advance areas of mutual interest for our shared constituencies.

Fulfilling Our Mission, Vision and Values

For many years, conventional wisdom posed a false choice: that a business could either be profitable or do good in the world. Today, it is clear that purpose is not just a "nice to have," but is essential to long-term, sustainable business performance. For PayPal, purpose is integral to our strategy and our competitive advantage. The expectation that businesses drive positive social and environmental change is greater than ever, and this past year has demonstrated the critical role the private sector has to play in building and leading an inclusive recovery.

At PayPal, everything we do is driven by our mission, vision and values. In 2019, we launched our Employee Financial Wellness initiative to help strengthen the financial security of our employees. This initiative served to support our employees as they managed the unexpected challenges of the pandemic. Over the last year, we have significantly improved the PayPal-defined estimated net disposable income (or the discretionary income remaining for our employees after taxes and typical living expenses are paid) for hourly and entry-level employees, and we have made significant progress against our 20% goal. We are also leading a new coalition with JUST Capital to encourage other business leaders to make the financial wellness of their employees a strategic priority.

We continue to build new partnerships to support underserved and underrepresented communities. Earlier this year, we made a $5 million commitment to join Uber in a coalition to provide free or discounted rides to vaccination sites in the U.S. In February, we joined the UN Generation Equality Forum as the private sector leader for the Economic Justice and Rights Coalition. Through this initiative, we will help catalyze the movement for the next stage of impact on gender equality.

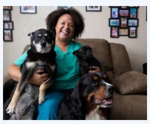
We will also continue to fulfill the commitments we made through our $535 million initiative to advance racial equity and social justice. As highlighted below, we have already made significant progress in allocating these funds and we will continue to seek out new opportunities for impact. Last month, we announced the establishment of the Maggie Lena Walker Award, which will recognize and promote the achievements of underrepresented women in business who have demonstrated a deep commitment to economically empowering those in their communities. It is critical that the private sector continue to apply a long-term focus on this important area, and that we collectively build upon the efforts from the past year to truly address systemic racism and injustice.

Our upcoming Global Impact Report will showcase these efforts and many more of our social innovation and ESG priorities, including our science-based target to reach net-zero emissions by 2040, in greater detail.

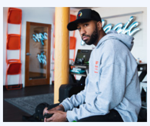
Our Efforts to Support Black Businesses, Advance Economic Equality and Strengthen Our Communities

As of February 2021, more than $300 million of the $535 million PayPal committed has already been deployed. These funds have provided immediate financial relief to small businesses and will also sustain the long-term growth and expansion of economic opportunity for Black and underrepresented businesses and communities.

- After receiving nearly 55,000 applicants within 72 hours of our Empowerment Grant program launch, we have distributed $15 million in grants to nearly 1,400 Black-owned businesses in partnership with the Association for Enterprise Opportunity. The impact of these grants is best described by a selection of business owners themselves:



Bridgett Jeffries, owner of dog daycare Café Wakefern, shared how her grant helped keep her business afloat in the midst of COVID-19 lockdowns.



Cameron Kirkland, photographer and owner of Cam Kirk Studios in Atlanta, utilized his grant to reopen the studio, enabling local artists to have a space for their creative work.

Jeanette Bolden-Pickens reopened her family-owned business, 27th Street Bakery in Los Angeles, and was able to replace a broken pie press with her grant.

- In a time when many nonprofits are struggling to survive, we have distributed $5 million in grants to 20 leading nonprofit community partners across the U.S. that support and empower Black-owned businesses and help provide on-the-ground support.
- To address the inequality in startup fundraising, we invested $63 million in nine early-stage Black and Latinx-led venture capital funds. We are also offering a three-month fellowship to a Black or Latinx graduate student each semester, through which the PayPal Ventures team will provide training and mentoring.
- We contributed $50 million to the Local Initiatives Support Corporation for the Black Economic Development Fund, which will be distributed as capital for financial assistance for those recovering from the pandemic. PayPal's investment was the largest single investment in the fund yet.
- We deposited $50 million in Optus Bank, which has worked to dismantle structural racism by providing equal access to financial services and asset building.
- As we work to deploy the remaining funds, we have moved $150 million to an underrepresented minority share class of Northern Trust Institutional Government Fund as an interim step.
- We directed $15 million to strengthen Diversity, Inclusion, Equity and Belonging at PayPal through expanded Employee Resource Group programming; deeper talent partnerships to support recruiting, hiring and career advancement of underrepresented employees; and new research to inform public policy related to racial equity issues.

Looking Ahead

PayPal's impact will continue to grow as we work to build an inclusive recovery – partnering across our ecosystem and with our regulators, and ensuring that all people and businesses can participate and thrive in the digital economy. Our purpose as a company will always be an important part of how we serve all of our stakeholders. By continuing to deliver both profit and purpose to meet the evolving needs of our customers, I am confident we will build long-term value for our stockholders.

We have never been more essential in the financial lives of our customers, and we have never had a greater opportunity to make a real difference. We live in a rapidly changing world and we cannot leave anyone behind. I hope you will join us in the effort to shape an inclusive and equitable economy.

Thank you.

Dan Schulman
President and CEO
PayPal Holdings, Inc.

Message from Our Independent Board Chair

Dear PayPal Stockholders,

2020 was a historic year for PayPal in a variety of meaningful ways. Amidst the challenges presented by the COVID-19 pandemic, we continued to execute on our strategic initiatives, deliver long-term, sustainable value to our stockholders and support our employees, customers and communities. Our strong corporate governance framework continued to provide the foundation for our Board composition and diversity, expansion of our environmental and social impact programs and enhanced engagement with our stockholders.

Board Composition and Diversity. We are proud to have a dynamic, effective and diverse Board with the right mix of skills, experiences and backgrounds for PayPal. Forty-five percent of Board members standing for re-election are women or from a diverse ethnic group. In addition, we have a strong commitment to diversity and inclusion at every level of PayPal starting with our Board and extending to our executive leadership team, 50% of whom are women and/or from diverse ethnic groups.

Environmental, Social and Governance. We are committed to responsibly managing our key environmental, social and governance ("ESG") opportunities and risks in a manner consistent with our mission and vision to democratize financial services. Our Board recognizes the importance of effective risk oversight and risk management, including with respect to cybersecurity, information security and privacy-related risks, as well as other ESG topics, and we devote significant time and attention to oversight of these risks.

Human Capital Management. We appreciate that PayPal is heavily dependent on our people and recognizes the fundamental importance of attracting, retaining and developing top global talent. Our Board is updated on a regular basis on the company's initiatives, actions and accomplishments relating to its human capital management strategy. In light of the increased focus on this topic, the Compensation Committee clarified its oversight of human capital management in its committee charter.

Stockholder Engagement. Proactive engagement with our stockholders is an essential part of our Board's commitment to robust governance. Our year-round stockholder engagement program and regular discussions with our stockholders on topics including operating performance, corporate governance and environmental and social issues provide valuable insights into emerging issues and feedback on our efforts. In 2020, we contacted investors representing approximately 63% of our common stock, and holders of approximately 31% of our common stock responded and engaged with us.

Please Join Us at Our 2021 Annual Meeting. I look forward to discussing these developments further with you at the 2021 Annual Meeting, which will again be held via live webcast at www.virtualshareholdermeeting.com/PYPL2021.

On behalf of the Board, thank you for your investment in PayPal.

Sincerely yours,

John J. Donahoe
Independent Board Chair
April 13, 2021

Table of Contents

PayPal

Notice of 2021 Annual Meeting of Stockholders

Wednesday, May 26, 2021

8:00 a.m. Pacific Time

Online at: www.virtualshareholdermeeting.com/PYPL2021
There is no physical location for the 2021 Annual Meeting.

ITEMS OF BUSINESS

1. Election of the 11 director nominees named in this proxy statement.
2. Advisory vote to approve named executive officer compensation.
3. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2021.
4. Consideration of two stockholder proposals, if properly presented at the Annual Meeting.
5. Such other business as may properly come before the Annual Meeting.

RECORD DATE

Tuesday, March 30, 2021 (the "Record Date")

Only stockholders of record at the close of business on the Record Date are entitled to receive notice of, and to vote at, the Annual Meeting.

PARTICIPATION IN VIRTUAL MEETING

We are pleased to invite you to participate in our Annual Meeting, which will be conducted exclusively online at www.virtualshareholdermeeting.com/PYPL2021. Please see "Important Information About PayPal's Virtual Annual Meeting" on the following page for additional information.

The Annual Meeting will begin promptly at 8:00 a.m. Pacific Time. The virtual meeting room will open at 7:45 a.m. Pacific Time for registration.

VOTING

Your vote is very important to us. Please act as soon as possible to vote your shares, even if you plan to participate in the Annual Meeting. For specific instructions on how to vote your shares, please see "Frequently Asked Questions – Voting Information" beginning on page 78 of this proxy statement.

REVIEW YOUR PROXY STATEMENT AND VOTE IN ONE OF THREE WAYS:

INTERNET	BY TELEPHONE	BY MAIL
Visit the website on your proxy card	Call the telephone number on your proxy card	Sign, date and return your proxy card in the enclosed envelope

Please refer to the enclosed proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you.

By Order of the Board of Directors

Brian Y. Yamasaki
Corporate Secretary
April 13, 2021

This notice of Annual Meeting and proxy statement and form of proxy are being distributed and made available on or about April 13, 2021.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 26, 2021

This proxy statement and PayPal Holdings, Inc.'s 2020 Annual Report are available electronically at https://investor.pypl.com/financials/annual-reports/default.aspx and (with your 16-digit control number) at www.proxyvote.com

Important Information About PayPal's Virtual Annual Meeting

PayPal's 2021 Annual Meeting will be conducted online only, via live video webcast. Stockholders will be able to access the meeting live by visiting www.virtualshareholdermeeting.com/PYPL2021. We have adopted a virtual meeting format to broaden stockholder access and encourage participation and communication with our management.

We have conducted efficient and effective virtual meetings since PayPal became an independent company in 2015. We intend to continue to ensure that our stockholders are afforded the same rights and opportunities to participate virtually as they would at an in-person meeting. We believe the virtual format makes it easier for stockholders to attend, and participate fully and equally in, the Annual Meeting because they can join with any Internet-connected device from any location around the world at no cost. Our virtual meeting format helps us engage with all stockholders – regardless of size, resources or physical location, protects the health and safety of attendees, saves the Company's and stockholders' time and money and reduces our environmental impact.

Participating in the Virtual Annual Meeting

- Instructions on how to attend the virtual Annual Meeting are posted at www.virtualshareholdermeeting.com/PYPL2021.
- You may log in to the meeting platform beginning at 7:45 a.m. Pacific Time on May 26, 2021. The meeting will begin promptly at 8:00 a.m. Pacific Time.
- You will need the 16-digit control number provided in your proxy materials to attend the virtual Annual Meeting and listen live at www.virtualshareholdermeeting.com/PYPL2021.
- Stockholders of record and beneficial owners as of the March 30, 2021 Record Date may vote their shares electronically during the virtual Annual Meeting.
- On the date of the Annual Meeting, if you have questions about how to attend and participate, or you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call 1-844-986-0822 (US) or 1-303-562-9302 (International).

Additional Information About the Virtual Annual Meeting

- Stockholders may submit questions in advance of the meeting at www.proxyvote.com before 8:59 p.m. Pacific Time on May 25, 2021 or during the live meeting at www.virtualshareholdermeeting.com/PYPL2021.
- During the meeting's live Q&A session, members of our senior management team and our Board Chair will answer questions (including those submitted in advance) as time permits.
- Our rules of conduct and procedure for the meeting generally provide that:
  - Management will answer stockholder questions after the formal meeting has concluded.
  - We limit each stockholder to one question so we can answer questions from as many stockholders as possible. Questions should be succinct and cover only one topic per question. Questions from multiple stockholders on the same topic or that are otherwise related may be grouped, summarized and answered together. In addition, questions may be edited for brevity and grammatical corrections.
  - We do not intend to address any questions that are, among other things: irrelevant to the business of the Company or to the business of the Annual Meeting; related to material non-public information of the Company; related to personal matters or grievances; derogatory or otherwise in bad taste; repetitious statements already made by another stockholder; in furtherance of the stockholder's personal or business interests; or out of order or not otherwise suitable for the conduct of the Annual Meeting as determined by the Board Chair or Corporate Secretary in their reasonable discretion.
- If there are matters of individual concern to a stockholder (rather than of general concern to all stockholders), or if we are not able to answer all the questions posed, stockholders may contact us separately after the meeting through our Investor Relations department by email at investorrelations@paypal.com.
- We will post our Q&A on our Investor Relations website as soon as practicable after the Annual Meeting. In addition, a replay of the meeting will be publicly available on our Investor Relations website after the meeting concludes.

Proxy Statement Summary

This summary highlights certain information contained elsewhere in this proxy statement for the 2021 Annual Meeting of Stockholders (the "Annual Meeting"). This summary does not contain all the information that you should consider, and you should read the entire proxy statement carefully before voting.

2021 Annual Meeting Information

TIME AND DATE
8:00 a.m. Pacific Time
on May 26, 2021

PLACE
Online at www.virtualshareholdermeeting.com/PYPL2021.
There is no physical location for the Annual Meeting.

RECORD DATE
March 30, 2021

Proposals to be Voted on and Board Voting Recommendations

	Proposal	Recommendation of the Board	Page
1	Election of 11 director nominees named in this proxy statement	**FOR** each of the nominees	10
2	Advisory vote to approve named executive officer compensation	**FOR**	41
3	Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2021	**FOR**	67
4	Vote on Stockholder Proposal – Stockholder Right to Act by Written Consent	**AGAINST**	70
5	Vote on Stockholder Proposal – Assessing Inclusion in the Workplace	**AGAINST**	73

Our 2020 Key Highlights

2020 was a historic year for PayPal. The COVID-19 pandemic presented unprecedented global challenges and increased the urgency across our organization to serve our employees, customers and communities in new and innovative ways.

Actions We Took in Response to COVID-19

As a purpose-driven company, our beliefs are the foundation for how we conduct business – our values of collaboration, inclusion, innovation and wellness drive us each day. This was never more evident than in 2020, as we navigated the widespread impact of the COVID-19 pandemic. We focused on utilizing our platform, resources and leadership to support our employees, customers and communities through a dynamically changing and uncertain environment.

Throughout the pandemic, we have prioritized the safety, security and well-being of our workforce. We mobilized nearly 100% of our global workforce to remote work or flexible work arrangements, and strengthened programs focused on employee wellness, including our crisis leave program and employee assistance program.

We also worked actively to help our customers and communities to navigate the challenges. We offered flexibility to our small business merchants by allowing the deferral of payments on their business loans and waived chargeback and instant fund transfer fees, among other actions. We worked with the U.S. Small Business Administration ("SBA") to provide small businesses with access to more than $2 billion in loans in 2020 through the Paycheck Protection Program ("PPP"), with an average loan size of $28,000. We supported U.S. Treasury with stimulus check distribution through direct deposit into PayPal and Venmo accounts. We also raised over $17 billion through the PayPal Giving Platform, PayPal's COVID-19 fundraising campaign, employee giving campaigns and other initiatives.

Our Commitment to Address Racial and Economic Inequality

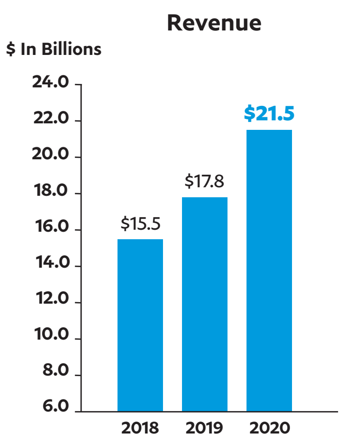
PayPal has made a $535 million commitment to support Black and underserved businesses and communities in the U.S., especially those hit hardest by the pandemic, to help address economic inequality and to bolster our internal programs to further increase diversity, inclusion and equity. We earmarked $15 million to support internal employee programs and thought leadership, including dedicated resources for our eight employee resource groups and new partnerships to expand our talent pipeline. We also expanded our enterprise-wide focus on diversity and inclusion to more formally include equity and belonging (which we now refer to as diversity, inclusion, equity and belonging ("DIE&B")).

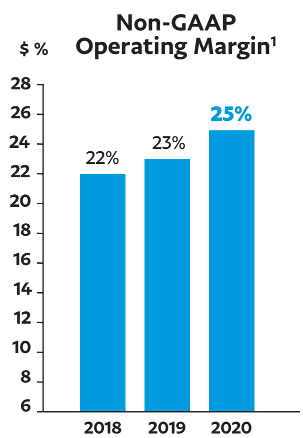
A Record Year for Financial and Operational Performance

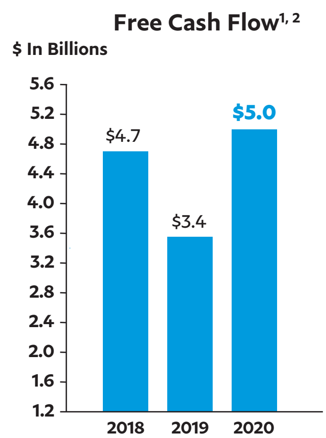
In 2020, we achieved record financial and operational performance across key performance metrics, including net new active accounts, total payment volume, revenue, non-GAAP Operating Margin and Free Cash Flow. Our revenue increased to over $21 billion. We added more than 72 million net new active accounts, ending the year with 377 million active consumer and merchant accounts. Our total payment volume increased to $936 billion and customer engagement grew to an average of 40.9 transactions per active account as we continued to scale our acceptance worldwide.

The strong secular trends of increasing e-commerce penetration and cash displacement accelerated, contributing to our record results. In addition, we innovated at scale, introducing more products and services in 2020 than we have in any year in our history. For example, we enabled U.S. customers to buy, hold and sell cryptocurrency directly from their PayPal accounts, launched short-term installment credit products and deployed QR code functionality in 28 markets globally to provide customers with a touch-free way to buy and sell in person, safely and securely.

Performance Highlights







CREATING VALUE FOR OUR STOCKHOLDERS:
Revenue grew **22%** on an FX-Neutral Basis

EXPANDING OUR BASE:
Active Accounts of **377 Million** — **Up 24%** from 2019

DRIVING CUSTOMER ENGAGEMENT:
40.9 Payment Transactions per Active Account ("TPA") — **Up 1%** from 2019

GAINING SHARE:
Total Payment Volume of **$936 Billion** — **Up 31%** from 2019

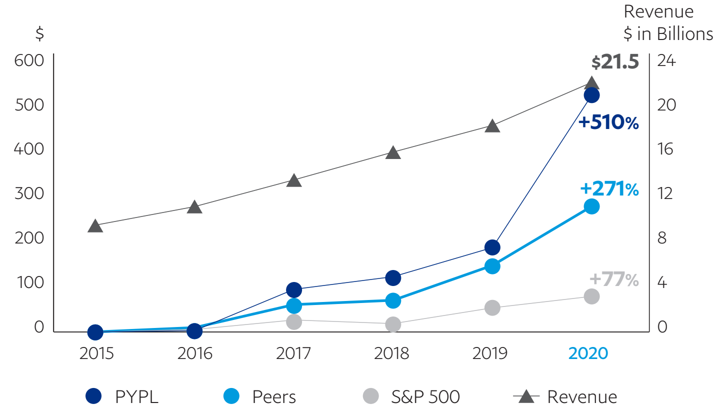
1 Non-GAAP Operating Margin and Free Cash Flow are not financial measures prepared in accordance with generally accepted accounting principles ("GAAP"). For information on how we compute these non-GAAP financial measures and a reconciliation to the most directly comparable financial measures prepared in accordance with GAAP, please refer to "Appendix A – Reconciliation of Non-GAAP Financial Measures" in this proxy statement.

2 Free Cash Flow for 2018 reflects the impact of held for sale accounting treatment in connection with the sale of the Company's U.S. consumer credit receivables portfolio, which increased Free Cash Flow for 2018 by approximately $1.4 billion. Normalizing for this impact, Free Cash Flow for 2018 would have been approximately $3.3 billion.

Sustainable Stockholder Value Creation

The success of PayPal's approach to stockholder value creation under Mr. Schulman's leadership is evident in our delivery of long-term returns to our stockholders. Our three-year total stockholder return* was 218%, and our one-year total stockholder return** was 117%.

Total Stockholder Return (TSR) as an Independent Public Company



--S&P Capital IQ: TSR timeframe represents July 17, 2015 through December 31, 2020
--Peers, market cap weighted: ADBE, GOOGL, AMZN, AXP, AAPL, DFS, FB, FISV, FIS, GPN, INTU, MA, NFLX, ORCL, CRM, SQ, WU, TWTR, V, WP.

* Measured from December 29, 2017 to December 31, 2020
** Measured from December 31, 2019 to December 31, 2020

To learn more about how our 2020 performance relates to our executive compensation program, see the Compensation Discussion and Analysis beginning on page 42.

2021 Director Nominees

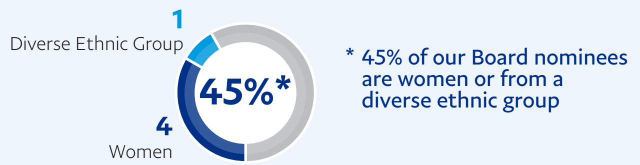
We introduce our 2021 director nominees below. All the nominees are independent except Mr. Schulman, PayPal's President and CEO.

Directors	Occupation	Diversity	Age	Director Since	Independent	Other Public Company Boards	Committee Memberships		
							ARC	COMP	GOV
 Rodney C. Adkins	President, 3RAM Group LLC	D	62	2017	●	3	●		●
 Jonathan Christodoro	Partner, Patriot Global Management, L.P.		44	2015	●	3		●	●
 John J. Donahoe ☆	President and CEO, Nike, Inc.		60	2015	●	1			
 David W. Dorman	Non-Executive Board Chair of CVS Health Corporation		67	2015	●	2		✪	●
 Belinda J. Johnson	Former Chief Operating Officer, Airbnb, Inc.	W	54	2017	●	1	●		
 Gail J. McGovern	President and CEO, American Red Cross	W	69	2015	●	1		●	✪
 Deborah M. Messemer	Former Major Market Managing Partner, KPMG (retired)	W	63	2019	●	1	●		
 David M. Moffett	Former CEO, Federal Home Loan Mortgage Corp. (retired)		69	2015	●	2	✪		
 Ann M. Sarnoff	Board Chair and CEO, WarnerMedia Studios & Networks Group	W	59	2017	●	0	●		
 Daniel H. Schulman	President and CEO, PayPal Holdings, Inc.		63	2015		1			
 Frank D. Yeary	Managing Member, Darwin Capital Advisors, LLC		57	2015	●	1	●		

☆ Independent Board Chair ✪ Committee Chair
ARC = Audit, Risk and Compliance Committee
Comp = Compensation Committee
Gov = Corporate Governance and Nominating Committee
W = Woman
D = Diverse Ethnic Group

The Board and the Corporate Governance and Nominating Committee are committed to ensuring that the Board of Directors is composed of individuals who have highly relevant skills, professional experience and backgrounds, bring diverse viewpoints and perspectives and effectively represent the long-term interests of stockholders. The following provides a snapshot of the diversity, skills and experience of our director nominees. For more information about our Board members, please see “Director Experience, Expertise and Attributes” beginning on page 11 of this proxy statement.

Diversity of Our Board Nominees



Nominee Skills & Experiences

Payments, Financial Services and FinTech	7
Technology and Innovation	9
Global Business	11
Senior Leadership	11
Business Development and Strategy	11
Legal/ Regulatory/ Governmental	10
Cybersecurity/ Information Security	4
Finance/ Accounting	11
Consumer/Sales/ Marketing/Brand Management	8
Human Capital Management	10
Other Public Company Board Service	11

Corporate Governance Highlights

Corporate governance at PayPal is designed to promote the long-term interests of our stockholders, strengthen Board and management accountability, foster responsible decision-making, engender public trust and demonstrate PayPal’s commitment to transparency, accountability, independence and diversity.

- 10 of 11 director nominees are independent
- Independent Board Chair with robust responsibilities
- Majority vote standard for uncontested director elections
- Stockholder right to call a special meeting
- Simple majority vote standard for charter/bylaw amendments and mergers/business combinations
- Diverse board in which 5 of 11 director nominees are women or from a diverse ethnic group
- Director service on no more than four public company boards, including the PayPal Board
- Governance Guidelines revised to include sexual orientation, ethnicity, nationality and cultural background in the list of diverse characteristics considered in assessing Board composition
- Committed to actively seeking highly-qualified women and individuals from underrepresented communities to include in the initial pool from which Board nominees are chosen
- Regular review of Board and executive succession planning
- All directors stand for annual election
- Strong stockholder engagement practices
- Proxy access for qualifying stockholders
- Robust stock ownership requirements for our executive officers and directors
- Annual Global Impact Report disclosing our performance, progress and strategy on key ESG (environmental, social and governance) topics
- Annual performance self-evaluations by the full Board and each committee

To learn more about our corporate governance practices and policies, see page 19.

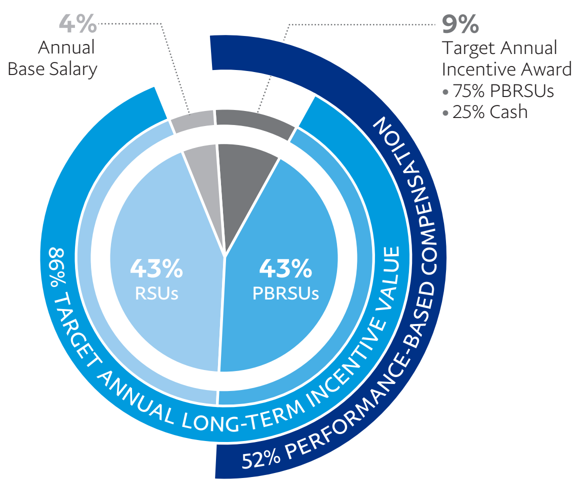
Executive Compensation Highlights

The Compensation Committee has designed our executive compensation program to support PayPal's growth strategy. The Compensation Committee believes that long-term incentives in the form of equity awards should make up the majority of our named executive officers' ("NEOs") target total direct compensation opportunity because such awards align pay and performance and the interests of our executives with those of our stockholders.

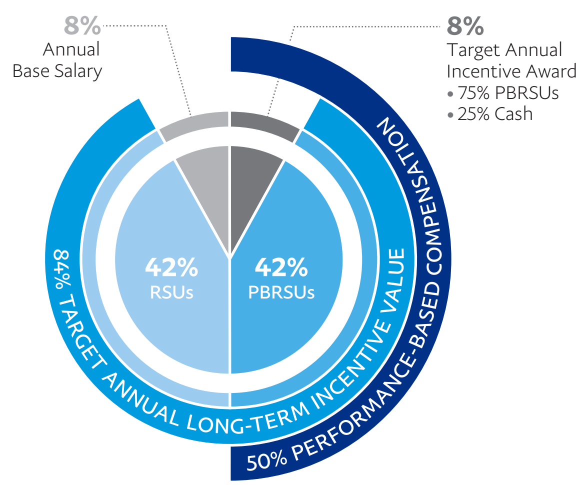
The following charts show the 2020 Target Total Direct Compensation mix for our CEO, Mr. Schulman, and the average 2020 Target Total Direct Compensation mix for our other NEOs. To learn more about our executive compensation program, see the Compensation Discussion and Analysis beginning on page 42.

2020 Total Target Direct Compensation Mix*

CEO



Other NEOs



* Target Total Direct Compensation is the sum of (i) 2020 base salary, (ii) target 2020 annual incentive award (based on the grant date fair value for the portion of the award delivered as PBRSUs), and (iii) target annual long-term incentive award (based on the grant date fair value).

ESG Highlights

PayPal recognizes the importance as a global citizen to operate in a responsible and sustainable manner aligned with our mission to build a more financially inclusive and interconnected global economy. The management of key non-financial risks and opportunities is essential to our strategy and long-term performance. To that end, our environmental, social and governance ("ESG") strategy is centered on four primary focus areas.

SOCIAL INNOVATION, OR HOW WE PURSUE A MORE INCLUSIVE GLOBAL ECONOMY

This category includes our annual reporting on social impact metrics, product and service enhancements, research and thought leadership and partnerships to promote economic empowerment, improve financial health and power charitable giving.

EMPLOYEES AND CULTURE, OR HOW WE LIVE OUR CORE VALUES THROUGHOUT OUR WORKFORCE

This category includes designing and executing an effective human capital management strategy to support the recruitment, retention, development and wellness of our workforce, implementing measurable diversity and inclusion initiatives and metrics that demonstrate our commitment to equity and creating innovative employee experiences and opportunities to support our global communities.

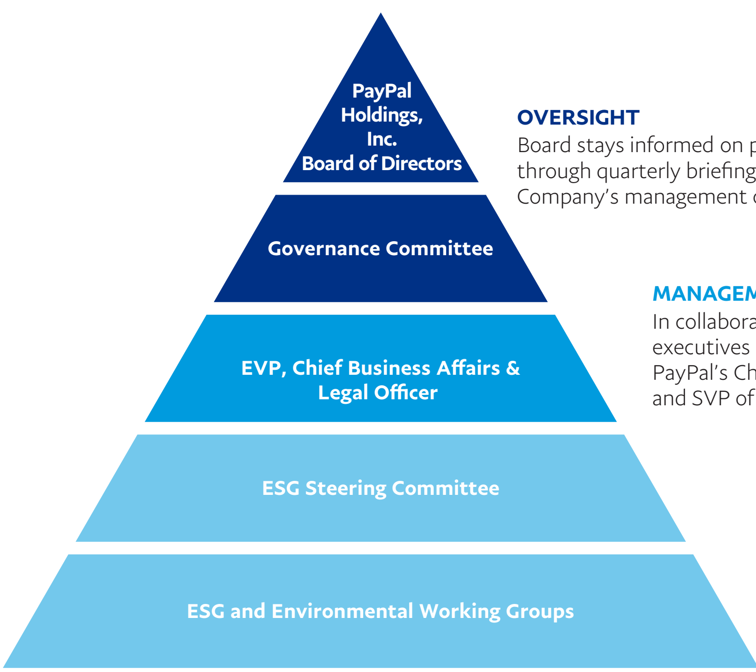
ENVIRONMENTAL SUSTAINABILITY, OR HOW WE RESPONSIBLY ADVANCE SUSTAINABLE BUSINESS PRACTICES

This category includes addressing climate change, promoting renewable energy use, mobilizing on environmental action and driving environmental innovation across our products, services and value chain.

RESPONSIBLE BUSINESS PRACTICES, OR HOW WE OPERATE OUR BUSINESS IN AN ETHICAL MANNER

This category includes establishing policies and practices to safeguard trust, ensuring ethical and compliant business operations and securing and protecting customer information.

ESG Governance Structure



OVERSIGHT

Board stays informed on priority ESG matters and emerging trends through quarterly briefings. Governance Committee oversees the Company's management of ESG matters generally.

MANAGEMENT

In collaboration with the Chief Business Affairs and Legal Officer, executives across PayPal are regularly engaged on ESG matters, including PayPal's Chief Financial Officer, Chief Risk Officer, Chief Technology Officer and SVP of Corporate Affairs.

PROGRAM IMPLEMENTATION

Monthly meetings of cross-functional experts representing over 20 departments, including Risk and Compliance, Data Centers, Human Resources, Social Innovation, Environmental Health and Safety, Site Reliability, Reputation Risk, Business Analytics, among others.

For more information on our ESG strategy and program, see "ESG Oversight and Highlights" beginning on page 32, and our most recent Global Impact Report, which is available on our website at https://investor.pypl.com/esg-strategy/default.aspx.

PROPOSAL 1:

Election of Directors

Based upon a review of their skills, qualifications, expertise and characteristics, our Board has nominated all of our current directors for election at the Annual Meeting, to serve until our 2022 Annual Meeting of Stockholders and until their successors are elected and qualified. Each director nominee is independent except Mr. Schulman, our President and CEO.

We expect that each director nominee will be able to serve if elected. If any director nominee is unable or unwilling to serve at the time of the Annual Meeting, the present Board may identify a substitute nominee to fill the vacancy, reduce the size of the Board, or leave a vacancy to fill at a later date.

Directors must be elected by a majority of the votes cast in uncontested elections. This means that the number of votes cast "FOR" a director nominee must exceed the number of votes cast "AGAINST" that nominee. (For more information, please see "Frequently Asked Questions – Voting Information" on page 78) Each director has submitted an advance, contingent, irrevocable resignation that the Board may accept if stockholders do not re-elect that director. After the certification of any such stockholder vote, the Corporate Governance and Nominating Committee (the "Governance Committee") or a committee composed solely of independent directors that does not include the director who was not re-elected would determine whether to accept the director's resignation. We will publicly disclose any such decision and the rationale behind it.

Director Nominees

The Governance Committee is responsible for recommending to the Board the qualifications for Board membership and for identifying, assessing and recommending qualified director candidates for the Board's consideration. The Board's membership qualifications and nomination procedures are set forth in our Corporate Governance Guidelines. Nominees may be suggested by directors, management, stockholders or by a third-party firm.

The Governance Committee and the Board have evaluated each of the director nominees and concluded that it is in the best interests of the Company and its stockholders for each of these individuals to continue to serve as a director. The Board believes that each director nominee has a strong track record of being a responsible steward of stockholders' interests and brings extraordinarily valuable insight, perspective and expertise to the Board.

To ensure that the Board continues to evolve and be refreshed in a manner that serves the changing business and strategic needs of the Company, the Governance Committee annually reviews with the Board the applicable skills, qualifications, expertise and characteristics of Board nominees in the context of the current Board composition and Company circumstances. The Governance Committee evaluates whether each director demonstrates several key attributes and provides significant and meaningful contributions to the Board. These factors include:

- Highly relevant professional experience in payments, financial services, financial technology ("FinTech"), technology, innovation, global business, business development, strategy, legal, regulatory, government, cybersecurity, information security, finance, accounting, consumer, sales, marketing, brand management and/or human capital management;
- Relevant senior leadership/CEO experience;
- Experience and expertise that complement the skill sets of the other director nominees;
- High degree of character and integrity and ability to contribute to strong Board dynamics;
- Highly engaged and able to commit the time and resources needed to provide active oversight of PayPal and its management;
- Sound business judgment; and
- Commitment to enhancing stockholder value.

In addition, the Governance Committee considers whether each director contributes to the Board's diversity in terms of gender, sexual orientation, race, ethnicity, nationality, cultural background and age.

Focus on Board Refreshment and Diversity

The Governance Committee values diversity as a factor in selecting nominees. When searching for new directors, the Governance Committee actively seeks out highly-qualified women and individuals from underrepresented communities to include in the initial pool from which Board nominees are chosen. In keeping with this commitment to diversity and inclusion our eleven director nominees include four people who self-identify as women and one person who self-identifies as African American.

Our active Board refreshment process has resulted in a strong mix of diversity and independence, which contributes to effective oversight of management and the Company. Since 2016, we have added four diverse directors to the Board, with a strong mix of skills, qualifications, backgrounds and experience.

Director Experience, Expertise and Attributes

Our 2021 Board skills matrix shows that our Board reflects a balanced mix of the core skills, expertise and attributes that we consider most relevant in light of our current business strategy and structure. For more information on the qualifications that each director nominee brings to our Board, please see the nominee biographies beginning on page 13.

BOARD SKILLS MATRIX

Experience, Expertise and Attributes	Adkins	Christodoro	Donahoe	Dorman	Johnson	McGovern	Messemer	Moffett	Sarnoff	Schulman	Yeary
Payments, Financial Services and FinTech This experience is critical to oversight of PayPal's business and strategy in these complex and dynamic industries.		●	●		●		●	●		●	●
Technology and Innovation Because PayPal is a technology platform and digital payments company, we look for directors with a background in developing technology businesses, anticipating technological trends and driving innovation and product development.	●	●	●	●	●	●	●		●	●	
Global Business An understanding of diverse business environments, economic conditions, cultures and regulatory frameworks is relevant to PayPal as a global business operating in over 200 markets around the world.	●	●	●	●	●	●	●	●	●	●	●
Senior Leadership Significant senior leadership and/or CEO experience, with a practical understanding of organizations, processes, strategic planning and risk management to assess, develop and implement our business strategy and operating plan.	●	●	●	●	●	●	●	●	●	●	●
Business Development and Strategy This experience is relevant in helping PayPal to grow its business, expand its value proposition and assess whether potential targets and partners are a good strategic and culture fit.	●	●	●	●	●	●	●	●	●	●	●
Legal / Regulatory / Governmental Knowledge and experience with legal and regulatory issues, compliance obligations and governmental policies is relevant because we operate globally in a rapidly evolving legal and regulatory environment.	●	●		●	●	●	●	●	●	●	●
Cybersecurity / Information Security This experience is vital to protecting PayPal's technology infrastructure and payments platform, maintaining the trust of our customers and keeping customer information secure.	●		●	●						●	
Finance / Accounting This experience is relevant to the oversight of PayPal's capital structure, financing and investing activities, as well as our financial reporting and internal controls.	●	●	●	●	●	●	●	●	●	●	●
Consumer / Sales / Marketing / Brand Management Experience in developing strategies to grow sales and market share, build brand awareness and overall preference among customers and enhance PayPal's reputation is relevant to the growth of our business.	●		●	●	●	●	●		●	●	
Human Capital Management This experience is vital to ensuring that PayPal attracts, motivates, develops and retains qualified personnel, and fosters a corporate culture that encourages and promotes accountability, performance and diversity, inclusion, equity and belonging.	●		●	●	●	●	●	●	●	●	●
Other Public Company Board Service Service on a public company board provides insights about ensuring strong board and management accountability, protecting stockholder interests and observing appropriate governance practices.	●	●	●	●	●	●	●	●	●	●	●

Stockholder Recommendations and Nominations

Stockholders who would like the Governance Committee to consider their recommendations for director nominees should submit their recommendations in writing by mail to the Governance Committee in care of our Corporate Secretary at PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131, stating the candidate's name and qualifications for Board membership. Any such recommendation by a stockholder will receive the same consideration by the Governance Committee as other suggested nominees.

In addition, our Restated Certificate of Incorporation and Bylaws provide proxy access rights that permit eligible stockholders to nominate candidates for election to the Board in the Company's proxy statement. These proxy access rights permit a stockholder, or group of up to 20 stockholders, owning 3% or more of the Company's outstanding common stock continuously for at least three years to nominate and include in the Company's proxy materials director nominees constituting up to 20% of the Board, provided that the stockholder(s) and nominee(s) satisfy the requirements and procedures described in our Restated Certificate of Incorporation and Bylaws.

Director Biographies

Age 62

Director since:
September 2017

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance
- Governance

Other Public Company Boards:
- Avnet, Inc. (Chair)
- United Parcel Service, Inc.
- W.W. Grainger, Inc.

Former Public Company Boards:
- PPL Corporation (August 2014 to May 2019)

RODNEY C. ADKINS
President of 3RAM Group LLC

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Extensive experience in the technology industry, including emerging technologies, strategy, global business operations, innovation, product development and brand management
- Significant experience in corporate finance, financial statements and accounting
- In-depth expertise in corporate governance matters as a Board member of other public companies
- Expertise in supply chain, procurement and global trade

Key Qualifications and Experience:
- Technology and Innovation
- Global Business
- Senior Leadership
- Business Development and Strategy
- Regulatory and Governmental
- Cybersecurity/Information Security
- Finance
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:
- President of 3RAM Group LLC, a privately held company specializing in capital investments, business consulting services and property management, since January 2015.
- Spent over 30 years at International Business Machines Corporation (IBM) in various 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.

Age 44

Director since:
July 2015

INDEPENDENT

Board Committees:
- Compensation
- Governance

Other Public Company Boards:
- Pioneer Merger Corp.
- Sandridge Energy, Inc.
- Xerox Corporation

Former Public Company Boards:
- Enzon Pharmaceuticals, Inc. (October 2013 to August 2020)
- Herbalife Ltd. (April 2013 to January 2021)
- Lyft, Inc. (May 2015 to March 2019)

JONATHAN CHRISTODORO
Partner at Patriot Global Management, L.P.

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Extensive financial, strategic planning and investment banking experience advising public companies, including at the board level
- Significant experience in identifying and evaluating M&A and investment opportunities and portfolio companies across a range of industries, including technology

Key Qualifications and Experience:
- Financial Services
- Technology and Innovation
- Global Business
- Senior Leadership
- Business Development and Strategy
- Regulatory and Compliance
- Finance
- Other Public Company Board Service

Biography:
- Partner at Patriot Global Management, L.P., an investment management firm, since March 2019.
- Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds, from July 2012 to February 2017.
- Served in various investment and research roles from, March 2007 to July 2012.
- Began his career as an investment banking analyst at Morgan Stanley, where he focused on merger and acquisition transactions across a variety of industries.
- Served in the United States Marine Corps.

Age 60

Director since:
July 2015

INDEPENDENT

Board Chair

Board Committees:
- None

Other Public Company Boards:
- Nike, Inc.

Former Public Company Boards:
- ServiceNow, Inc. (April 2017 to June 2020)
- eBay Inc. (January 2008 to July 2015)

JOHN J. DONAHOE
President and Chief Executive Officer of Nike, Inc.

Experience, Skills and Qualifications of Particular Relevance to PayPal:

- Extensive industry experience and deep knowledge of PayPal's operations through his former role as director, President and Chief Executive Officer of eBay Inc.
- Expertise in commerce, technology, global strategy, operations and executive leadership
- Extensive track record of creating value, driving innovation and scaling large technology companies

Key Qualifications and Experience:

- Payments and FinTech
- Technology and Innovation
- Global Business
- CEO Experience
- Business Development and Strategy
- Cybersecurity/Information Security
- Finance
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:

- President and Chief Executive Officer of Nike, Inc., since January 2020.
- President and Chief Executive Officer of ServiceNow, Inc., a cloud computing company, from April 2017 to December 2019.
- President and Chief Executive Officer of eBay Inc. from March 2008 to July 2015, and director of eBay Inc., from January 2008 to July 2015.
- President, eBay Marketplaces, from March 2005 to January 2008.
- Worldwide Managing Director of Bain & Company, from January 2000 to February 2005.

Age 67

Director since:
June 2015

INDEPENDENT

Board Committees:
- Compensation (Chair)
- Governance

Other Public Company Boards:
- CVS Health Corporation
- Dell Technologies, Inc.

Former Public Company Boards:
- Motorola Solutions, Inc. (May 2011 to May 2015)

DAVID W. DORMAN
Non-Executive Board Chair of CVS Health Corporation

Experience, Skills and Qualifications of Particular Relevance to PayPal:

- Expertise in finance, M&A and investments, strategic planning, public company executive compensation matters and executive leadership
- In-depth experience leading global companies in regulated industries

Key Qualifications and Experience:

- Technology and Innovation
- Global Business
- CEO Experience
- Business Development and Strategy
- Regulatory and Compliance
- Cybersecurity/Information Security
- Finance and Accounting
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:

- Founding Partner of Centerview Capital Technology Fund, a private investment firm, since July 2013.
- Board Chair of InfoWorks, a portfolio company of Centerview, since January 2019.
- Lead Independent Director 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, from May 2011 until his retirement from that board in May 2015.
- Non-Executive Board Chair of Motorola, Inc., from May 2008 to January 2011.
- Senior Advisor and Managing Director to Warburg Pincus LLC, a global private equity firm, from October 2006 to May 2008.
- President and a director of AT&T Corporation, from November 2005 until January 2006.
- Board Chair and Chief Executive Officer of AT&T Corporation, from November 2002 until November 2005.
- 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.
- Served as a Trustee for Georgia Tech Foundation, Inc.

Age 54

Director since:
January 2017

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance

Other Public Company Boards:
- Airbnb, Inc.

BELINDA J. JOHNSON
Former Chief Operating Officer of Airbnb, Inc.

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Significant strategic and operational experience with a global, consumer-facing, technology company growing at scale
- Extensive legal, regulatory and government relations expertise as a practicing lawyer and business affairs leader gained over two decades advising innovative and disruptive global technology companies

Key Qualifications and Experience:
- Payments
- Technology and Innovation
- Global Business
- Business Development and Strategy
- Senior Leadership
- Legal and Regulatory
- Finance
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:
- Chief Operating Officer of Airbnb, Inc. from February 2018 to March 2020.
- Chief Business Affairs and Legal Officer of Airbnb, Inc., from July 2015 to February 2018, having joined as General Counsel in December 2011.
- Served in various positions at Yahoo! Inc. from August 1999 until her departure, in August 2011, as Senior Vice President and Deputy General Counsel.
- General Counsel of Broadcast.com, Inc., an internet broadcasting company, from November 1996 to August 1999.

Age 69

Director since:
June 2015

INDEPENDENT

Board Committees:
- Compensation
- Governance (Chair)

Other Public Company Boards:
- DTE Energy Company

GAIL J. MCGOVERN
President and Chief Executive Officer of the American Red Cross

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Extensive executive experience in strategic planning, sales and marketing, customer relations and corporate finance
- Strong expertise in regulatory matters and government relations garnered through leadership positions in regulated industries
- Brings a strong perspective from the academic and nonprofit worlds aligned with PayPal's mission and vision

Key Qualifications and Experience:
- Technology and Innovation
- Global Business
- CEO Experience
- Business Development and Strategy
- Regulatory and Compliance
- Finance
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:
- President and Chief Executive Officer of the American Red Cross, a humanitarian organization, since June 2008.
- Faculty member at the Harvard Business School, from 2002 to 2008.
- President of Fidelity Personal Investments, from 1998 to 2002.
- Executive Vice President, Consumer Markets Division at AT&T Corporation, from 1997 to 1998.
- Serves as a trustee of The Johns Hopkins University School of Medicine.

Age 63

Director since:
January 2019

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance (Audit Committee Financial Expert)

Other Public Company Boards:
- Allogene Therapeutics, Inc.

DEBORAH M. MESSEMER
Former Major Market Managing Partner at KPMG

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- More than 30 years of experience in finance, strategy, market development, regulation, governance and operations
- Extensive expertise in financial reporting, due diligence, mergers and acquisitions, and internal controls over financial reporting as Audit Engagement Partner or Senior Relationship Partner for companies in a variety of industries, including financial services and technology
- Strong leadership and people management experience as Managing Partner of KPMG's Bay Area and Northwest region, leading a team of over 3,000 employees

Key Qualifications and Experience:
- Financial Services
- Technology and Innovation
- Global Business
- Senior Leadership
- Business Development and Strategy
- Regulatory and Compliance
- Finance and Accounting
- Consumer Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:
- Served for over 35 years at KPMG, one of the world's leading professional services firms, first in the audit practice, then as Audit Engagement Partner or Global Senior Relationship Partner for clients in a variety of industries, including financial services and technology. She was Managing Partner of KPMG's Bay Area and Northwest region, responsible for leading teams in 10 offices across all functions, from 2008 through her retirement in September 2018.
- Serves on the Board of Directors of Carbon, Inc.

Age 69

Director since:
June 2015

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance (Chair) (Audit Committee Financial Expert)

Other Public Company Boards:
- CSX Corporation
- Genworth Financial, Inc.

Former Public Company Boards:
- Freddie Mac (December 2008 to March 2009)
- eBay Inc. (July 2007 to July 2015)

DAVID M. MOFFETT
Former Chief Executive Officer of Federal Home Loan Mortgage Corp.

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- More than 30 years of strategic finance, mergers and acquisitions, risk management and operational experience in banking and payment processing
- Strong leadership experience and extensive global financial management and regulatory expertise as a former Chief Executive Officer and Chief Financial Officer of financial services companies

Key Qualifications and Experience:
- Payments
- Global Business
- CEO Experience
- Business Development and Strategy
- Governmental, Regulatory and Compliance
- Finance and Accounting
- Human Capital Management
- Other Public Company Board Service

Biography:
- Lead Independent Director of PayPal, from July 2015 through December 2018.
- Chief Executive Officer of Federal Home Loan Mortgage Corp. ("Freddie Mac"), from September 2008 until his retirement in March 2009, and director of Freddie Mac from December 2008 to March 2009.
- Chief Financial Officer of Star Banc Corporation, a bank holding company, starting in 1993. During his tenure, played an integral role in the acquisition of Firstar Corporation in 1998 and later U.S. Bancorp in 2001. Mr. Moffett remained Chief Financial Officer of U.S. Bancorp until 2007.
- Trustee for Columbia Atlantic Mutual Funds and University of Oklahoma Foundation; consultant to various financial services companies.

Age 59

Director since:
June 2017

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance

Other Public Company Boards:
- None

Former Public Company Boards:
- HSN, Inc. (December 2012 to December 2017)

ANN M. SARNOFF
Board Chair and Chief Executive Officer of WarnerMedia Studios & Networks Group

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- More than 30 years of diversified business and media experience from a variety of executive leadership roles
- Expertise in driving consumer engagement with brands and developing innovative partnerships
- Extensive technology experience across media and platforms

Key Qualifications and Experience:
- Technology and Innovation
- Global Business
- CEO Experience
- Business Development and Strategy
- Regulatory
- Finance
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:
- Board Chair and Chief Executive Officer of WarnerMedia Studios & Networks Group, a global leader in entertainment and consumer products, since August 2020.
- Board Chair and Chief Executive Officer of Warner Bros. Entertainment, from August 2019 to August 2020.
- President of BBC Studios Americas, from August 2015 to August 2019.
- Chief Operating Officer of BBC Worldwide North America, from 2010 to July 2015.
- Board Chair of BritBox, a joint venture subscription streaming service launched in partnership with ITV in March of 2017.
- Member of the board of directors of Georgetown University and the vice chair of the McDonough School of Business at Georgetown.

Age 63

Director since:
July 2015

Board Committees:
- None

Other Public Company Boards:
- Verizon Communications Inc.

Former Public Company Boards:
- Flex Ltd. (June 2009 to August 2018)
- NortonLifeLock (formerly known as Symantec Corporation), Board Chair (January 2013 to December 2019)

DANIEL H. SCHULMAN
President and Chief Executive Officer of PayPal

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Deep expertise in payments, financial services, mobile technology, innovation, regulatory and cybersecurity matters
- Leadership experience and vision in growing large, complex businesses
- Experience transforming financial services while driving cultural change and fostering a values-based environment that champions diversity, inclusion, equity and belonging

Key Qualifications and Experience:
- Payments, Financial Services and FinTech
- Technology and Innovation
- Global Business
- CEO Experience
- Business Development and Strategy
- Legal, Regulatory and Governmental
- Cybersecurity/Information Security
- Finance and Accounting
- Consumer, Sales, Marketing and Brand Management
- Human Capital Management
- Other Public Company Board Service

Biography:
- President and Chief Executive Officer of PayPal since July 2015; served as the President and CEO-Designee of PayPal from September 2014 until July 2015.
- Group President, Enterprise Group of American Express Company, from August 2010 to August 2014.
- President, Prepaid Group of Sprint Nextel Corporation, from November 2009 until August 2010, when Sprint Nextel acquired Virgin Mobile, USA.

Age 57

Director since:
July 2015

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance

Other Public Company Boards:
- Intel Corporation

FRANK D. YEARY
Managing Member at Darwin Capital Advisors, LLC

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Extensive career in investment banking and finance with financial strategy and global M&A expertise, including expertise in financial reporting and experience in assessing the efficacy of mergers and acquisitions with international companies on a global scale, and experience attracting and retaining strong senior leaders
- Role as a Vice Chancellor and as Chief Administration Officer of a large public research university provides strategic and financial expertise
- Extensive experience in corporate governance and stockholder engagement, including as a co-founder of CamberView Partners, a financial advisory firm providing independent, investor-led advice to public companies and their boards

Key Qualifications and Experience:
- Financial Services
- Global Business
- Senior Leadership
- Business Development and Strategy
- Governmental, Regulatory and Compliance
- Finance and Accounting
- Human Capital Management
- Other Public Company Board Service

Biography:
- Managing Member at Darwin Capital Advisors, LLC, a private investment firm, since October 2018 and a Member since 2012.
- Executive Chair of CamberView Partners, LLC, a corporate advisory firm, from 2012 until 2018.
- 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.
- Spent 25 years in the finance industry, most recently as Managing Director, Global Head of Mergers and Acquisitions and as a member of the Management Committee at Citigroup Investment Banking.

The Board and the Governance Committee believe that the combination of our nominees' qualifications, skills and experience will contribute to an effective Board and that, individually and collectively, the director nominees have the necessary qualifications to provide effective oversight of the business and quality advice and counsel to management.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

Corporate Governance

Corporate governance at PayPal is designed to promote the long-term interests of our stockholders, strengthen Board and management accountability, oversee risk assessment and management strategies, foster responsible decision-making and engender public trust. We believe that strong corporate governance practices that provide meaningful rights to our stockholders and ensure Board and management accountability are essential to our long-term success.

Board Leadership

Our Board elects our Board Chair and our CEO and has determined that these two roles should be held by separate individuals to enhance the Board's oversight of management and to allow the CEO to focus primarily on management responsibilities. Our current Board leadership structure provides effective and independent oversight of management and the Company.

Independent Chair

JOHN J. DONAHOE

Mr. Donahoe has served as the Board Chair since PayPal became an independent public company in July 2015.

Since December 2018, the Board has concluded that Mr. Donahoe is an independent director under the listing standards of the Nasdaq Global Select Market ("Nasdaq") and our Corporate Governance Guidelines.

Mr. Donahoe possesses extensive industry experience and deep knowledge of PayPal's operations, serves as a trusted advisor to management and effectively leads a dynamic and collaborative Board.

Robust Independent Chair Responsibilities

- Calls meetings of the Board and independent directors
- Sets the agenda for Board meetings in consultation with other directors and the CEO
- Provides management with input as to the quality, quantity and timeliness of the flow of information that is necessary for the independent directors to effectively and responsibly perform their duties
- Chairs executive sessions of the independent directors
- Acts as a liaison between the independent directors and the CEO on sensitive issues
- Leads the Board in the annual CEO performance evaluation
- Leads the Board in its review of the results of the annual self-evaluation process, including acting on director feedback as needed

Director Independence

Under the Nasdaq listing standards and our Corporate Governance Guidelines, the Board must consist of a majority of independent directors. Annually, each director completes a questionnaire designed to assist the Board in determining whether the director is independent, and whether members of the Audit, Risk and Compliance ("ARC") Committee and the Compensation Committee satisfy additional Securities and Exchange Commission ("SEC") and Nasdaq independence requirements. The Board has adopted guidelines setting forth certain categories of transactions, relationships and arrangements that it has deemed immaterial for purposes of determining independence.

Based on its most recent review, the Board has determined that every director except Mr. Schulman, our CEO, is independent under the Nasdaq listing standards and our Corporate Governance Guidelines and has no relationship that would interfere with their individual exercise of independent judgment.

Our Corporate Governance Guidelines prohibit directors from serving on the board of directors or as an officer of another company that may cause a significant conflict of interest. Our Corporate Governance Guidelines also provide that any director who has previously been determined to be independent must inform the Board Chair and our Corporate Secretary of any significant change in personal circumstances that may cause their status as an independent director to change, including a change in principal occupation, change in professional roles and responsibilities, status as a member of the board of another public company or retirement. In such situations, the Governance Committee makes a recommendation to the Board on the continued appropriateness of such director's Board or committee membership(s).

Board Committees

The Board has three principal standing committees: the ARC Committee, the Compensation Committee and the Governance Committee. Each committee has a written charter that addresses, among other matters, the committee's purposes and policy, composition and organization, duties and responsibilities and meetings. The committee charters are available in the governance section of our Investor Relations website at https://investor.pypl.com/governance/governance-overview/default.aspx. Each charter permits the applicable committee, in its discretion, to delegate all or a portion of its duties and responsibilities to a subcommittee or any member of the committee. Subject to applicable law, listing standards and the terms of its charter, the Compensation Committee also may delegate duties and responsibilities to any officer(s) of the Company.

Below is a description of each principal committee of the Board.

ARC Committee

Other Members:
Rodney C. Adkins
Belinda J. Johnson
Deborah M. Messemer
Ann M. Sarnoff
Frank D. Yeary

Committee Meetings in 2020: 9

CHAIR: DAVID M. MOFFETT

Primary Responsibilities

Provide assistance and guidance to the Board in fulfilling its oversight responsibilities with respect to:

- PayPal's corporate accounting and financial reporting practices and the audit of PayPal's financial statements;
- The independent auditors, including their qualifications and independence;
- The performance of PayPal's internal audit function and independent auditor;
- The quality and integrity of PayPal's financial statements and reports;
- PayPal's overall risk framework and risk appetite framework, including risks associated with cybersecurity, information security and privacy; and
- PayPal's compliance with legal and regulatory obligations.

The ARC Committee is also responsible for reviewing and approving all audit engagement fees and terms, as well as all non-audit engagements, with the independent auditor, and producing the Audit Committee Report for inclusion in our proxy statement.

Independence

The Board has determined that each member of the ARC Committee meets the independence requirements of Nasdaq and the SEC and otherwise satisfies the requirements for audit committee service imposed by the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Board has also determined that each member of the ARC Committee is financially literate, and that Mr. Moffett and Ms. Messemer both satisfy the requirements for an "audit committee financial expert" set forth in the SEC rules.

PROXY STATEMENT

Compensation Committee

Other Members:
Jonathan Christodoro
Gail J. McGovern

Committee Meetings in 2020: 5

CHAIR: DAVID W. DORMAN

Primary Responsibilities

- Review and approve the overall strategy for employee compensation and all compensation programs applicable to non-employee directors and executive officers;
- Annually review and approve corporate goals and objectives relevant to the compensation of the CEO and evaluate the CEO's performance;
- Review, determine and approve the compensation for the CEO and our other executive officers;
- Review and discuss the Compensation Discussion and Analysis contained in our proxy statement and prepare the Compensation Committee Report for inclusion in our proxy statement and our Annual Report on Form 10-K;
- Oversee and monitor the Company's strategies and responsibilities related to human capital management, including diversity, inclusion, equity and belonging, pay equity efforts and corporate culture;
- Review and consider the results of any advisory stockholder votes on named executive officer compensation; and
- Oversee and monitor compliance with the Company's stock ownership guidelines applicable to non-employee directors and executive officers.

Independence

The Board has determined that each member of the Compensation Committee meets the independence requirements of Nasdaq and the SEC. Additionally, the Compensation Committee assesses on an annual basis the independence of its compensation consultant and other compensation advisers. Additional disclosure regarding the role of the Compensation Committee in compensation matters, including the role of consultants, appears in the Compensation Discussion and Analysis section of this proxy statement.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee is or has been an employee of PayPal. None of our executive officers served on the board of directors or compensation committee of another entity that has an executive officer serving on the Board or the Compensation Committee.

Governance Committee

Other Members:
Rodney C. Adkins
Jonathan Christodoro
David W. Dorman

Committee Meetings in 2020: 4

CHAIR: GAIL J. MCGOVERN

Primary Responsibilities

- Make recommendations to the Board as to the appropriate size of the Board or any Board committee;
- Identify individuals believed to be qualified to become Board members;
- Make recommendations to the Board on potential Board and Board committee members, whether as a result of any vacancy or as part of the annual election cycle, taking into consideration the criteria set forth in the "Board Member Criteria" section of the Corporate Governance Guidelines;
- Review and, if necessary, update, our Corporate Governance Guidelines at least annually;
- Establish procedures to exercise oversight of the evaluation of the Board and management;
- Exercise general oversight of the Company's management of topics related to ESG matters, including overall ESG strategy, stakeholder engagement and reporting and programs and initiatives in social innovation and environmental sustainability; and
- Review and discuss with management, at least annually, PayPal's overall approach to political contributions and expenditures and lobbying activities.

Independence

The Board has determined that each member of the Governance Committee meets the independence requirements of Nasdaq.

Board Oversight

The Board is responsible for providing advice and oversight of PayPal's strategic and operational direction and overseeing its senior management to support the long-term interests of the Company and its stockholders.

Board of Directors

The Board of Directors performs its oversight responsibilities as a group and through the work of its focused committees.

Compensation Committee

- Oversees the Company's compensation policies, plans and programs and regulatory compliance
- Oversees and monitors human capital management
- Oversees succession planning

ARC Committee

- Oversees the Company's risk and compliance framework
- Oversees financial reporting
- Maintains an appropriate relationship with the external Auditor
- Monitors internal controls

Governance Committee

- Oversees and reviews the risks associated with our overall corporate governance framework
- Oversees ESG matters generally, including overall ESG strategy and reporting, and programs and initiatives in social innovation and environmental sustainability
- Oversees political contributions and expenditures and lobbying activity

Management

Management regularly reviews and discusses with the ARC Committee the overall effectiveness of, and ongoing enhancements to, the Enterprise Risk and Compliance Management ("ERCM") Program.

Enterprise Risk Management Committee

Oversees the implementation and execution of the ERCM Program, which sets the Company's programmatic approach to identifying, measuring, managing, monitoring and reporting key risks facing the Company.

Strategic Oversight

One of the Board's primary responsibilities is overseeing management's establishment and execution of the Company's strategy. The Board works with management to respond to the dynamic, competitive environment in which PayPal operates. At least quarterly, the CEO and senior executives provide detailed business and strategy updates to the Board. At least annually, the Board conducts an in-depth review of the Company's overall strategy. At these reviews, the Board engages with senior management and other business leaders regarding, among other topics:

- business objectives;
- the Company's budget, capital allocation plan and financial and operating performance;
- the competitive landscape;
- product and technology updates; and
- potential acquisitions, investments and partnerships.

The Board looks to the expertise of its committees to inform strategic oversight in their areas of responsibility.

Risk Oversight

PayPal operates in over 200 markets globally in a rapidly evolving environment characterized by a heightened regulatory focus on all aspects of the payments industry. Accordingly, our business is subject to the risks inherent in the payments business and the industry generally. A sound risk management and oversight program is critical to the successful operation of our business and the protection of our Company, employees, customers and other stakeholders. Management is responsible for assessing and managing risk and views it as a top priority. The Board is responsible for overall risk assessment and management oversight. The Board executes its responsibility as a group and through its committees, which regularly report to the full Board.

In addition to their ongoing oversight responsibilities, throughout 2020, the Board and its committees regularly reviewed and discussed with management the impact of the COVID-19 pandemic on our employees, customers and communities. As part of these reviews, the Board considered management's strategies and initiatives to respond to and mitigate the adverse impacts of the pandemic, including creating and expanding employee initiatives and other relief efforts.

ARC Committee

The ARC Committee is primarily responsible for the oversight of the Company's risk framework and reports to the full Board on the following matters on a regular basis:

Financial and Audit Risk: Meets with the independent auditor, Chief Financial Officer, Chief Accounting Officer and other members of the management team quarterly and as needed, including in executive sessions, to review the following:

- quality and integrity of the Company's financial statements and reports;
- accounting and financial reporting practices;
- audit of the Company's financial statements;
- selection, qualifications, independence and performance of the independent auditors; and
- effect of regulatory and accounting initiatives and application of new accounting standards.

Enterprise-Wide Risk and Compliance: Periodically reviews and approves the framework for the ERCM Program and other key risk management policies and takes the following actions:

- oversees and assesses the Company's overall risk framework and risk appetite framework, including risks associated with cybersecurity, information security and privacy;
- reviews policies and practices established by management to identify, assess, measure and manage key current and emerging risks facing the Company;
- meets with the management team quarterly and on an as-needed basis to discuss key areas of enterprise risk and execution of risk management; and
- reviews with the Company's Chief Business Affairs and Legal Officer, Chief Risk Officer and Chief Compliance Officer, as applicable, significant legal, regulatory or compliance matters that could have a material impact on our financial statements, business or compliance policies.

Internal Audit: Meets with the Vice President, Risk and Internal Audit, quarterly and on an as-needed basis, including in executive sessions, to discuss the performance of the Company's internal audit function and independent auditor.

Legal and Regulatory: Our Chief Business Affairs and Legal Officer, Chief Risk Officer and Chief Compliance Officer work with the ARC Committee to review significant legal, regulatory or compliance matters that could have a material impact on our financial statements, business or compliance policies.

Compensation Committee

The Compensation Committee is primarily responsible for the following areas and reports to the full Board on these matters on a regular basis:

- oversees and reviews the risks associated with our compensation policies, plans and programs;
- oversees regulatory compliance with respect to compensation matters;
- oversees and monitors the Company's strategies related to human capital management, including the recruitment and retention of key talent, pay equity, corporate culture, diversity, inclusion, equity and belonging and other key human capital management programs and initiatives; and
- oversees succession planning.

Governance Committee

The Governance Committee is primarily responsible for the following areas and reports to the full Board on these matters on a regular basis:

- oversees and reviews the risks associated with our overall corporate governance framework, principles, policies and practices;
- oversees ESG matters generally, including overall ESG strategy and reporting, and programs and initiatives in social innovation and environmental sustainability; and
- oversees political contributions and expenditures and lobbying activity.

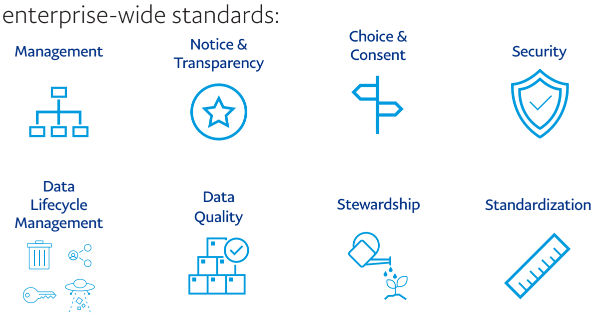
Management's Risk and Compliance Framework

Management regularly reviews and discusses with the ARC Committee the overall effectiveness of, and ongoing enhancements to, the ERCM Program.

- Management's risk and compliance framework is designed to enable the ARC Committee to effectively oversee the Company's risk management practices and capabilities.
- The Company's risk management committees, including the **Enterprise Risk Management Committee ("ERM Committee")**, oversee the implementation and execution of the **ERCM Program**.
- The ERM Committee is the highest-level risk management committee, is co-chaired by PayPal's **Chief Risk Officer** and **Chief Compliance Officer**, and reviews periodic reports from management regarding assessment of the effectiveness of the ERCM Program.
- The ERCM Program's objective is to identify, measure, manage, monitor and report key risk factors facing our Company including:
  - Financial crime and regulatory compliance
  - Operational, credit and capital structure
  - Technology, cybersecurity and privacy
  - Strategic, reputational risk and business continuity
- Key ESG considerations are integrated into our ERCM Program and emerging ESG trends are regularly reported to a subcommittee of the ERM Committee.

Effectively managing privacy and cybersecurity risks is paramount and an integral component of the ERCM Program

- Our **Global Privacy Program** is based on eight data protection principles that serve as the basis for enterprise-wide standards:



- Our **Global Privacy Team**, as well as dedicated teams integrated throughout our business, foster a "Data Hygiene by Default" and "Privacy by Design" culture throughout the Company.
- Our **Information Security Program** is designed to enable robust cybersecurity management across our global enterprise and support the Company in identifying, protecting, detecting, responding to and recovering from information security threats.

Board and Committee Evaluations

Board and committee evaluations play a critical role in ensuring the effectiveness of our Board. The Board and its principal committees perform an annual self-evaluation to assess their performance and effectiveness and to identify opportunities to improve. The Governance Committee annually reviews the self-evaluation process to ensure it is operating effectively.

Complete Questionnaire
Each director completes a written questionnaire that addresses Board and committee composition, organization, meetings and oversight responsibilities.

Participate in one-on-one Interview
Our Chief Business Affairs and Legal Officer conducts a one-on-one interview with each director to review the Board's and its committees' performance over the prior year and identify opportunities to improve Board effectiveness going forward.

Review Responses
The Chief Business Affairs and Legal Officer reviews the questionnaires and anonymized interview responses with the full Board, and committee self-evaluation results are reviewed by each committee, in each case in executive session.

Incorporate Feedback
Feedback from the evaluations informs Board and committee enhancements.

Board and Committee Meetings and Attendance

Our Board typically holds at least four regularly scheduled meetings each year, in addition to special meetings scheduled as appropriate. At each regularly scheduled quarterly Board meeting, a member of each principal Board committee reports on any significant matters addressed by the committee since the last quarterly meeting, and the independent directors have the opportunity to meet in executive session without management or the other directors present. The Board expects that its members will rigorously prepare for, attend and participate in, all Board and applicable Board committee meetings.

Our Board met eight times during 2020. Each director nominee who served in 2020 attended at least 75% of all our Board meetings and meetings for the committees on which he or she served.

All directors are encouraged to attend the Annual Meeting. Last year, all directors serving at the time of our 2020 Annual Meeting of Stockholders attended that meeting.

Stockholder Engagement

63%
Reached out to of common stock

31%
Engaged with of common stock

We recognize the value of a robust stockholder outreach program. We engage in regular, constructive dialogue with our stockholders on matters relevant to our business, including corporate governance, ESG issues and executive compensation, so we can better understand their views and interests and share our perspectives on these important subjects.

In addition to the outreach conducted in the weeks leading up to our 2020 Annual Meeting, following our 2020 Annual Meeting, we again reached out to our investors to solicit feedback. In 2020, we contacted investors representing approximately 63% of our common stock, and holders of approximately 31% of our common stock responded and engaged with us.

The table below provides an overview of the key topics, areas of stockholder focus and management's responses covered during our 2020 stockholder outreach meetings.

Key Topic	Area of Stockholder Focus	How We Responded
COVID-19 Pandemic	• PayPal's COVID-19 response and relief efforts targeted at internal and external stakeholders • PayPal's involvement in the SBA PPP and the stimulus check distribution program	› Management indicated that throughout the pandemic, PayPal has prioritized the safety, security and well-being of its workforce. The Company mobilized nearly 100% of its global workforce to work under flexible work arrangements, and strengthened programs focused on employee wellness, including its crisis leave program and employee assistance program. PayPal also worked actively to help its customers and communities to navigate the challenges brought by the pandemic. › PayPal has worked with the SBA to provide small businesses with access to more than $2 billion in loans through the PPP in 2020 with an average loan size of $28,000. › In addition, PayPal supported the U.S. Treasury with stimulus check distribution through direct deposit into PayPal and Venmo accounts.
Human Capital Management	• PayPal's approach to human capital management and its engagement with its workforce • Consider whether to include executive compensation metrics related to human capital management and/or diversity and inclusion	› Management discussed PayPal's human capital management, including oversight by the Compensation Committee and initiatives focused on employee recruitment, retention, engagement, employee financial wellness, pay equity and DIE&B. › Stockholder feedback informed the Compensation Committee's decision to clarify its oversight of human capital management in its committee charter. › The Compensation Committee has committed to incorporating DIE&B considerations as part of the individual performance portion of our NEOs' annual incentives under the Annual Incentive Plan ("AIP") for 2021.

Key Topic	Area of Stockholder Focus	How We Responded
Board Composition	• Board diversity, skills and refreshment	› Management discussed the board skills and expertise required to effectively oversee PayPal's business, strategies and risks. › Management reiterated the Company's commitment to board diversity, as evidenced by directors added since becoming an independent public company and noted that the Governance Committee actively seeks out highly-qualified women and individuals from underrepresented communities to include in the director candidate pool. › Management indicated that the Board continuously reviews the skills and experiences that it considers important for the Board to continue effectively overseeing the Company's business, strategies and risks.
	• Service on other public company boards	› In response to increased stockholder focus, our Corporate Governance Guidelines have been amended to limit the number of public company board seats for our directors to four, including the PayPal Board.
Board Oversight of Risk	• Board's oversight of increased information security, cybersecurity, privacy and data protection risks	› The ARC Committee evaluates risks associated with information security, cybersecurity, privacy and data protection throughout the year, working with management to ensure that appropriate protections and controls are in place. In addition, management and the ARC Committee each report to the full Board on risk matters on a regular basis.
ESG Matters	• Board oversight of ESG strategy; results of PayPal's first materiality assessment; and relevant ESG disclosure frameworks and targets/goals	› Management noted the significant increase in investor focus on ESG-related topics as compared to prior years. › Management discussed ESG strategy, Global Impact Report highlights, ESG-focused governance perception study, ESG materiality and prioritization assessment, environmental sustainability and responsible business practices. › In response to increased stockholder focus, the Governance Committee updated its charter to more clearly reflect its oversight of ESG matters. › See "ESG Oversight and Highlights" on page 32 for more information.
Executive Compensation	• Consider adding return metrics or measuring performance on a GAAP basis.	› The Compensation Committee evaluates the appropriateness of the Company's incentive program metrics annually, taking into consideration the Company's overall strategy and ongoing stockholder feedback. › After thorough deliberation, the Compensation Committee determined that, in light of PayPal's current growth strategy, the Company's existing metrics remain appropriate and reflect the most efficient alignment of the strategic goals of encouraging profitable operations, efficient use of capital and overall growth.

Director Orientation and Continuing Education

Our director orientation program familiarizes new directors with the Company's businesses, strategies and policies, and assists them in developing the skills and knowledge required for their service on the Board and assigned committees. All directors are invited to attend the orientation programs. From time to time, management provides, or invites outside experts to provide, educational briefings to the Board on business, corporate governance, regulatory and compliance matters and other topics to help enhance skills and knowledge relevant to their service as a PayPal director. In addition, Board members may attend accredited director education programs at the Company's expense.

Succession Planning

The Board recognizes the importance of effective executive leadership to PayPal's success and annually reviews executive succession planning. As part of this process, the Board reviews and discusses the capabilities of our senior management, as well as succession planning and potential successors for the CEO and our other executive officers. The process includes consideration of organizational and operational needs, competitive challenges, leadership/management potential and development and emergency situations.

Outside Advisors

The Board may retain outside legal, financial or other advisors as it deems necessary or appropriate at the Company's expense and without obtaining management's consent. Each principal committee of the Board may also retain outside legal, financial or other advisors as it deems necessary, at the Company's expense and without obtaining the Board's or management's consent.

Corporate Governance Documents

Code of Business Conduct and Ethics

Our credibility and reputation depend upon the good judgment, ethical standards and personal integrity of each director, officer and employee. PayPal's Code of Business Conduct and Ethics ("Code of Conduct") requires that our directors, executive officers and all other employees disclose actual or potential conflicts of interest and recuse themselves from related decisions. Directors, executive officers and other employees are expected to avoid any activity that is or has the appearance of being a conflict of interest with the Company. This includes refraining from engaging in activities that compete with or are adverse to the Company, or that interfere with the proper performance of duties or responsibilities to the Company. In addition, our Code of Conduct restricts the use of confidential company information, company assets, or position at the Company for personal gain.

We regularly review the Code of Conduct and related policies to ensure that they provide clear guidance. Concerns about accounting or auditing matters or possible violations of our Code of Conduct should be reported under the procedures outlined in the Code of Conduct.

Governance Guidelines of the Board of Directors

The Board adopted Governance Guidelines to serve as a framework within which the Board conducts its business. The Governance Guidelines cover many of the policies and practices discussed in this proxy statement, including matters such as the composition and leadership of the Board, expectations for meeting attendance and the roles of the Board's standing committees. The Governance Guidelines were amended in 2021 to include sexual orientation, ethnicity, nationality and cultural background in the list of diverse characteristics that should be considered in assessing the overall composition of the Board. In addition, the amended Governance Guidelines memorialize the Governance Committee's commitment to actively seeking highly-qualified women and individuals from underrepresented communities to include in the initial pool from which director candidates are selected.

Where to Find Governance Documents

Our Governance Guidelines, charters of our principal Board committees, our Code of Conduct and other key corporate governance documents and materials are available in the governance section of our Investor Relations website at https://investor.pypl.com/governance/governance-overview/default.aspx.

Related Person Transactions

Our Board has adopted a written policy governing the review and approval of related person transactions. The policy, which is administered by the ARC Committee, applies to any transaction or series of transactions in which (1) the Company or its consolidated subsidiary is a participant, (2) the amount involved is or is reasonably expected to be more than $120,000, and (3) a related person under the policy has a direct or indirect material interest. The policy defines a "related person" to include directors, director nominees, executive officers, beneficial owners of more than 5% of PayPal's outstanding common stock, or an immediate family member of any of these persons.

Under the policy, transactions requiring review are referred to the ARC Committee for pre-approval, ratification, or other action. Management will provide the ARC Committee with a description of any related-person transaction proposed to be approved or ratified, including the terms of the transaction, the business purpose of the transaction and the benefits to PayPal and to the relevant related person. In determining whether to approve or ratify a related-person transaction, the ARC Committee will consider the following factors:

- whether the terms of the transaction are fair to the Company, and at least as favorable to the Company as they would be if the transaction did not involve a related person;
- whether there are demonstrable business reasons for the Company to enter into the transaction;
- whether the transaction would impair the independence of an outside director under the Company's director independence standards; and
- whether the transaction would present an improper conflict of interest for any director or executive officer, taking into account the size of the transaction, the overall financial position of the related person, the direct or indirect nature of the related person's interest in the transaction, the ongoing nature of any proposed relationship and any other factors the committee deems relevant.

The Company also has practices that address potential conflicts in circumstances where a non-employee director is a control person of an investment fund that desires to make an investment in or acquire a company that may compete with one of the Company's businesses. Under those circumstances, the director is required to notify the Company's CEO and Chief Business Affairs and Legal Officer of the proposed transaction, and the CEO and Chief Business Affairs and Legal Officer then assess the nature and degree to which the investee company is competitive with one of the Company's businesses, as well as the potential overlaps between the Company and the investee company. If the CEO and Chief Business Affairs and Legal Officer determine that the competitive situation and potential overlaps between PayPal and the investee company are acceptable, the Company may approve the transaction, conditioned upon the director agreeing to certain limitations. Such limitations may include refraining from joining the board of directors of, serving as an advisor to, or being directly involved in the business of the investee company; not conveying any confidential or proprietary information regarding the investee company to the Company or regarding the Company's line of business with which the investee competes to the investee company; abstaining from being the primary decision-maker for the investment fund with respect to the investee company; recusing themselves from portions of investee company meetings that cover confidential competitive information reasonably pertinent to the Company's lines of business with which the investee company competes; and agreeing to any additional limitations the CEO or Chief Business Affairs and Legal Officer deem reasonably necessary or appropriate as circumstances change. All transactions by investment funds in which a non-employee director is a control person also remain subject in all respects to the Board's written policy for the review of related person transactions, discussed above.

The charter of the ARC Committee requires it to review and approve all related person transactions that are required to be disclosed under Item 404(a) of Regulation S-K. There were no transactions required to be reported in this proxy statement since the beginning of fiscal 2020, where our written related-person transaction policy did not require review, approval, or ratification, or where this policy was not followed.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the SEC. Based on the information available to us during the fiscal year ended December 31, 2020, we believe that all applicable Section 16(a) reports, except two, were timely filed. A Form 4 filed on behalf of Mark Britto to reflect vesting of restricted stock units and a Form 4 filed on behalf of Frank Yeary to reflect the grant of the 2020 annual retainer were filed late due to administrative errors.

PROXY STATEMENT

Director Compensation

The Compensation Committee is responsible for reviewing and making recommendations to the Board regarding compensation paid to non-employee directors for their Board and Board committee service. On an annual basis, the Compensation Committee reviews the non-employee director compensation program, receiving input from the Compensation Committee's independent compensation consultant regarding market practices and the competitiveness of the non-employee director compensation program in relation to the general market and the Company's peer group.

2020 Director Compensation

For 2020, each non-employee director of the Company received the following annual retainers on the first trading day after January 1, 2020:

2020 Annual Retainers:		
All Non-Employee Directors	$	80,000/year
Non-Executive Board Chair	$	50,000/year
Lead Independent Director	$	75,000/year
ARC Committee Chair	$	40,000/year
Compensation Committee Chair and Governance Committee Chair	$	20,000/year
ARC Committee Member	$	20,000/year
Compensation Committee Member	$	18,000/year
Governance Committee Member	$	10,000/year

A non-employee director who serves as the Board Chair and/or as the chair of a committee was entitled to receive the Board Chair annual retainer and/or committee chair annual retainer in addition to the non-employee director annual retainer. Committee chairs were not entitled to receive the committee member annual retainer in addition to the committee chair annual retainer.

A non-employee director could elect to receive 100% of their annual retainer(s) in fully vested stock awards of PayPal common stock having a value equal to the annual retainer(s), in lieu of cash.

If a non-employee director was appointed or elected to serve as a member of the Board (or appointed to serve as a member of a committee or as a chair of a committee in which they were not a member or chair prior to such appointment) following the annual retainer payment date, the non-employee director received a prorated annual retainer, based on the number of days from the appointment or election date to December 31 of the year.

2020 Equity Awards

In addition to the annual retainers, all non-employee directors of PayPal received the following fully vested awards of PayPal common stock following PayPal's 2020 Annual Meeting of Stockholders:

All Non-Employee Directors	$275,000 in PayPal common stock
Non-Executive Board Chair	Additional $50,000 in PayPal common stock

The number of shares of PayPal common stock subject to the stock award is determined by dividing the value of the annual equity award by the closing price of our common stock on the date of the annual stockholders meeting, rounded up to the nearest whole share.

For 2020, if a non-employee director was appointed or elected at any time other than at an annual stockholders meeting, such director was eligible to receive a prorated annual equity award, as of the date of their appointment or election, for the period prior to the first annual stockholders meeting following their appointment or election, determined by (i) multiplying the amount of the annual equity award by a fraction, the numerator of which was the number of days from the date of appointment or election to the first anniversary of the most recent annual stockholders meeting, and the denominator of which was 365, and (ii) dividing such amount by the closing price of our common stock on the date of appointment or election, rounded up to the nearest whole share.

Deferred Compensation

Our non-employee directors are eligible to defer 5% to 100% of their annual retainers and equity awards pursuant to the PayPal Holdings, Inc. Deferred Compensation Plan ("DCP"), our non-qualified deferred compensation plan. The DCP allows participants to set aside tax-deferred amounts. The investment return on any deferred cash amounts is linked to the performance of a range of market-based investment choices made available pursuant to the DCP, and the investment return on any deferred equity awards is linked to the performance of PayPal common stock. Our non-employee directors can elect to begin distributions from the DCP following the termination of their services to PayPal or in a specified year (provided that a director's DCP account will be distributed if the director's service terminates prior to the specified year). Our non-employee directors can elect to receive their distributions as either a lump sum or annual installments over a period of 2 to 15 years.

Director Stock Ownership Guidelines

Our non-employee directors are subject to rigorous stock ownership guidelines. Each non-employee director is required to hold an amount of PayPal common stock valued at five times the annual Board retainer for directors within five years of joining the Board, and is expected to continuously own sufficient shares to meet the guideline level. Each non-employee director currently meets the stock ownership guidelines.

Shares that count towards satisfaction of the stock ownership guidelines include the following:

- shares owned outright by the director or their immediate family members residing in the same household;
- shares held in trust for the benefit of the director or immediate family members; and
- deferred shares and vested deferred stock units, deferred restricted stock units, or deferred performance stock units that may only be settled in shares of our common stock.

Our stock ownership guidelines are available in the governance section of our Investor Relations website at https://investor.pypl.com/governance/governance-overview/default.aspx.

2020 Director Compensation Table

The following table summarizes the total compensation earned by or paid to our non-employee directors for the fiscal year ended December 31, 2020.

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2] ($)	Option Awards ($)	All Other Compensation ($)	Total ($)[3]
Rodney C. Adkins	110,000	275,096	—	—	385,096
Wences Casares[4]	98,000	—	—	—	98,000
Jonathan Christodoro	107,589	275,096	—	—	382,685
John J. Donahoe	130,000	325,046	—	—	455,046
David W. Dorman	110,000	275,096	—	—	385,096
Belinda J. Johnson	100,000	275,096	—	—	375,096
Gail J. McGovern	118,000	275,096	—	—	393,096
Deborah M. Messemer	100,000	275,096	—	—	375,096
David M. Moffett	120,000	275,096	—	—	395,096
Ann M. Sarnoff	100,000	275,096	—	—	375,096
Frank D. Yeary	100,000	275,096	—	—	375,096

(1) The amounts reported in the Fees Earned or Paid in Cash column reflect the cash fees earned by each non-employee director in 2020, which includes fees with respect to which the following directors elected to receive fully vested shares of PayPal common stock in lieu of cash:

Name	Fees Forgone ($)	Shares Received (#)
Wences Casares[(4)]	98,000	885
John J. Donahoe	130,000	1,174
David W. Dorman	110,000	994
Belinda J. Johnson	100,000	903
David M. Moffett	120,000	1,084
Ann M. Sarnoff	100,000	903
Frank D. Yeary	100,000	903

(2) Amounts shown represent the grant date fair value of the stock awards granted on May 21, 2020 to our non-employee directors following our 2020 Annual Meeting of Stockholders, as computed in accordance with FASB ASC Topic 718. As of December 31, 2020, our non-employee directors held the following deferred stock units ("DSUs"):

Name	Total DSUs Held as of 12/31/20 (#)	Total Options Held as of 12/31/20 (#)
Rodney C. Adkins	—	—
Wences Casares[(4)]	—	—
Jonathan Christodoro	5,353	—
John J. Donahoe	2,464	—
David W. Dorman	9,488	—
Belinda J. Johnson	—	—
Gail J. McGovern	3,711	—
Deborah M. Messemer	—	—
David M. Moffett	49,001	—
Ann M. Sarnoff	—	—
Frank D. Yeary	5,460	—

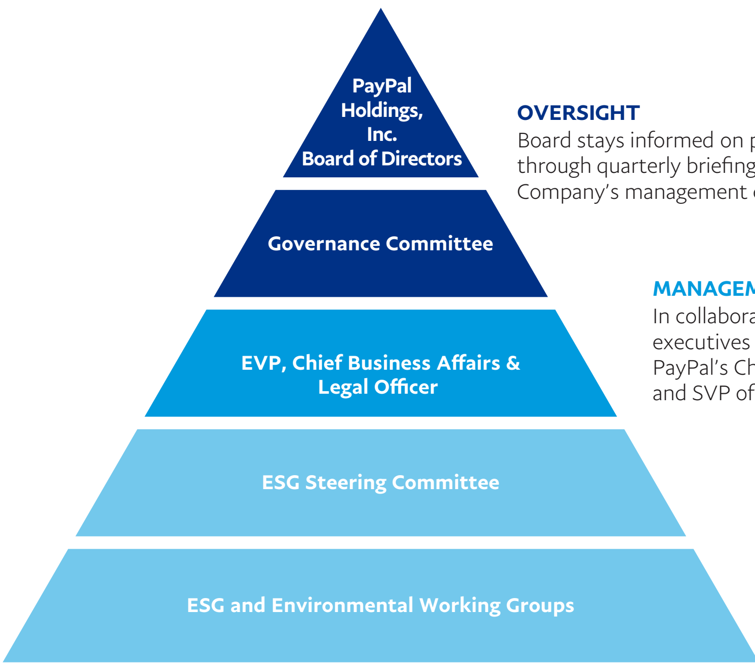
(3) The amounts reported in the Fees Earned or Paid in Cash, Stock Awards, and Total columns include amounts deferred under the DCP.
(4) Mr. Casares did not seek re-election to the Board at the 2020 Annual Meeting.

ESG Oversight and Highlights

PayPal recognizes its responsibility as a global citizen to operate in a responsible and sustainable manner aligned with our mission to build a more financially inclusive and interconnected world. We remain focused on managing material ESG issues that support our values-led culture based on collaboration, inclusion, innovation and wellness. The effective management of key non-financial risks and opportunities is essential to our long-term strategy and performance.

ESG Governance Structure

The oversight, management and implementation of the Company's ESG program are structured to ensure these matters are fully integrated into our governance framework. The Company briefs Board committees and senior management on ESG topics on a regular basis and meets with a subcommittee of the ERM Committee at least annually to review current and emerging ESG-related risk topics.



OVERSIGHT
Board stays informed on priority ESG matters and emerging trends through quarterly briefings. Governance Committee oversees the Company's management of ESG matters generally.

MANAGEMENT
In collaboration with the Chief Business Affairs and Legal Officer, executives across PayPal are regularly engaged on ESG matters, including PayPal's Chief Financial Officer, Chief Risk Officer, Chief Technology Officer and SVP of Corporate Affairs.

PROGRAM IMPLEMENTATION
Monthly meetings of cross-functional experts representing over 20 departments, including Risk and Compliance, Data Centers, Human Resources, Social Innovation, Environmental Health and Safety, Site Reliability, Reputation Risk, Business Analytics, among others.

ESG Strategy

PayPal's ESG strategy is informed by a comprehensive ESG materiality assessment, and focused on four primary areas:

SOCIAL INNOVATION
How we pursue a more inclusive global economy

ENVIRONMENTAL SUSTAINABILITY
How we responsibly advance sustainable business practices

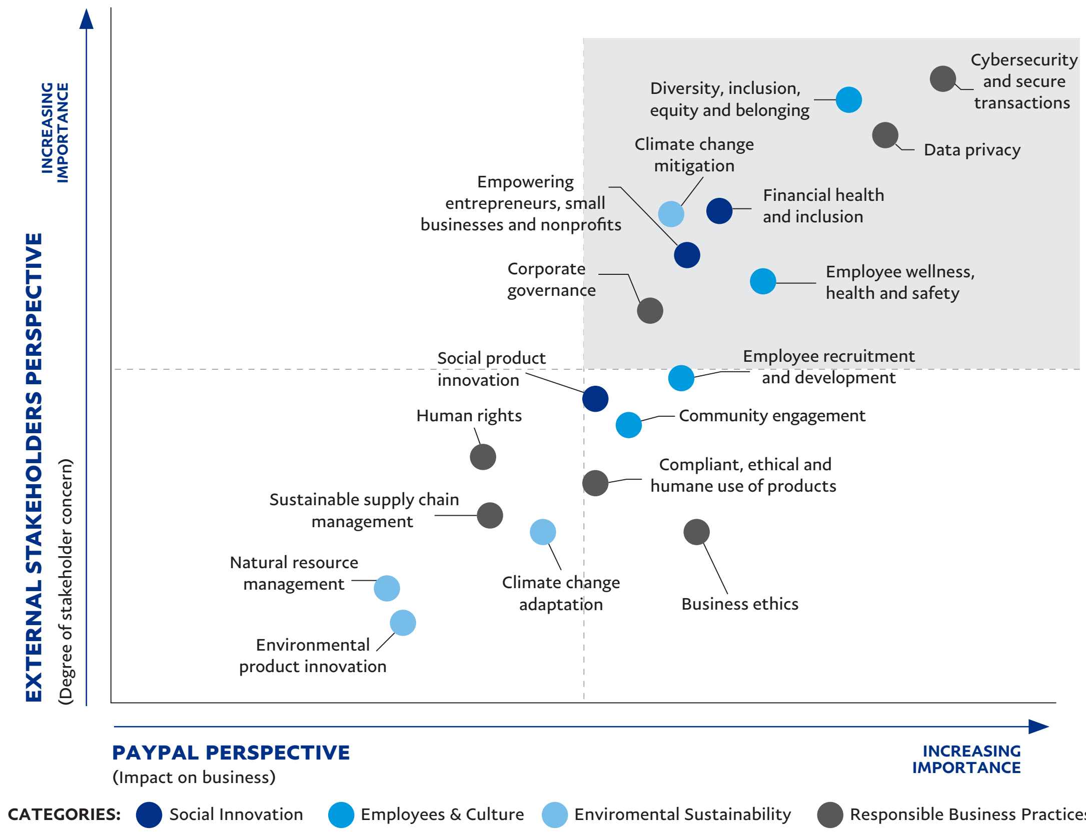
EMPLOYEES & CULTURE
How we live our core values throughout our workforce

RESPONSIBLE BUSINESS PRACTICES
How we operate our business in an ethical manner

ESG Materiality Assessment

In early 2020, PayPal completed its inaugural ESG materiality and prioritization assessment to identify key non-financial topics important to both the Company and our stakeholders. This analysis included a landscape study of current PayPal initiatives, industry best practices and emerging ESG trends and standards, as well as an in-depth stakeholder engagement process with over 130 internal and external parties, including employees, executives, directors, investors, non-governmental organizations and customers. Ultimately, we identified 19 key and seven priority non-financial risks and opportunities for PayPal to consider on an ongoing basis. The results were published in our 2019 Global Impact Report.

We recently completed our annual ESG materiality refresh and this review accounted for new feedback from internal and external stakeholders, shifting global economic and ESG trends and priorities, our current business strategy and other standard updates. The revised map identifies 18 key ESG topics, eight of which are designated priority issues for PayPal's ESG strategy. This year, we ascribed increased importance to employee wellness, health and safety, given the current and future impacts of the COVID-19 pandemic. We plan to publish the full results of this ESG materiality refresh in our 2020 Global Impact Report. PayPal will revisit this assessment annually and conduct a comprehensive review every three to five years to ensure we remain focused on and are prioritizing the most critical topics for our business.



Consideration of Stakeholder Feedback and ESG Frameworks

We actively solicit and regularly consider feedback from investors, employees, regulators, customers and other stakeholders on ESG topics, which informs our ESG strategy and reporting. For example, in 2020, the Company began hosting small stakeholder roundtables to receive direct input on key elements of our ESG program from a diverse group of stakeholders. In addition, PayPal continuously assesses and considers enhancements to our ESG disclosures and reporting to reflect emerging best practices, industry trends, research and standards established by organizations such as the Sustainable Accounting Standards Board (SASB), UN Sustainable Development Goals (SDGs), Taskforce for Climate Related Financial Disclosures (TCFD) and WEF Stakeholder Capitalism Metrics. In our Global Impact Report, we provide specific reporting to those frameworks most applicable to our business and most important to our stakeholders. For example, we publish a separate SASB Index for our stockholders and have mapped PayPal's direct contribution to 11 of the 17 U.N. Sustainable Development Goals, with the greatest influence on six global goals.

Priority ESG Programs & Progress

Our annual Global Impact Report highlights PayPal's programs and progress across our four ESG pillars:

SOCIAL INNOVATION
Including reporting on annual social impact metrics, product and service enhancements, research and thought leadership, and partnerships to drive economic empowerment, improve financial health and power charitable giving

EMPLOYEES AND CULTURE
Including designing and executing an effective human capital management strategy to support the recruitment, retention, development and wellness of our workforce, implementing measurable diversity and inclusion initiatives and metrics that demonstrate our commitment to equity and creating innovative employee experiences and opportunities to support our global communities

ENVIRONMENTAL SUSTAINABILITY
Including managing our environmental impact, such as how the Company addresses climate change and promotes renewable energy use, mobilizes to environmental action and drives environmental innovation across our products, services and value chain

RESPONSIBLE BUSINESS PRACTICES
Including establishing policies and practices to safeguard trust, ensuring ethical and compliant business operations and securing and protecting customer information

Social Innovation

We leveraged our products and services to support our customers during the COVID-19 pandemic, including:

- Working with the U.S. Small Business Administration to provide small businesses with access to more than $2 billion in loans through the Paycheck Protection Program in 2020, with an average loan size of $28,000.
- Supporting the U.S. Treasury Department with stimulus check distribution through direct deposit functionality into PayPal and Venmo accounts.

~$17 billion
Raised through the PayPal Giving Platform, PayPal's COVID-19 fundraising campaigns, employee giving campaigns, donations at checkout, corporate matching and partner fundraising with other companies.

Employees & Culture

We promoted employee total wellness to support their physical, mental and financial health, and enhanced Diversity, Inclusion, Equity and Belonging ("DIE&B") practices. Among other things, we:

- Created and expanded employee initiatives as part of COVID-19 relief efforts, such as enhancing our Crisis Leave Program, expanding our Employee Assistance Program, instituting global wellness days and providing financial stipends to our hourly workers to support new remote working practices.
- Designed and implemented an enhanced DIE&B Strategy, which included:
  - Maintaining global gender pay equity and US ethnic pay equity for the fifth consecutive year.
  - Expanding our diverse hiring program and promoting inclusive learning opportunities.
  - Deployed over half of our $535 million commitment to support Black and underserved employees, businesses and customers.
- Introduced new employee programs on financial education and earned wage access (access to earned income before pay date) to continue building towards the Company's goal of increasing PayPal-defined estimated net disposable income (or the discretionary income remaining for our employees after taxes and typical living expenses are paid) to at least 20%.

85%
of PayPal employees participated in our annual employee engagement survey to inform future program enhancements.

Environmental Sustainability

We announced PayPal's commitment to addressing climate change, including:

- Setting a long-term goal of reaching net-zero greenhouse gas (GHG) emissions by 2040.
- Setting medium-term science-based targets to reduce operational GHG emissions 25% by 2025 (using a 2019 baseline).
- Sourcing 75% of our supply chain spend from vendors with science-based targets by 2025.
- We reached 98% renewable energy use in our data centers in 2020 and remain on track to meet our goal of achieving 100% by 2023.

2040

Setting a long-term goal of reaching net-zero greenhouse gas (GHG) emissions

We also engaged with employees through volunteer and educational events and worked to design new products and services to support environmental innovation for our customers and partners.

Responsible Business Practices

Actions we took include:

- Achieving ISO 27001 certification for our Information Security Program.
- Hosting Privacy Awareness week to further employee education and Privacy-by-Design thinking.
- Launching the PayPal Privacy Hub to support customer privacy choice and education, addressing two key components of our Data Protection Principles.
- Completing PayPal's first human rights saliency assessment aligned with the U.N. Guiding Principles on Business and Human Rights and other standards.

100%

Completion of annual compliance and ethics training

Human Capital Management

Global Talent Strategy

PayPal recognizes the fundamental importance of ensuring that we attract, recruit, retain and develop top global talent in order to create innovative products and services for our customers. We pursue our mission of democratizing financial services by building a global team of diverse employees who reflect the communities where we work and live and the diversity of the customers we serve. PayPal's human capital management (global talent) strategy focuses on the full employee lifecycle, follows a pay-for performance compensation program and provides employees with comprehensive benefits and opportunities for development and advancement. The Board and senior management receive regular reports on our approach and results.

ENGAGEMENT

ATTRACT right people	DEVELOP right capabilities	MOBILIZE right workforce	REWARDS & WELLNESS
Recruitment and selection of talent, fulfilling the talent needs necessary to execute on business strategy.	*Developing talent to ensure they have the critical skills and capabilities to excel in current and future roles.*	*Aligning talent for business growth through internal mobility, redeployment, outplacement and retirement.*	*Supporting talent through an integrated approach to physical, mental and financial wellness and a pay-for-performance compensation strategy.*

DIVERSITY, INCLUSION, EQUITY AND BELONGING

Employee Engagement

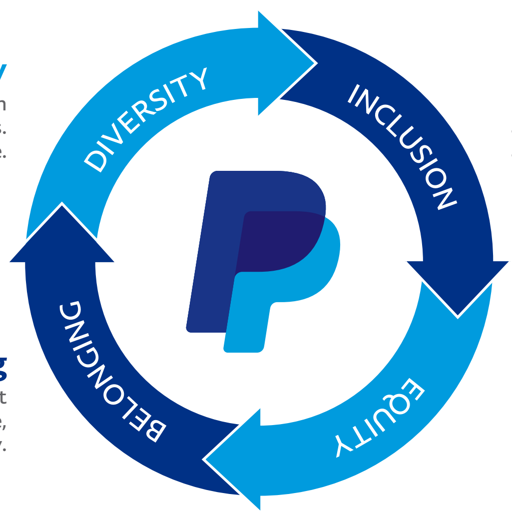
PayPal conducts an annual employee engagement survey to gain direct insight from our global workforce on the Company's culture, business and management perspectives, sense of belonging and approach to ongoing development and programmatic initiatives. Approximately 85 percent of PayPal's global employees responded to the survey, with many scores above our benchmark of technology peers. For example, our employee engagement score (whether they would recommend PayPal as an employer to their peers and/or are happy at the Company) increased four points to 84, inspiration by mission and vision was up four points to 85 and intention to work at PayPal in two years rose five points to 82. We believe these improvements reflect the Company's focus on supporting employee wellness and our global communities during the COVID-19 pandemic and efforts to act on the results of the 2019 survey, including improvements in communication and learning opportunities. The employee engagement survey also helps identify prospects for continuous improvement, including recognition and development programs, ongoing support for employee work-life balance and opportunities to improve efficiency.

Diversity, Inclusion, Equity & Belonging ("DIE&B") Strategy

PayPal's concerted efforts to create an enduring culture of belonging are foundational to executing an effective business strategy and retaining top global talent. We are focused on implementing a strategy to embed inclusive and equitable practices throughout the talent lifecycle, deepening a culture of inclusion and belonging across PayPal and aligning the enterprise-wide DIE&B strategy with PayPal's business objectives and goals. These efforts are led by PayPal's Global Head of DIE&B and an extended DIE&B team of experienced professionals using measurement and analytics to evaluate and map progress. In 2020, women accounted for 43% of our global workforce and in the U.S. 52% of our employees were of Asian, Black, LatinX or other ethnic backgrounds. In addition, we have instituted a Global DIE&B Roundtable consisting of representatives from across the business to strengthen, manage and institutionalize practices that support and accelerate DIE&B goals and activities. The Compensation Committee has committed to incorporating DIE&B considerations as part of the individual performance portion of our NEOs' annual incentives under the AIP for 2021. Finally, to support this work across the Company's offices and locations, PayPal supports eight employee resource groups ("ERG") that drive engagement, champion DIE&B-related causes and activities and support our business and talent strategies. In 2020, nearly 6,000 employees across 115 global chapters were members of at least one ERG. PayPal is committed to continuing to build out this program. Our detailed DIE&B metrics appear in the annual Global Impact Report and related websites.

Diversity
The value we each bring based on our individual characteristics and traits. It's who we are.

Inclusion
Inclusion is our commitment to respect, appreciate, and value the diversity amongst us. Inclusion requires action.



Belonging
The feeling of security and support when there is a sense of acceptance, inclusion and identity.

Equity
Equity requires that organizations establish policies and practice strategies that minimize barriers in the workplace.

As we continue to evolve our ESG efforts, we're committed to sharing progress through subsequent reports and updates. For further information and to access our current Global Impact Report, visit: https://investor.pypl.com/esg-strategy/default.aspx.

Stock Ownership Information

The following tables set forth certain information with respect to (1) each stockholder known to us to be the beneficial owner of 5% or more of our common stock as of December 31, 2020, and (2) the beneficial ownership of our common stock by each director and director nominee, by each executive officer named in the 2020 Summary Compensation Table and by all executive officers and directors (including nominees) as a group as of the Record Date. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated in the footnotes to these tables, the entities and individuals named in the tables have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

Five Percent Owners of Common Stock

	Shares Beneficially Owned	
Name and Mailing Address	Number	Percent
The Vanguard Group(1) 100 Vanguard Blvd., Malvern, PA 19355	93,070,530	7.94%
BlackRock, Inc.(2) 55 East 52nd Street, New York, NY 10055	82,362,813	7.00%

(1) Based solely on information on Schedule 13G/A (Amendment No. 5) filed with the SEC on February 10, 2021. The Vanguard Group and certain related entities have shared voting power of 1,999,789 shares of the Company's common stock, sole dispositive power of 87,891,549 shares of the Company's common stock and shared dispositive power of 5,178,981 shares of the Company's common stock.

(2) Based solely on information on Schedule 13G/A (Amendment No. 3) filed with the SEC on February 5, 2021. BlackRock, Inc. has sole voting power of 71,144,208 shares of the Company's common stock and sole dispositive power of 82,362,813 shares of the Company's common stock.

Security Ownership of Executive Officers and Directors

	Shares Beneficially Owned(2)	
Name(1)	Number	Percent
Daniel H. Schulman	364,755	*
John D. Rainey	107,845	*
Peggy Alford	33,882	*
Aaron Karczmer	38,800	*
A. Louise Pentland	60,677	*
Rodney C. Adkins	17,843	*
Jonathan Christodoro	24,087	*
John J. Donahoe	56,630	*
David W. Dorman	43,837	*
Belinda J. Johnson	17,199	*
Gail J. McGovern	19,141	*
Deborah M. Messemer	5,359	*
David M. Moffett	71,988	*
Ann M. Sarnoff	11,551	*
Frank D. Yeary	25,161	*
All Directors and Executive Officers as a Group (18) Persons(3)	1,202,203	*

* Less than one percent

(1) c/o PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131.

(2) Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 30, 2021, and restricted stock units ("RSUs") that are scheduled to vest within 60 days of March 30, 2021 are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding those options or RSUs, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of beneficial ownership is based on 1,174,261,310 shares of common stock outstanding as of March 30, 2021.

(3) Includes 40,749 shares subject to options exercisable within 60 days of March 30, 2021, and 148,336 RSUs scheduled to vest within 60 days of March 30, 2021.

Information About Our Executive Officers

Diversity of Our Executive Leadership Team

Our executive officers are elected annually by, and serve at the discretion of, the Board. In addition, the Board recognizes that diversity of our executive leadership team is critical to strong and effective management of the Company.

Executive Officer Biographies

Age 63

President and Chief Executive Officer

In current position since July 2015

DANIEL H. SCHULMAN

Biography

Mr. Schulman's biography is set forth on page 17 under the heading "Proposal 1 – Election of Directors – Director Biographies."

Age 49

Executive Vice President, Global Sales

In current position since March 2020

PEGGY ALFORD ☆ ●

Biography

PayPal's Senior Vice President, Core Markets, from March 2019 to March 2020.

Chief Financial Officer and Head of Operations for the Chan Zuckerberg Initiative, a philanthropic organization, from September 2017 to February 2019.

Held a variety of senior positions at PayPal from May 2011 to August 2017, including Senior Vice President, Core Markets; Senior Vice President of People Operations; Chief Operating Officer for Asia Pacific Region and Global Cross-Border Trade; and Vice President and Chief Financial Officer for the Americas Region.

Prior to joining PayPal in 2011, Ms. Alford worked at Rent.com, a national internet real estate listing service and former subsidiary of eBay Inc., where she served in positions of increasing responsibility, including President, General Manager and Chief Financial Officer.

Member of the Board of Directors of the Macerich Company (since June 2018) and Facebook, Inc. (since May 2019).

☆ Diverse Ethnic Group ● Woman

Age 58

Executive Vice President, Chief Strategy, Growth and Data Officer

In current position since January 2018

JONATHAN AUERBACH

Biography

PayPal's Executive Vice President, Chief Strategy and Growth Officer, from September 2016 to January 2018.

PayPal's Senior Vice President, Chief Strategy and Growth Officer, from July 2015 to September 2016.

CEO of Group Digital Life at Singapore Telecommunication Limited (Singtel), where he led the company's global portfolio of digital businesses as well as its venture fund from September 2014 to May 2015.

Worked as a management consultant and held a variety of executive roles with McKinsey & Company, a global management consulting firm, from 1987 through 2014.

Member of the Board of Directors of Principal Financial Group since 2019.

Age 56

Executive Vice President, Chief Product Officer

In current position since March 2020

MARK BRITTO ☆

Biography

PayPal's Executive Vice President of Global Sales and Credit, from February 2019 to March 2020.

PayPal's Senior Vice President of Global Credit and Core Markets, from July 2017 to February 2019.

Co-founder and CEO of Boku, Inc., the world's largest independent carrier billing company, from January 2009 to March 2014.

CEO of Ingenio, a service marketplace and performance advertising company, from July 2002 to December 2007, which he led to a 2007 acquisition by AT&T.

Senior Vice President of Worldwide Services and Sales at Amazon from May 1999 to June 2002, following the acquisition in 1999 of his first company, Accept.com, which served as the primary backbone of Amazon's global payments platform.

Began his career in senior credit and risk management roles at leading national banks First USA and Bank of America.

Non-Executive Chair of Boku, Inc. since 2009.

Age 49

Chief Risk Officer and Executive Vice President, Risk and Platforms

In current position since March 2020

AARON KARCZMER

Biography

PayPal's Chief Risk Officer and Executive Vice President, Risk, Regulatory and Protection Services, from April 2017 to March 2020.

PayPal's Senior Vice President, Chief Compliance and Ethics Officer, from September 2016 to March 2017.

PayPal's Senior Vice President, Chief Compliance Officer, from May 2016 to September 2016.

Held a variety of leadership roles at American Express, from September 2007 to April 2016, including Senior Vice President, Deputy Chief Compliance Officer and Head of Global Financial Crime Compliance (from 2013 to April 2016); Vice President, Principal Compliance Leader, Enterprise Growth and Enterprise Compliance Risk Management (from May 2011 to January 2013); and Vice President, Financial Intelligence Unit – AML Enterprise Surveillance, Investigations & Technology (from September 2007 to May 2011).

☆ Diverse Ethnic Group ● Woman

Age 48

Executive Vice President, Chief Business Affairs and Legal Officer

In current position since September 2016

LOUISE PENTLAND ●

Biography

PayPal's Senior Vice President, Chief Legal Officer and Secretary, from September 2015 to September 2016.

PayPal's Senior Vice President, General Counsel and Secretary, from July 2015 to September 2015.

Executive Vice President and Chief Legal Officer at Nokia Corporation, a multinational communications and information technology company, from July 2008 to July 2014.

Member of the Board of Directors of Hitachi Ltd. since 2015.

Age 50

Chief Financial Officer, Executive Vice President, Global Customer Operations

In current position since January 2018

JOHN D. RAINEY

Biography

PayPal's Executive Vice President, Chief Financial Officer, from September 2016 to January 2018.

PayPal's Senior Vice President, Chief Financial Officer, from August 2015 to September 2016.

Executive Vice President and Chief Financial Officer at United Airlines, from April 2012 to July 2015.

Senior Vice President of Financial Planning and Analysis at United Continental Holdings, Inc. from October 2010 to April 2012.

Member of the Board of Directors of Nasdaq, Inc. since 2017.

Age 48

Executive Vice President, Chief Technology Officer

In current position since January 2021

SRIPADA SHIVANANDA ☆

Biography

PayPal's Senior Vice President, Chief Technology Officer, from April 2016 to January 2021.

PayPal's Vice President of Global Platform and Infrastructure from July 2015 to March 2016.

Served in positions of increasing responsibility at eBay Inc. ranging from a software engineer to Vice President of Global Platform and Infrastructure, from June 2002 until June 2015. Mr. Shivananda started his career at Deja.com, which was acquired by eBay.

Member of the Board of Directors of F5 Networks, Inc. since 2020.

☆ Diverse Ethnic Group ● Woman

PROPOSAL 2:

Advisory Vote to Approve Named Executive Officer Compensation

Every year we ask our stockholders to vote on an advisory basis to approve the compensation paid to our named executive officers ("say-on-pay"), as described in the Compensation Discussion and Analysis and the compensation table sections of this proxy statement.

The Compensation Committee is committed to an executive compensation program that is transparent and simple, that appropriately incentivizes our executives and aligns with stockholder interests and external expectations, and that enables us to effectively compete for and win top talent so we can build the strongest possible leadership team for PayPal. The Compensation Committee believes the goals of our executive compensation program are appropriate and that the program is properly structured to achieve those goals. As you decide how to vote on this proposal, the Board encourages you to read the Compensation Discussion and Analysis and the compensation table sections of this proxy statement.

The Board recommends that stockholders vote "FOR" the following resolution:

> "RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2020 Summary Compensation Table and the other related tables and disclosures."

This say-on-pay vote is advisory, and therefore not binding on the Company, the Board, or the Compensation Committee. However, the Board and the Compensation Committee value the opinions of our stockholders and will take into account the outcome of this vote in considering future compensation arrangements. We expect that the next say-on-pay vote will occur at PayPal's 2022 annual meeting of stockholders.

THE BOARD RECOMMENDS A VOTE FOR PROPOSAL 2.

Compensation Discussion and Analysis

Table of Contents

Named Executive Officers

This Compensation Discussion and Analysis ("CD&A") describes the material compensation elements for each of PayPal's named executive officers ("NEOs") and provides an overview of the compensation policies and practices applicable to our NEOs.

2020 NEOs

Daniel H. Schulman
President and Chief Executive Officer

John D. Rainey
Chief Financial Officer and Executive Vice President, Global Customer Operations

Peggy Alford
Executive Vice President, Global Sales

Aaron Karczmer
Chief Risk Officer and Executive Vice President, Risk and Platforms

Louise Pentland
Executive Vice President, Chief Business Affairs and Legal Officer

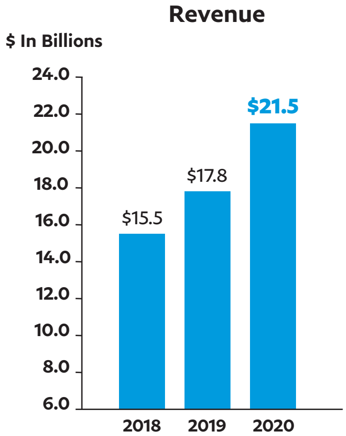
Executive Summary

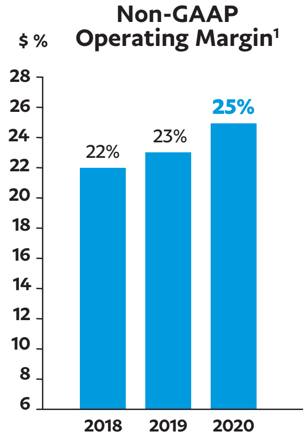
2020 Financial and Operational Performance Highlights

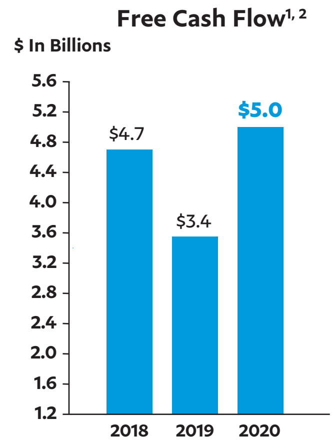
In 2020, we achieved record financial and operational performance across key performance metrics, including net new active accounts, total payment volume, revenue, non-GAAP Operating Margin and Free Cash Flow. Our revenue increased to over $21 billion. We added more than 72 million net new active accounts, ending the year with 377 million active consumer and merchant accounts. Our total payment volume increased to $936 billion and customer engagement grew to an average of 40.9 transactions per active account as we continued to scale our acceptance worldwide.

The strong secular trends of increasing e-commerce penetration and cash displacement accelerated, contributing to our record results. In addition, we innovated at scale, introducing more products and services in 2020 than we have in any year in our history. For example, we enabled U.S. customers to buy, hold and sell cryptocurrency directly from their PayPal accounts, launched short-term installment credit products and deployed QR code functionality in 28 markets globally to provide customers with a touch-free way to buy and sell in person, safely and securely.

Performance Highlights







CREATING VALUE FOR OUR STOCKHOLDERS:
Revenue grew **22%** on an FX-Neutral Basis

EXPANDING OUR BASE:
Active Accounts of **377 Million** — **Up 24%** from 2019

DRIVING CUSTOMER ENGAGEMENT:
40.9 Payment Transactions per Active Account ("TPA") — **Up 1%** from 2019

GAINING SHARE:
Total Payment Volume of **$936 Billion** — **Up 31%** from 2019

1 Non-GAAP Operating Margin and Free Cash Flow are not financial measures prepared in accordance with GAAP. For information on how we compute these non-GAAP financial measures and a reconciliation to the most directly comparable financial measures prepared in accordance with generally accepted accounting principles ("GAAP"), please refer to "Appendix A – Reconciliation of Non-GAAP Financial Measures" in this proxy statement.

2 Free Cash Flow for 2018 reflects the impact of held for sale accounting treatment in connection with the sale of the Company's U.S. consumer credit receivables portfolio, which increased Free Cash Flow for 2018 by approximately $1.4 billion. Normalizing for this impact, Free Cash Flow for 2018 would have been approximately $3.3 billion.

For more information on our 2020 performance highlights, see the "Proxy Statement Summary – Our 2020 Key Highlights " beginning on page 3.

2020 NEO Compensation Program Elements

For 2020, the Compensation Committee approved an executive compensation program based on our "pay for performance" philosophy that is designed to align our executive officers' compensation with the key drivers of profitable growth. The ultimate goals of our executive compensation program are to properly incentivize and reward our executives for performance that exceeds expectations, provide transparency for our executives and our stockholders and position PayPal competitively to enable us to attract and retain highly capable leaders in an extremely competitive talent market.

The following is an overview of the compensation program elements for our NEOs.

	Form of Payment	Performance Period	Performance Criteria	Objectives	For More Information
Salary	Cash	Ongoing	Alignment of salary with performance is evaluated on an annual basis	• Compensates for expected day-to-day performance • Rewards individuals' current contributions • Reflects scope of roles and responsibilities	Page 47
Annual Incentive Plan ("AIP")	**75%** Performance-Based Restricted Stock Units ("PBRSUs")	One year	Revenue and Non-GAAP Operating Margin, with Net New Actives modifier	• Rewards successful annual performance • Motivates achievement of short-term performance goals designed to enhance value of Company • Significant equity portion to further align with stockholder interests	Page 47
	25% Cash	One year	Individual Performance		
Long-Term Incentive Plan ("LTI")	**50%** PBRSUs	Three years	FX-Neutral Revenue Compound Annual Growth Rate ("CAGR") and Free Cash Flow CAGR	• Rewards successful achievement of three-year performance goals designed to enhance long-term value of Company • Intended to satisfy long-term retention objectives	Page 51
	50% Restricted Stock Units ("RSUs")	Vests annually over three years	Service-based vesting; ultimate value based on stock price performance	• Rewards the creation of long-term value • Recognizes potential future contributions • Intended to satisfy long-term retention objectives	Page 53

Key Compensation Policies and Practices

We maintain the following policies and practices that we believe demonstrate our commitment to good governance and executive compensation best practices.

What We Do	
Pay for performance	At least 50% of our NEOs' Target Total Direct Compensation is performance-based and tied to pre-established performance goals aligned with our short-term and long-term objectives.
Rigorous performance goals	We use rigorous, objective performance-based company goals in our incentive plans.
Independent compensation consultant	The Compensation Committee engages its own independent compensation consultant to advise on executive and director compensation matters.
Annual compensation peer group review	The Compensation Committee annually reviews the composition of our compensation peer group to ensure the peer group remains appropriate in light of our size and industry.
Annual say-on-pay vote	We conduct an annual advisory say-on-pay vote on our NEO compensation.
Stockholder engagement	We are committed to ongoing engagement with our stockholders – including on executive compensation, corporate governance and ESG matters – through teleconferences, in-person meetings and correspondence.
Annual compensation risk assessment	We conduct an annual compensation risk assessment to ensure that our executive compensation program does not present any risks that are reasonably likely to have a material adverse effect on PayPal.
Clawback policy	The Compensation Committee can require forfeiture or reimbursement of incentive compensation paid or awarded to the NEOs in certain circumstances under our clawback policy.

What We Do	
Robust stock ownership guidelines	Our stock ownership guidelines require significant sustained ownership of PayPal common stock to align the long-term interests of our NEOs and non-employee directors with those of our stockholders and promote our commitment to sound corporate governance.
Prohibition of hedging and pledging transactions	Our insider trading policy, which applies to all Board members, officers and employees, prohibits the use of hedging and monetization transactions relating to our securities and the use of PayPal derivative securities as collateral in a margin account or for any loan or extension of credit. Board members and executive officers are prohibited, and all other employees are strongly discouraged, from pledging any PayPal securities as collateral for loans.

What We Don't Do	
No excise tax gross-ups on "change in control" payments	We do not provide our NEOs with any excise tax gross-ups or other payment or reimbursement of excise taxes on severance in connection with a change in control of PayPal.
No "single-trigger" CIC payments or acceleration of equity awards	We do not make "single-trigger" change-in-control payments or maintain any plans that require single-trigger change-in-control acceleration of equity awards to our NEOs upon a change in control of PayPal.
No tax gross-ups on perquisites	We do not provide our NEOs with any tax gross-ups on perquisites, other than in limited circumstances for business-related relocations and international business travel-related benefits that are under our control, at our direction, and deemed to benefit our business operations.
No discounting of stock options or repricing of underwater options	Our equity compensation plan expressly prohibits the discounting of the exercise price of stock options and the repricing of underwater stock options without stockholder approval.
No guaranteed bonuses	Our annual incentive plan is entirely performance-based, and our NEOs are not guaranteed any minimum levels of payment under that plan.

At our 2020 Annual Meeting of Stockholders, we received approximately 81% support of the votes cast on our say-on-pay proposal. Following the 2020 Annual Meeting, we engaged in proactive outreach efforts with investors representing approximately 63% of our common stock. For more information on our engagement efforts and feedback received through these conversations, please see "Corporate Governance – Stockholder Engagement".

Executive Compensation Program Design

Our key guiding principle for executive compensation is to closely align the compensation of our executives with the creation of long-term value for our stockholders. We do so by tying a significant portion of our executives' target total direct compensation opportunity to the Company's performance.

In designing our executive compensation program, the Compensation Committee prioritizes four goals:

SIMPLICITY, TRANSPARENCY AND CLARITY	ONE TEAM	WINNING THE WAR FOR TALENT	INDIVIDUAL PERFORMANCE
Enable executives to see the direct link between Company and individual performance and pay, and enable stockholders to see the direct link between returns on their investment and pay outcomes for the executive team.	Maintain unified goals and objectives of the annual short- and long-term incentive programs for the entire executive leadership team to drive operational decisions and Company performance.	Recognize the unique FinTech space in which we compete and prioritize nimble and aggressive compensation strategies to attract and retain key talent.	Ensure compensation is commensurate with results, both on the upside and downside, and that leaders are held accountable for their performance, including with respect to risk and compliance within their respective organizations.

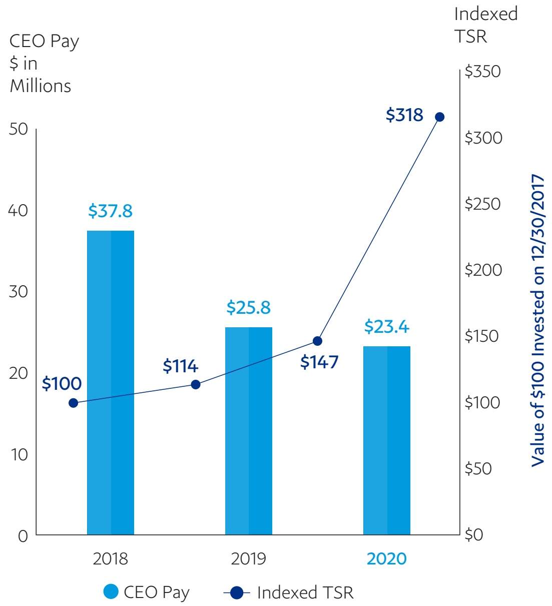
Alignment of Compensation with Performance Results

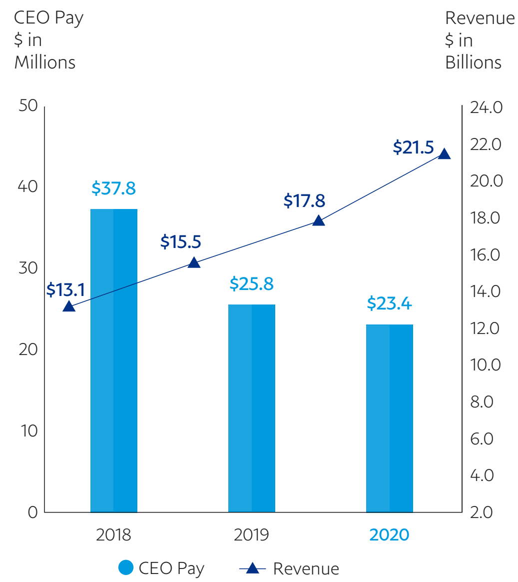
Incentive Compensation

Based on our 2020 results for revenue, Non-GAAP Operating Margin and net new actives, the Compensation Committee determined that the Company performance component under the 2020 AIP would pay out at 200% of target. Based on the compound annual growth rates of FX-neutral revenue and Free Cash Flow for the three-year period of January 1, 2018 to December 31, 2020, the 2018-2020 performance-based restricted stock units also paid out at 200% of target. For more information on our incentive compensation programs, see "2020 Compensation Framework and Decisions."

CEO Compensation and Performance Trends

The following chart demonstrates the alignment between our revenue, Indexed TSR and CEO pay (as reported in the "2020 Summary Compensation Table") for fiscal years 2018 to 2020. Revenue is a key measure of our financial performance. Indexed TSR is defined as the total stockholder return on our common stock during the period from December 29, 2017 through December 31, 2020, assuming $100 was invested on December 29, 2017.





2020 Compensation Framework and Decisions

When designing our executive compensation program, the Compensation Committee assessed competitive market data obtained from the public filings of our compensation peer group companies and general industry data for comparable technology and financial companies that are included in proprietary third-party compensation surveys. For more information, see "Our Structure for Setting Compensation."

Base Salary

At the beginning of each year, the Compensation Committee reviews and approves each executive officer's base salary for the year. In making its determinations, the Compensation Committee considered competitive market data and certain individual factors, including the executive's individual performance, level of responsibility, breadth of knowledge and prior experience. Based on this review, the Compensation Committee determined not to make any changes in 2020 to the base salaries for our NEOs, other than an increase for Ms. Alford based on her promotion to Executive Vice President. The following table shows the 2020 annual base salary for each NEO.

NEO	Base Salary for 2020 ($)
Daniel H. Schulman	1,000,000
John D. Rainey	750,000
Peggy Alford	650,000
Aaron Karczmer	650,000
Louise Pentland	750,000

How We Determine Incentive Compensation

When deciding the target amount and forms of incentive compensation for our NEOs, the Compensation Committee considers the size and complexity of the NEO's position and business unit or function, as well as the following factors (which we refer to as the "Incentive Compensation Factors"):

- leadership;
- performance against financial, strategic and operational objectives and performance measures;
- defining and executing against strategy, roadmaps and budgets;
- championing and advancing the Company's set of core values of collaboration, inclusion, innovation and wellness;
- organizational development and human capital management, including hiring, development and retention for the business unit or function and enhancing diversity and inclusion efforts;
- driving innovation for the business unit or function; and
- negotiating, closing and integrating or implementing strategic transactions and partnerships.

Individual performance was evaluated based on a holistic and subjective assessment of each individual NEO's performance against these factors.

Annual Incentive Plan

The 2020 AIP provided each of our NEOs with the opportunity to earn annual incentive compensation based on Company performance and individual performance. The majority of our NEOs' 2020 AIP awards is in the form of performance-based restricted stock units ("PBRSUs"), which are settled in shares of PayPal common stock, as described below.

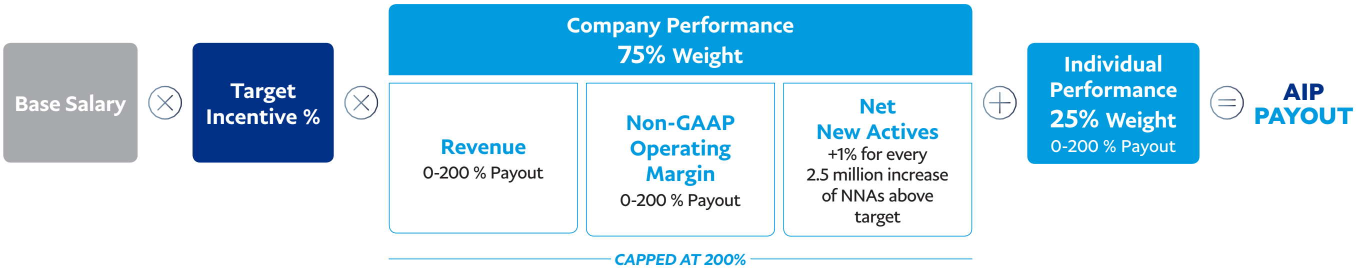
The Compensation Committee believes that our executives' annual incentives should be tied primarily to our overall Company performance, with individual compensation differentiated based on individual performance.

The following table sets forth the 2020 target annual incentive opportunity (the "Target Incentive Amount") for each NEO, which is expressed as a percentage of the NEO's 2020 base salary. Seventy-five percent (75%) of the Target Incentive Amount for each NEO was delivered in the form of PBRSUs with a one-year performance period, with the final payout to be determined based on Company performance for 2020; the remaining 25% of the Target Incentive Amount for each NEO was determined based on individual performance, to be delivered in cash, in each case as described below.

NEO	Annual Incentive Target as Percentage of Base Salary	Target Incentive Amount ($)	Target PBRSUs[(1)] (in Shares)	Target Cash ($)
Daniel H. Schulman	200%	2,000,000	12,916	500,000
John D. Rainey	100%	750,000	4,844	187,500
Peggy Alford	100%	650,000	4,198	162,500
Aaron Karczmer	100%	650,000	4,198	162,500
Louise Pentland	100%	750,000	4,844	187,500

(1) The target number of PBRSUs was determined by dividing (i) the value of the target award allocated to the Company performance portion by (ii) the average closing price of PayPal common stock for a period of 30 consecutive trading days prior to the grant date (the "Average Closing Price"). The PBRSUs were granted on February 15, 2020.

The actual amount of each NEO's 2020 AIP award was determined by the following formula:



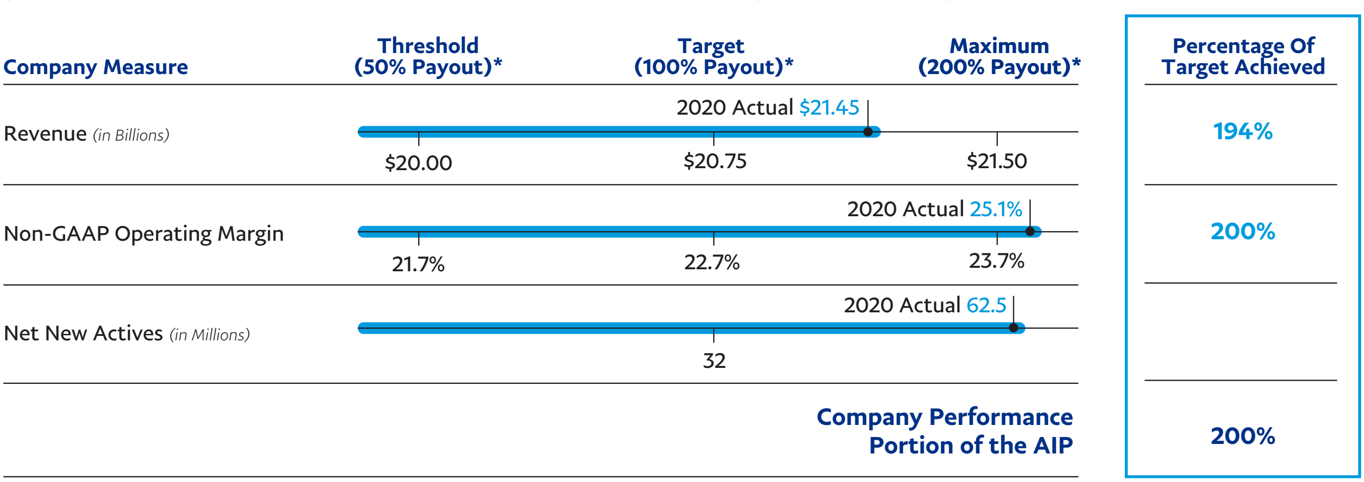
Company Performance Measures

In early 2020, the Compensation Committee selected the Company performance measures under the 2020 AIP to create strong alignment between Company performance and NEO annual incentive payouts.

Measure	Definition	Purpose
Revenue (50% Weighting)	Revenue, as reported in our Annual Report on Form 10-K.	The Compensation Committee believes that top-line growth is an important factor in stockholder value creation. Revenue is also a key financial metric that the Company uses internally to measure ongoing financial performance.
Non-GAAP Operating Margin (50% Weighting)	"Non-GAAP Operating Margin," as described in "Appendix A – Reconciliations" in this proxy statement.	The Compensation Committee believes that Non-GAAP Operating Margin is an important measure of our performance because it measures profitability, reflects the Company's revenue growth and expense management discipline, and is a key financial metric of core financial performance and business activities within our peer group. Non-GAAP Operating Margin is also a key financial metric that the Company uses internally to measure ongoing financial performance.
Net New Actives ("NNAs") (potential modifier)	Measures the net change in the number of organic active customer accounts compared to target. NNAs measurement excludes the impact of any mergers and acquisitions.	The Compensation Committee believes that measuring NNAs reinforces the critical importance of growing our customer base to build for the future. The number of NNAs is also a key operational metric that the Company uses internally to measure ongoing performance.

The minimum threshold for either revenue or Non-GAAP Operating Margin would need to be met to trigger any payments under the Company performance component of the 2020 AIP. Revenue and Non-GAAP Operating Margin are weighted equally to determine the payout of the Company performance component of the 2020 AIP. The NNAs operational performance measure serves as a modifier that increases the Company performance payout by one percentage point for each 2.5 million increase of NNAs above the target. The maximum possible payout for the Company performance portion of the AIP is 200%.

The Compensation Committee established threshold, target and maximum performance goals for the revenue and Non-GAAP Operating Margin measures and a target goal for the NNAs measure, in January 2020 based primarily on our approved budget and operating plan for the year and full year guidance provided to the investment community. The table below shows the performance goals for the 2020 AIP, the actual performance achieved and the resulting payout percentage.



* Linear interpolation applies to revenue and Non-GAAP Operating Margin for results between specific goals.

Individual Performance Measures

To facilitate differentiation based on individual performance, 25% of the target incentive amount for our NEOs was based on an individual performance score ranging from 0% to 200% (the "Individual Performance Score"). At the beginning of 2020, the Compensation Committee discussed with Mr. Schulman the key factors for determining awards under the 2020 AIP, the NEOs' expected contributions to that performance and the NEOs' respective individual business objectives. In early 2021, Mr. Schulman presented to the Compensation Committee his assessment of each NEO's individual performance during 2020 against their objectives for the year. The Compensation Committee assessed Mr. Schulman's individual performance during 2020 against his objectives for the year.

The NEOs' key accomplishments for 2020 are discussed below.

NEO	Key Accomplishments Against Objectives
Daniel H. Schulman	• Provided strategic leadership and navigated the Company through the unprecedented challenges presented by the COVID-19 pandemic, including enhancing employee wellness initiatives and providing support to our communities and consumers. • Led PayPal to record performance across key financial and operating metrics. • Oversaw release of more products and services in 2020 than in any previous year, including new cryptocurrency services enabling U.S. customers to buy, hold and sell cryptocurrency directly from their PayPal account, installment credit options for customers and PayPal and Venmo QR code payment options for in-store contactless payments. • Led PayPal to implement employee financial wellness initiatives, which reduced cost of health care benefits to our lower-level employees, raised wages and introduced financial education and earned wage access programs. • Oversaw continued implementation of a set of values and core beliefs for PayPal to drive cultural change and create an environment centered on collaboration, inclusion, innovation and wellness.
John D. Rainey	• Oversaw effort to enable Global Customer Operations, consisting of the Company's customer service and operations functions, to work remotely to promote the health and safety of our workforce. • Drove significant productivity savings in Global Customer Operations through work redesign and the utilization of artificial intelligence throughout the customer services and operations functions. • Led our financial reporting, analysis and planning organization, including overseeing the Company's internal control over financial reporting. • Accessed the public debt market and raised $4.0 billion in long-term debt. • Continued to implement programs and processes to facilitate cost savings and operational efficiencies across the business. • Executed financial plans designed to meet or exceed growth, margin and cash flow targets. • Successfully managed corporate capital allocation decisions consistent with creation of stockholder value. • Maintained a high level of integrity over financial reporting and led efforts to further enhance the control environment. • Led effective Investor Relations activities.
Peggy Alford	• Led transformation of the Global Sales Organization, including streamlining roles across our markets, serving PayPal's business segments and redesigning the sales compensation structure to drive the sales strategy. • Led a foundational build out of the sales enablement function and implemented strategies and initiatives to accelerate key deals. • Led sales organization to achieve sales targets despite COVID-19 pandemic impacts.
Aaron Karczmer	• Continued to provide strong focus on ensuring a safe and secure work environment to protect our people, property and assets. • Further enhanced the Company's unified data-driven approach to oversight for all risk disciplines, including global compliance, to help ensure that the Company meets its regulatory and business objectives. • Continued to strengthen our financial crimes unit's capabilities to protect consumers and actively combat terrorism financing, firearms trafficking, child exploitation and human trafficking. • Oversaw front-line risk teams with direct global responsibility for managing fraud, brand and seller risk. • Strengthened the global entity management function designed to help forge stronger linkages between subsidiary legal entities and business units while meeting business priorities and regulatory expectations.

NEO	Key Accomplishments Against Objectives
Louise Pentland	• Led the Company-wide efforts to mobilize nearly all the Company's workforce to remote work or take advantage of flexible work arrangements to promote their health and safety. • Led enhanced focus on employee wellness and took proactive steps to address employee needs, including frequent employee surveys, implementing a full crisis leave program, enhanced mental wellness programs and benefits and a "wellness day" program providing vacation days for the entire company. • Led enterprise-wide organizational transformations of Business Affairs and Human Resources organizations to streamline operations and developed a global but localized approach to employee relations. • Oversaw the Company's human capital management strategy, including innovative programs and initiatives designed to advance employee financial wellness and foster DIE&B. • Oversaw the continued development of our ESG strategy and programs, including enhancements to governance and reporting. • Provided distinctive leadership and judgment in legal, employee and business matters.

In determining the Individual Performance Score for each NEO, the Compensation Committee, with Mr. Schulman's input, conducted a thorough review of each NEO's performance against their various business objectives, taking into account the relative importance of each objective to the Company. Mr. Schulman then recommended to the Compensation Committee each NEO's Individual Performance Score other than his own. The Compensation Committee made a final determination, in its sole discretion, as to the Individual Performance Score for each NEO based on this review and Mr. Schulman's recommendations. The Compensation Committee also reviewed Mr. Schulman's performance and determined, in its sole discretion, the Individual Performance Score for Mr. Schulman. The Compensation Committee also included in its consideration each NEO's risk and compliance ratings based on the risk and compliance reviews by, and independent observation and judgment of, the Company's risk and compliance officers, as well as its own observations and assessments of the performance of each NEO and the Company.

2020 AIP Payments

The following table shows the 2020 AIP Payout for each NEO.

NEO	Target PBRSUs (in Shares)	x	Company Performance Score	=	2020 AIP PBRSU Payout (in Shares)[(1)]	+	Target Cash ($)	x	Individual Performance Score	=	2020 AIP Cash Payout ($)
Daniel H. Schulman	12,916		200%		25,832		500,000		200%		1,000,000
John D. Rainey	4,844		200%		9,688		187,500		175%		328,125
Peggy Alford	4,198		200%		8,396		162,500		200%		325,000
Aaron Karczmer	4,198		200%		8,396		162,500		200%		325,000
Louise Pentland	4,844		200%		9,688		187,500		200%		375,000

(1) The PBRSUs vested on February 15, 2021, based on the Company Performance Score of 200%, and were settled in shares of PayPal common stock.

Long-Term Incentive Compensation

Long-Term Incentive Award Target Values

In making its determination on the long-term incentive ("LTI") annual target values for the NEOs for 2020, the Compensation Committee set equity award guidelines and target levels for individual awards by position based on the following:

- equity compensation practices of technology companies in our compensation peer group, as disclosed in their public filings (see "Our Compensation Peer Group" below for our 2020 peer group) and in proprietary third-party compensation surveys;
- individual performance and potential;
- the Incentive Compensation Factors (see "How We Determine Incentive Compensation");
- any expansion of scope of role and responsibilities; and
- the need to retain qualified individuals in a highly competitive market for proven executive talent and based on their prospective contributions to the Company.

The 2020 LTI awards for the NEOs were divided equally into (i) PBRSUs with a three-year performance period and (ii) service-based RSUs that vest ratably over three years. Based on the above guidelines, the Compensation Committee approved the following target 2020 LTI awards for the NEOs:

NEO	2020 Target LTI Grant Value ($)	2020 Target PBRSUs[(1)] (in Shares)	2020 Service-Based RSUs[(1)] (in Shares)
Daniel H. Schulman[(2)]	21,000,000	89,678	89,678
John D. Rainey	9,000,000	38,434	38,434
Peggy Alford	6,000,000	25,623	25,623
Aaron Karczmer[(3)]	7,500,000	32,028	32,028
Louise Pentland	9,000,000	38,434	38,434

(1) The target number of PBRSUs and number of service-based RSUs granted were determined by dividing the total grant value of the award by the Average Closing Price. The PBRSUs and service-based RSUs were granted on March 1, 2020.

(2) The Compensation Committee approved Mr. Schulman's 2020 LTI annual target value based on his pay relative to the competitive compensation data and his strategic leadership of the Company and resulting Company performance, which included (i) setting new benchmarks for revenue, NNA accounts, transactions and engagement; (ii) strengthening our strategic positioning through a combination of innovation and strategic investments and partnerships, greatly bolstering our platform capabilities; and (iii) focusing on the long-term growth of our business by executing on a broad transformation of our culture and business model that strengthened and expanded our customer choice initiatives and partnerships across the ecosystem.

(3) Mr. Karczmer's LTI annual target value increased from 2019 to align his pay relative to internal and external peers and to reflect his role within the Company of providing leadership for our risk and compliance functions, including by continuing to enhance consumer protections and helping to ensure a safe and secure work environment.

Performance-Based Restricted Stock Units (PBRSUs)

In January 2020, the Compensation Committee approved the following structure for the multi-year PBRSUs granted in 2020 (the "2020-2022 PBRSUs").

- Three-year performance period from January 1, 2020, through December 31, 2022, to emphasize the importance of long-term, sustained strategic growth.
- Awards to be settled in shares of PayPal common stock, subject to the Compensation Committee's approval of the level of achievement against the pre-established goals for two performance measures: compound annual growth rate ("CAGR") of "FX-Neutral" Revenue and CAGR of Free Cash Flow.

The performance measures are described below.

Performance Measures and Rationales

The Compensation Committee believes that measuring CAGR over the three-year performance period is an appropriate performance measure as it is aligned with our long-term goal of growing revenue and free cash flow.

The following table describes the two performance measures for the 2020-2022 PBRSUs and the Compensation Committee's rationale for their selection.

Measure/Weighting	Definition	Purpose
FX-Neutral Revenue CAGR (50% weighting)	Revenue calculated on a fixed foreign exchange basis (referred to as "FX-Neutral").	The Compensation Committee believes that the FX-Neutral Revenue measure makes our executive officers accountable for driving profitable growth while making appropriate tradeoffs between investments that increase future revenue growth and operating expense.
Free Cash Flow CAGR (50% weighting)	"Free Cash Flow" as described in "Appendix A – Reconciliations" in this proxy statement.	The Compensation Committee believes that the Free Cash Flow measure reinforces the importance of PayPal's cash generation capability so we can finance continued growth and investment requirements and remain positioned to take advantage of inorganic growth opportunities.

PBRSU Mechanics and Targets

Each year, in establishing performance goals for the new three-year performance period, the Compensation Committee considers a number of key factors, including:

- PayPal's medium-term business plan;
- medium-term outlook provided to investors;
- PayPal's strategic direction and initiatives;
- historical performance and goals set for prior performance periods; and
- potential extraordinary events that could have a disproportionate impact on the alignment of performance and compensation.

The targets set by the Compensation Committee are intended to be rigorous and consistent with the medium-term outlook provided to the investment community and our medium-term business plan. The specific goals for the 2020-2022 PBRSUs are intended to be challenging but attainable to provide appropriate incentives for our executive officers to continue to grow our business. The Compensation Committee believes that achievement of maximum performance against the target levels would require sustained exceptional performance over the performance period.

The two LTI performance measures are independent. If either threshold goal is met, awards will be earned with respect to that performance measure based on the percentages shown in the table below. If the performance threshold for a measure is not met, there will be no payment attributable to that performance measure. No shares of PayPal common stock subject to the 2020-2022 PBRSUs will be awarded if neither performance threshold is met.

We do not disclose the specific performance goals for the 2020-2022 PBRSUs for competitive reasons. The performance targets and achievement levels for the 2018-2020 PBRSUs are shown below to provide insight into the rigor of the targets the Compensation Committee sets. For each measure, performance at the threshold level will result in a 50% payout, performance at the target level will result in a 100% payout and performance at the maximum level will result in a 200% payout. Linear interpolation is applied to performance between threshold, target and maximum levels.

Settlement of Previously Awarded 2018-2020 PBRSUs

The 2018-2020 PBRSUs were structured in the same manner and with the same performance measures as the 2020-2022 PBRSUs, but with different targets for the three-year performance period from January 1, 2018 to December 31, 2020.

The following chart shows the minimum, target and maximum vesting levels for FX-Neutral Revenue CAGR and Free Cash Flow CAGR set by the Compensation Committee at the beginning of the 2018-2020 performance period, the actual results for each measure and the corresponding percentage of target achieved.

Measure	Threshold (50% Payout)	Target (100% Payout)	Maximum (200% Payout)		Percentage Of Target Achieved
FX-Neutral Revenue CAGR	11%	14%	16%	Actual 18%	200%
Free Cash Flow CAGR(1)	26%	29%	31%	Actual 41%	200%

(1) For the 2018-2020 PBRSUs, the Compensation Committee approved adjustments to (i) FX-Neutral Revenue and Free Cash Flow for the impact of the Company's agreement in 2017 to sell the U.S. consumer credit receivables portfolio to Synchrony Financial, and (ii) Free Cash Flow for the impact of the US Tax Cuts and Jobs Act of 2017.

The following table shows the number of shares of PayPal common stock earned and vested pursuant to the 2018-2020 PBRSUs for each NEO based on achievement of 200% of target.

NEO	Target PBRSUs (in Shares)	x	Percentage of Target Achieved	=	Number of Shares Earned
Daniel H. Schulman	113,173		200%		226,346
John D. Rainey	50,300		200%		100,600
Aaron Karczmer	31,437		200%		62,874
Louise Pentland	50,300		200%		100,600

Restricted Stock Units

Our 2020 LTI awards also included service-based RSUs with a three-year annual vesting schedule, which aligns with the three-year performance period of the 2020-2022 PBRSUs. Service-based RSUs have value regardless of whether our stock price increases or decreases, and therefore help to secure and retain our executive officers and provide an appropriate incentive for them to remain with us during the vesting period.

Our Structure for Setting Compensation

Roles and Responsibilities

Compensation Committee

Our executive compensation program is designed and administered under the direction and control of the Compensation Committee, which is made up solely of independent directors. The Compensation Committee reviews and approves our overall executive compensation program, policies and practices, and sets the compensation of our executive officers, including our NEOs.

Compensation Consultant

The Compensation Committee's independent compensation consultant provides advice and resources to help the Compensation Committee assess the effectiveness of our executive compensation strategy and program. The compensation consultant reports directly to the Compensation Committee, and the Compensation Committee has the sole power to terminate or replace the consultant at any time. Compensia has served as the Compensation Committee's independent compensation consultant since 2016.

The Compensation Committee directed Compensia to help members of management obtain the information necessary for management to formulate recommendations to the Compensation Committee, which are evaluated by Compensia. A representative of Compensia also attends Compensation Committee meetings, in executive session with no members of management present, and meets with the chair and members of the Compensation Committee outside of regular meetings.

As part of its engagement in 2020, Compensia provided an environmental scan of executive compensation, evaluated our compensation peer group composition, evaluated executive cash and equity compensation levels at our compensation peer group companies, reviewed proposed compensation adjustments and changes to existing arrangements, advised on the framework for our annual and long-term incentive awards, assessed executive perquisites relative to peer and broader market practices and reviewed the compensation of our non-employee directors. Compensia did not provide any other services to us in 2020.

Recognizing the importance of objective advice, the Compensation Committee closely examines the procedures and safeguards of its compensation consultant to ensure that its services are objective. The Compensation Committee has assessed the independence of Compensia pursuant to the applicable Nasdaq listing standards and SEC rules and concluded that Compensia's work for the Compensation Committee does not raise any conflict of interest.

CEO and The Human Resources Department

The Compensation Committee works with members of our management team, including Mr. Schulman and Ms. Pentland, to formulate the specific plan and award designs, including performance measures and performance target levels, necessary to align our executive compensation program with our business objectives and strategies.

Our CEO reviews with the Compensation Committee his performance evaluations of each of our other NEOs together with his recommendations regarding base salary adjustments, annual incentive awards and long-term incentives to ensure that the Compensation Committee's decisions reflect our financial and operational results as well as individual performance. The Compensation Committee makes all final decisions regarding the compensation of our NEOs.

While certain members of management attended the meetings of the Compensation Committee in 2020 by invitation, they did not attend executive sessions of the meetings or the portion of Compensation Committee meetings during which their own compensation was discussed.

Our Compensation Peer Group

Our compensation peer group is made up of technology companies and financial companies. This mix is intended to provide the Compensation Committee with insight into the differences across these two sectors in which we generally compete for executive talent.

In deciding whether a company should be included in our compensation peer group, the Compensation Committee generally considers the following screening criteria:

- revenue;
- market capitalization;
- historical growth rates;
- primary line of business;
- whether the company has a recognizable and well-regarded brand; and
- whether we compete with the company for talent.

Each member of the peer group was chosen based on one or more of the factors listed, but not all factors were relevant for every peer company. While some of our compensation peer group members may be significantly larger than PayPal in terms of revenue or market capitalization, the Compensation Committee has determined that such companies should be included in the peer group primarily because we compete with them for talent – particularly in the competitive San Francisco Bay Area talent market.

Our compensation peer group for 2020 was composed of 12 technology companies (which generally are companies with which we directly compete for talent) and eight financial companies (which generally are companies with which we compete for talent and that more closely match our financial performance). There were no changes in our compensation peer group from our 2019 peer group.

PEER GROUP COMPANIES	
Adobe Systems Incorporated	Mastercard Incorporated
Alphabet Inc. (Google Inc.)	Netflix, Inc.
Amazon.com, Inc.	Oracle Corporation
American Express Company	Salesforce.com, Inc.
Apple Inc.	Square, Inc.
Discover Financial Services	Symantec Corporation
Facebook, Inc.	The Western Union Company
First Data Corporation	Twitter, Inc.
Global Payments Inc.	Visa Inc.
Intuit Inc.	Worldpay, Inc. (Vantiv, Inc.)
Technology Companies	Financial Companies

In contemplating our executive compensation program for 2020 and going forward, the Compensation Committee considered the compensation programs of our compensation peer group as well as our goals of rewarding performance and retaining core top talent. We also compare our performance against the performance of companies in our compensation peer group that we believe they have relatively comparable business models. Our executive compensation program is generally designed to roughly parallel the programs of members of our compensation peer group because our employees have historically been recruited by these competitors.

Other Compensation Elements

Ms. Alford – 2019 New Hire Bonus

Ms. Alford recommenced employment with the Company in March 2019. Pursuant to the terms of her offer letter, Ms. Alford was offered a new hire bonus in the amount of $2,700,000, of which she received $1,175,000 in 2020. The final payment of Ms. Alford's new hire bonus, in the amount of $250,000, was paid at the beginning of 2021. Ms. Alford is obligated to repay to the Company a prorated portion of the total new hire bonus (based on her time of service to the Company) if she voluntarily resigns or if her employment is terminated involuntarily with cause within three years of her employment commencement.

Deferred Compensation

The PayPal Holdings, Inc. Deferred Compensation Plan ("DCP"), our non-qualified deferred compensation plan, provides our U.S.-based executive officers the opportunity to defer compensation in excess of the amounts that are legally permitted to be deferred under our tax-qualified 401(k) savings plan (the "401(k) Plan"). Each of the 401(k) Plan and the DCP allows participants to set aside tax-deferred amounts. The Compensation Committee believes the opportunity to defer compensation is a competitive benefit that enhances our ability to attract and retain talented executives while building plan participants' long-term commitment to the Company. The investment return on the deferred amounts is linked to the performance of a range of market-based investment choices. None of our NEOs participated in or had a balance in the DCP during 2020.

Other Benefits

We provide certain executive officers with perquisites and other personal benefits that the Compensation Committee believes are reasonable and consistent with our overall executive compensation program and philosophy and that will help us attract and retain these executive officers, as set forth below. The Compensation Committee periodically reviews the levels of these benefits provided to our executive officers.

CEO Security Program

We maintain a comprehensive security policy, and we may determine that in certain circumstances, certain executive officers should be required to have personal security protection. We require these executives to accept such personal security protection because we believe it is in the best interests of the Company and our stockholders that our executives and their family members not be vulnerable to security threats.

Because PayPal is a highly visible company, the Compensation Committee authorized a CEO security program for Mr. Schulman to address safety concerns, which include specific threats to his safety arising directly as a result of his position as our President and CEO. We paid to procure, install and maintain personal residential security measures for Mr. Schulman and for the costs of security personnel during personal travel. In addition, the Compensation Committee has approved Mr. Schulman's use of our corporate aircraft for personal travel in connection with his overall security program.

We believe the costs of this overall security program are reasonable, appropriate and benefit the Company. Although we do not consider Mr. Schulman's overall security program to be a perquisite for his benefit for the reasons described above, the costs related to personal security measures for Mr. Schulman at his residence and during personal travel, as well as the costs of our corporate aircraft for personal travel, are reported in the "All Other Compensation" column in the 2020 Summary Compensation Table below.

Other Compensation Practices and Policies

Stock Ownership Guidelines

Our Board has adopted robust stock ownership guidelines designed to closely align the interests of our executive officers with the long-term interests of our stockholders. Under these guidelines, our executive officers are required to achieve ownership of our common stock valued at the following multiple of their annual base salary, as applicable:

- CEO – six times base salary
- EVPs – three times base salary

Each executive officer is expected to meet the applicable guideline level within five years of becoming subject to these requirements, and to continuously own sufficient shares to meet the guideline level for as long as he or she remains an executive officer.

Executive officers who have not yet satisfied their applicable guideline level are required to retain 25% of the net shares of our common stock that they receive as the result of the exercise, vesting, or payment of any equity awards granted to them.

Shares that count towards satisfaction of the stock ownership guidelines include the following:

- shares owned outright by the executive officer or immediate family members residing in the same household;
- shares held in trust for the benefit of the executive officer or their immediate family members; and
- deferred shares and vested deferred stock units, deferred restricted stock units, or deferred performance stock units that may only be settled in shares of our common stock.

Our stock ownership guidelines are available in the governance section of our Investor Relations website at https://investor.pypl.com/governance/governance-overview/default.aspx.

Hedging and Pledging Policy

Our insider trading policy prohibits all Board members, officers and employees from entering (directly or indirectly) into any hedging or monetization transactions relating to our securities, including prepaid variable forward contracts, equity swaps, collars and exchange funds, or any other transaction that hedges or offsets, or is designed to hedge or offset, any decrease in the market value of PayPal securities owned directly or indirectly by such person. Additionally, Board members, officers and employees are prohibited from using PayPal derivative securities as collateral in a margin account or for any loan or extension of credit, or otherwise trading in any instrument relating to the future price of our securities, such as a put or call option, futures contract, short sale (including a short sale "against the box"), collar, or other derivative security. Our insider trading policy also prohibits all Board members and executive officers from pledging our common stock as collateral for loans. Other employees are strongly discouraged from pledging PayPal securities as collateral for loans.

Clawback Policy

We have a clawback policy that applies to incentive compensation (including cash or equity-based awards) paid or awarded to any NEO or other officer in a vice president or more senior position ("covered employees"). The occurrence of any of the following events will trigger the policy:

- a covered employee materially violates our Code of Conduct;
- a covered employee causes material financial or reputational harm to the Company; or
- a material restatement of all or a portion of our financial statements due to a supervisory or other failure by a covered employee in a senior vice president (or more senior) position or any covered employee who is a vice president in the Company's finance function.

The clawback policy provides that the Compensation Committee will determine in its discretion whether any of the above triggering events has occurred, and if so, whether to require the full or partial forfeiture and/or repayment of any incentive compensation covered by the policy based on the facts and circumstances. The forfeiture and/or repayment may include the following:

- any incentive compensation that is greater than the amount that would have been paid to the covered employee had the triggering event been known;
- any outstanding or unpaid incentive compensation, whether vested or unvested, that was awarded to the covered employee; and/or
- any incentive compensation that was paid to or received by the covered employee (including gains realized through the exercise of stock options) during the 12-month period preceding the date on which we had actual knowledge of the triggering event or the full impact of the triggering event was known (or such longer period of time as may be required by any applicable statute or government regulation).

Severance and Change in Control Provisions

In December 2019, the Compensation Committee approved the PayPal Holdings, Inc. Executive Change in Control and Severance Plan (the "Executive Severance Plan"). The Executive Severance Plan replaced and superseded all prior plans and agreements providing for severance payments and benefits, including those included in individual agreements and severance plans. Under the Executive Severance Plan, each NEO is eligible to receive payments and benefits in the event of certain terminations of employment, including a termination of employment by the Company without cause or by the executive for good reason. No payments or benefits are provided under the Executive Severance Plan if there is a change in control of the Company without an accompanying qualifying termination of employment (i.e., we do not provide any "single-trigger" payments). We do not provide any of our NEOs with any excise tax "gross-ups" or other payment or reimbursement of excise taxes on severance or other payments in connection with a change in control of the Company.

The Compensation Committee believes that the Executive Severance Plan is essential to fulfill our objective of recruiting, retaining and developing key, high-quality management talent in a competitive market because these arrangements provide reasonable protection to executives in the event they are not retained under specific circumstances. The Executive Severance Plan is also intended to facilitate changes in the leadership team by setting terms for the termination of the employment of an NEO in advance, which allows for a smooth transition of responsibilities when it is deemed to be in the best interest of the Company. The change in control provisions in the Executive Severance Plan are intended to allow our executives to focus their attention on our business operations despite the potentially disruptive impact of a proposed change-in-control transaction, to assess takeover bids objectively without regard to the potential impact on their individual job security and to allow for a seamless transition in the event of a change in control of the Company. These considerations are especially important in light of the executives' key leadership roles.

See "Potential Payments Upon Termination or Change in Control" below for a description of these arrangements and the estimated payments and benefits payable under the Executive Severance Plan.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code (as amended, "Section 162(m)") generally limits tax deductibility of compensation paid by a public company to its chief executive officer and certain other executive officers in any year to $1 million in the year compensation becomes taxable to the executive officer. Prior to the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), certain compensation was exempt from this deduction limit to the extent it met the requirements to be considered "qualified performance-based compensation." The Tax Act eliminated that exemption and expanded the list of executives covered by the limitations on deductibility under Section 162(m) to include, among others, the public company's chief financial officer. The new rules generally apply to taxable years beginning after December 31, 2017, but provide an exception for compensation provided pursuant to a written binding contract in effect on November 2, 2017, that has not subsequently been modified in any material respect. While the Compensation Committee has historically used the requirements of Section 162(m) as a guideline, deductibility is not the sole factor it considers in assessing the appropriate levels and types of executive compensation. Accordingly, the Compensation Committee will award non-deductible compensation where it believes doing so is in our and our stockholders' best interests.

We account for stock-based compensation in accordance with FASB ASC Topic 718, which requires us to recognize compensation expense for share-based payments, including stock options, restricted stock units, performance-based restricted stock units, shares of Company common stock and other forms of equity compensation.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on its review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's 2020 Annual Report on Form 10-K.

The Compensation Committee of the Board

David W. Dorman (Chair)
Jonathan Christodoro
Gail J. McGovern

Compensation Tables

2020 Summary Compensation Table

The following table summarizes the total compensation earned by each of our NEOs for the fiscal year ended December 31, 2020 and, to the extent required under SEC rules, the fiscal years ended December 31, 2018 and December 31, 2019.

Name and Principal Position(a)	Year(b)	Salary ($)(c)[1]	Bonus ($)(d)	Stock Awards ($)(e)	Option Awards ($)(f)	Non-Equity Incentive Plan Compensation ($)(g)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(h)	All Other Compensation ($)(i)	Total ($)
Daniel H. Schulman President and Chief Executive Officer	2020	1,038,462	—	20,957,193	—	1,000,000	—	366,417	23,362,072
	2019	1,000,000	—	23,854,743	—	750,000	—	220,730	25,825,473
	2018	1,000,000	—	35,275,516	—	875,000	—	614,072	37,764,588
John D. Rainey Chief Financial Officer and Executive Vice President, Global Customer Operations	2020	778,846	—	8,896,739	—	328,125	—	11,400	10,015,110
	2019	750,000	—	10,139,564	—	281,250	—	11,200	11,182,014
	2018	721,154	—	8,463,911	—	328,125	—	11,000	9,524,190
Peggy Alford Executive Vice President, Global Sales	2020	653,846	1,175,000[2]	6,050,368	—	325,000	—	11,400	8,215,614
Aaron Karczmer Chief Risk Officer and Executive Vice President, Risk and Platforms	2020	675,000	—	7,433,719	—	325,000	—	11,400	8,445,119
	2019	650,000	—	7,938,645	—	243,750	—	11,200	8,843,595
Louise Pentland Executive Vice President, Chief Business Affairs and Legal Officer	2020	778,846	—	8,896,739	—	375,000	—	11,400	10,061,985
	2019	750,000	—	10,139,564	—	281,250	—	14,200	11,185,014
	2018	713,942	—	8,463,911	—	328,125	—	11,000	9,516,978

(1) The total salary amounts reported are higher than annual base salaries for 2020 due to the inclusion of an extra pay period in 2020.

(2) This amount represents the new hire bonus offered to Ms. Alford when she recommenced employment with the Company in March 2019. For more information, see "Compensation Discussion and Analysis – Compensation Framework – Other Compensation Elements – Ms. Alford – 2019 New Hire Bonus".

Stock Awards – Column (e)

Amounts shown represent the grant date fair value of RSUs and PBRSUs (including PBRSUs under the Company's annual incentive plan for 2020 (the "2020 AIP")) granted to each of our NEOs as computed in accordance with FASB ASC Topic 718. The grant date fair value of RSUs is determined using the fair value of the underlying common stock on the grant date.

The assumptions used by the Company in calculating the grant date fair value of the stock awards are incorporated herein by reference to Note 15 to the consolidated financial statements contained in the Company's 2020 Annual Report on Form 10-K (the "2020 Form 10-K"). The estimated fair value of PBRSUs is calculated based on the probable outcome of the performance measures for the applicable performance period as of the grant date of the award for accounting purposes.

Assuming the highest level of performance is achieved under the applicable performance measures for the 2020 AIP PBRSUs and the 2020-2022 PBRSUs, the maximum possible value of the awards using the fair value of the underlying common stock on the date that the awards were granted for accounting purposes is presented below:

Name	Maximum Value of 2020 AIP PBRSUs (as of Grant Date for Accounting Purposes) ($)	Maximum Value of 2020-2022 PBRSUs (as of Grant Date for Accounting Purposes) ($)
Mr. Schulman	3,177,078	19,368,654
Mr. Rainey	1,191,527	8,300,975
Ms. Alford	1,032,624	5,534,056
Mr. Karczmer	1,032,624	6,917,407
Ms. Pentland	1,191,527	8,300,975

Non-Equity Incentive Plan Compensation – Column (g)

Amounts represent cash (non-equity) performance-based compensation earned under the individual performance portion of the 2020 AIP. The Company performance portion of the annual incentive payout was delivered in PBRSUs and is reflected in the "Stock Awards" column. See "Compensation Discussion and Analysis – 2020 Compensation Framework and Decisions – Annual Incentive Plan" for a more detailed discussion.

All Other Compensation – Column (i)

The dollar amounts for each perquisite and each other item of compensation shown in the "All Other Compensation" column and in this footnote represent the Company's incremental cost of providing the perquisite or other benefit to our NEOs, net of any amounts reimbursed by our NEOs, and are valued based on the amounts accrued for payment or paid to the service provider or NEO, as applicable. See "Compensation Discussion and Analysis – Other Compensation Elements – Other Benefits" for additional details on these benefits. Amounts include the following perquisites and other compensation provided to our NEOs in 2020.

Name	401(k) Match(1) ($)	Perquisites and Other Benefits ($)	Total ($)
Mr. Schulman	11,400	355,017(2)	366,417
Mr. Rainey	11,400	—	11,400
Ms. Alford	11,400	—	11,400
Mr. Karczmer	11,400	—	11,400
Ms. Pentland	11,400	—	11,400

(1) Represents the Company 401(k) Plan matching contributions.
(2) Represents costs related to Mr. Schulman's overall security program, which consisted of the following:
- Costs of $216,507 related to the procurement, installation and maintenance of personal residential security measures for Mr. Schulman.
- Costs of $138,510 related to personal use of our corporate aircraft, calculated based on the incremental cost to the Company. Includes fuel costs, landing and parking fees, in-flight catering, crew expenses, en route navigation fees and international handling fees, as applicable.

2020 Grants of Plan-Based Awards Table

The following table sets forth information regarding grants of plan-based awards to each of our NEOs for the fiscal year ended December 31, 2020.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units[3]	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value[4]
Name(a)	Approval Date(b)	Grant Date(c)	Threshold ($)(d)	Target ($)(e)	Maximum ($)(f)	Threshold (#)(g)	Target (#)(h)	Maximum (#)(i)	(#)(j)	(#)(k)	($/Sh)(l)	($)(m)
Daniel H. Schulman												
2020 AIP – Cash			—	500,000	1,000,000	—	—	—	—	—	—	—
2020 AIP – PBRSUs	1/15/2020	2/15/2020	—	—	—	3,229	12,916	25,832	—	—	—	1,588,539
2020-2022 PBRSUs	1/15/2020	3/1/2020	—	—	—	22,420	89,678	179,356	—	—	—	9,684,327
RSUs	1/15/2020	3/1/2020	—	—	—	—	—	—	89,678	—	—	9,684,327
John D. Rainey												
2020 AIP – Cash			—	187,500	375,000	—	—	—	—	—	—	—
2020 AIP – PBRSUs	1/15/2020	2/15/2020	—	—	—	1,211	4,844	9,688	—	—	—	595,764
2020-2022 PBRSUs	1/15/2020	3/1/2020	—	—	—	9,609	38,434	76,868	—	—	—	4,150,488
RSUs	1/15/2020	3/1/2020	—	—	—	—	—	—	38,434	—	—	4,150,488
Peggy Alford												
2020 AIP – Cash			—	162,500	325,000	—	—	—	—	—	—	—
2020 AIP – PBRSUs	1/15/2020	2/15/2020	—	—	—	1,050	4,198	8,396	—	—	—	516,312
2020-2022 PBRSUs	1/15/2020	3/1/2020	—	—	—	6,406	25,623	51,246	—	—	—	2,767,028
RSUs	1/15/2020	3/1/2020	—	—	—	—	—	—	25,623	—	—	2,767,028
Aaron Karczmer												
2020 AIP – Cash				162,500	325,000	—	—	—	—	—	—	—
2020 AIP – PBRSUs	1/15/2020	2/15/2020	—	—	—	1,050	4,198	8,396	—	—	—	516,312
2020-2022 PBRSUs	1/15/2020	3/1/2020	—	—	—	8,007	32,028	64,056	—	—	—	3,458,704
RSUs	1/15/2020	3/1/2020	—	—	—	—	—	—	32,028	—	—	3,458,704
Louise Pentland												
2020 AIP – Cash			—	187,500	375,000	—	—	—	—	—	—	—
2020 AIP – PBRSUs	1/15/2020	2/15/2020	—	—	—	1,211	4,844	9,688	—	—	—	595,764
2020-2022 PBRSUs	1/15/2020	3/1/2020	—	—	—	9,609	38,434	76,868	—	—	—	4,150,488
RSUs	1/15/2020	3/1/2020	—	—	—	—	—	—	38,434	—	—	4,150,488

(1) The amounts shown represent potential non-equity incentive plan awards under the individual performance portion of the 2020 AIP. Maximum amounts represent 200% of the NEO's target bonus opportunity under the 2020 AIP. For more information on the 2020 AIP, see "Compensation Discussion and Analysis – 2020 Compensation Framework and Decisions – Annual Incentive Plan."

(2) The amounts shown in the "2020 AIP – PBRSUs" row represent the AIP PBRSUs granted in 2020 under our Amended and Restated 2015 Equity Incentive Award Plan (the "Equity Plan") for the Company performance portion of the 2020 AIP. Amounts shown in the "Threshold" column represent 25% of the target number of shares, which represents the threshold performance of one of the two primary performance metrics. Awards are capped at the maximum of 200% of the target number of shares. The 2020 AIP PBRSUs vested on February 15, 2021 based on continued service through such date and Company performance during fiscal year 2020. For more information on the 2020 AIP, see "Compensation Discussion and Analysis – 2020 Compensation Framework and Decisions – Annual Incentive Plan."

The amounts shown in the "2020-2022 PBRSUs" row represent the 2020-2022 PBRSUs granted in 2020 under the Equity Plan. Amounts shown in the "Threshold" column represent 25% of the target number of shares, which represents the threshold performance of one of the two performance metrics. Awards are capped at the maximum of 200% of the target number of shares. The 2020-2022 PBRSUs will vest based on performance over the 2020-2022 performance period. See "Compensation Discussion and Analysis – 2020 Compensation Framework and Decisions – Long-Term Incentive Compensation" for more information.

(3) The amounts shown represent service-based RSUs granted in 2020 under the Equity Plan. These RSUs become fully vested over three years, with 33 1/3% vesting on the first, second and third anniversaries of the date of grant. See "Compensation Discussion and Analysis – 2020 Compensation Framework and Decisions – Long-Term Incentive Compensation" for more information.

(4) Represents the grant date fair value determined in accordance with FASB ASC Topic 718. The grant date fair value was calculated by multiplying the closing price of the underlying common stock on the date of grant by the number of stock awards granted. For the 2020 AIP PBRSUs and the 2020-2022 PBRSUs, the grant date fair value assumes the probable outcome of the performance conditions applicable thereto. See "Stock Awards – Column (e)" under the "2020 Summary Compensation Table" for more information. The assumptions used by the Company in calculating the grant date fair value of the stock awards are incorporated herein by reference to Note 15 to the consolidated financial statements contained in the 2020 Annual Report on Form 10-K.

2020 Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information regarding outstanding equity awards for each of our NEOs as of December 31, 2020.

	Option Awards						Stock Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]	Stock Award Grant Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]
Daniel H. Schulman							37,723[2]	8,834,727	3/1/2018		
							379,110[7]	88,787,562	4/1/2018		
							75,192[2]	17,609,966	3/1/2019		
							89,678[2]	21,002,588	3/1/2020		
							12,916[3]	3,024,927	2/15/2020		
										113,173[4]	26,505,117
										112,790[5]	26,415,418
										89,678[6]	21,002,588
John D. Rainey							16,766[2]	3,926,597	3/1/2018		
							32,225[2]	7,547,095	3/1/2019		
							38,434[2]	9,001,243	3/1/2020		
							4,844[3]	1,134,465	2/15/2020		
										50,300[4]	11,780,260
										48,339[5]	11,320,994
										38,434[6]	9,001,243
Peggy Alford							29,287[2]	6,859,015	4/15/2019		
							14,643[2]	3,429,391	4/15/2019		
							25,623[2]	6,000,907	3/1/2020		
							4,198[3]	983,172	2/15/2020		
										21,966[5]	5,144,437
										25,623[6]	6,000,907
Aaron Karczmer							10,478[2]	2,453,948	3/1/2018		
							25,064[2]	5,869,989	3/1/2019		
							32,028[2]	7,500,958	3/1/2020		
							4,198[3]	983,172	2/15/2020		
										31,437[4]	7,362,545
										37,597[5]	8,805,217
										32,028[6]	7,500,958
Louise Pentland							16,766[2]	3,926,597	3/1/2018		
							32,225[2]	7,547,095	3/1/2019		
							38,434[2]	9,001,243	3/1/2020		
							4,844[3]	1,134,465	2/15/2020		
										50,300[4]	11,780,260
										48,339[5]	11,320,994
										38,434[6]	9,001,243

(1) Market value is calculated based on $234.20 per share, the closing price of our common stock on December 31, 2020.
(2) Becomes fully vested over three years, with one-third (33 1/3%) vesting on the first, second and third anniversaries of the date of grant.
(3) Represents unvested PBRSUs under the 2020 AIP granted in 2020, subject to the achievement of the performance goals over the one-year performance period from January 1, 2020 through December 31, 2020. Following the performance period, these RSUs became fully vested on February 15, 2021 based on Company performance.
(4) The amounts reported in this row are based on achieving target performance goals for the 2018-2020 PBRSU awards granted in 2018, as performance for the 2018-2020 performance period is measured on a cumulative basis and is not determinable until the end of the three-year performance period. The PBRSU awards vest based on the Company's performance over the three-year performance period with respect to the FX-Neutral Revenue CAGR and Free Cash Flow CAGR goals. The PBRSUs earned based on Company performance became fully vested on March 1, 2021.
(5) The amounts reported in this row are based on achieving target performance goals for the 2019-2021 PBRSU awards granted in 2019, as performance for the 2019-2021 performance period is measured on a cumulative basis and is not determinable until the end of the three-year performance period. The PBRSU awards vest based on the Company's performance over the three-year performance period with respect to the FX-Neutral Revenue CAGR and Free Cash Flow CAGR goals. PBRSUs earned based on Company performance will become fully vested on March 1, 2022, subject to the NEO's continued employment through the vesting date.
(6) The amounts reported in this row are based on achieving target performance goals for the 2020-2022 PBRSU awards granted in 2020, as performance for the 2020-2022 performance period is measured on a cumulative basis and is not determinable until the end of the three-year performance period. The PBRSU awards vest based on the Company's performance over the three-year performance period with respect to the FX-Neutral Revenue CAGR and Free Cash Flow CAGR goals. PBRSUs earned based on Company performance will become fully vested on March 1, 2023, subject to the NEO's continued employment through the vesting date.
(7) Represents 100% of the PBRSUs granted to Mr. Schulman (the "CEO PSU Award"), which were earned based on the achievement of PayPal stock price targets during a five-year performance period. One-third of the CEO PSU Award vested on the third anniversary of the grant date and the remaining portion will vest ratably on the fourth and fifth anniversaries of the grant date, subject to Mr. Schulman's continued employment through the applicable vesting date.

2020 Option Exercises and Stock Vested Table

The following table sets forth the number of shares acquired, and the value realized, upon exercise of stock options and the vesting of stock awards by each of our NEOs for the fiscal year ended December 31, 2020.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Daniel H. Schulman	—	—	522,311	$ 56,741,280
John D. Rainey	—	—	182,812	$ 19,868,213
Peggy Alford	—	—	25,413	$ 2,795,146
Aaron Karczmer	—	—	143,521	$ 15,608,348
Louise Pentland	—	—	182,812	$ 19,868,213

2020 Non-Qualified Deferred Compensation

All NEOs are eligible to participate in the PayPal Holdings, Inc. Deferred Compensation Plan (the "DCP"); however, none of our NEOs participated in the DCP in 2020. For more information, see "Compensation Discussion and Analysis – Other Compensation Elements – Deferred Compensation".

Potential Payments Upon Termination or Change in Control Table

The following table, footnotes and narrative set forth our payment obligations pursuant to the compensation arrangements for each of our NEOs, under the circumstances described below, assuming that their employment was terminated or a change in control occurred on December 31, 2020. Because our executive compensation program is heavily weighted towards equity-based compensation, a significant percentage of the compensation to be received by our NEOs upon a termination of employment under the circumstances described below relates to the settlement of outstanding equity awards. Please see the 2020 Outstanding Equity Awards at Fiscal Year-End Table above for further information regarding outstanding equity awards granted to the NEOs in 2020 and in prior years.

Name	Voluntary Termination or Retirement ($)(a)(1)(2)	Involuntary Termination Outside of Change in Control Period ($)(b)(2)	Involuntary Termination Within Change in Control Period ($)(c)(2)	Death or Disability ($)(d)(2)
Daniel H. Schulman	45,145,212	52,015,273	196,238,178	96,457,846
John D. Rainey	—	15,424,999	46,289,077	28,795,593
Peggy Alford	—	11,241,554	32,198,975	19,433,682
Aaron Karczmer	—	11,986,076	36,895,388	22,130,026
Louise Pentland	—	15,424,999	46,289,077	28,795,593

(1) For Mr. Schulman, the amount reflects his retirement eligibility with respect to service-based RSUs (as discussed below) and PBRSUs pursuant to the PBRSU award agreement provisions, which provide that the PBRSUs will vest on a prorated basis based on the number of full months of service during the performance period and actual performance during the entire performance period.

(2) Amounts do not take into account (i) potential reductions due to "best net pay" provision in the Executive Severance Plan, (ii) the value of the 2018-2020 PBRSUs, which were earned at 200% of target following the completion of the performance period on December 31, 2020, or (iii) the value of the 2020 AIP Company performance-based PBRSUs, which were earned at 200% of target following the completion of the AIP performance period on December 31, 2020.

Voluntary Termination – Column (a)

Retirement Benefits for Mr. Schulman

Mr. Schulman is retirement-eligible under the 2018-2020, 2019-2021 and 2020-2022 PBRSU award agreements. Pursuant to the PBRSU award agreement provisions, in the event Mr. Schulman voluntarily resigns, because he has attained at least 60 years of age and completed at least five years of service ("Retires" or "Retirement"), the PBRSUs will vest on a prorated basis based on the number of full months of service during the performance period and actual performance during the entire performance period, and will be settled following the completion of the performance period. Mr. Schulman is also eligible for prorated vesting of service-based RSUs. If Mr. Schulman Retires, he would receive prorated vesting of the next tranche of service-based RSUs that would have vested following his Retirement.

Involuntary Termination Other than for Cause – Column (b)

Severance Arrangements for Involuntary Termination Other Than for Cause Outside a Change in Control Period

Under the terms of the Executive Severance Plan, each NEO is eligible for severance payments and benefits in the event that the NEO's employment with us is terminated outside of a "change in control period", which is defined as more than 90 days prior to or more than 24 months following a "change in control" (as defined in our Amended and Restated 2015 Equity Incentive Award Plan), either (a) by us other than for "cause" or due to "disability", or (b) by the NEO for "good reason" (each as defined in the Executive Severance Plan), subject to the NEO's execution of a release of claims in favor of the Company, as follows:

- A cash payment equal to the product of (i) the sum of annual base salary and target bonus amount and (ii) a multiple (2x for Mr. Schulman and 1.5x for the other NEOs).
- A prorated annual cash bonus for the year of termination based on actual company performance and target individual performance ("Prorated Cash Incentive Award").
- Accelerated vesting of service-based equity awards that would have otherwise become vested pursuant to their ordinary vesting schedule within the 12 months following the employment termination date; performance-based equity awards subject to a performance period that ends within the first anniversary of the NEO's employment termination date would remain outstanding and eligible to vest, based solely on the achievement of the Company performance targets.
- If the NEO is employed by the Company in the U.S., participates in the Company's health insurance plan, and is eligible to continue to participate in the plan under COBRA, the Company will provide COBRA premium payments for 18 months for Mr. Schulman and 12 months for the other NEOs.

Involuntary Termination with a Change in Control – Column (c)

Severance Arrangements for an Involuntary Termination in Connection with a Change in Control

Under the terms of the Executive Severance Plan, each NEO is eligible for severance payments and benefits in the event that a “change in control” occurred as of December 31, 2020 and the NEO’s employment with us terminates within the “change in control period”, either (a) by us other than for “cause” or due to “disability”, or (b) by the NEO for “good reason”, subject to the NEO’s execution of a release of claims in favor of the Company, as follows:

- A cash payment equal to 2x the sum of annual base salary and target bonus amount.
- Prorated Cash Incentive Award.
- Accelerated vesting of outstanding equity awards. If the termination occurs during a performance period with respect to an award of PBRSUs, such award will be deemed earned assuming achievement of target performance for purposes of determining the number of awards that will be treated as becoming immediately vested.
- If the NEO is employed by the Company in the U.S., participates in the Company’s health insurance plan, and is eligible to continue to participate in the plan under COBRA, the Company will provide COBRA premium payments or a cash-out payment in lieu of such payments, for 24 months.

Under the Executive Severance Plan, in the event any payments or benefits constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code (“IRC”) and would be subject to the excise tax imposed by IRC Section 4999, such payments or benefits would be reduced to the maximum amount that does not result in the imposition of such excise tax, but only if such reduction results in the NEO receiving a higher net-after tax amount than the NEO would have received absent such reduction (the “best net pay” provision).

Change in Control – Equity Awards

PayPal has not entered into any arrangements with any of its NEOs to provide “single trigger” change in control payments. The Equity Plan generally provides for the acceleration of vesting of awards granted under the plan upon a change in control (as defined in the plan) only if the acquiring entity does not agree to assume or continue the awards. Under the terms of the Equity Plan, for purposes of determining payouts in connection with or following a change in control, PBRSU performance will be based on applicable performance metrics through the date of the change in control. These provisions generally apply to all holders of awards under the Equity Plan.

Death or Disability – Column (d)

Severance Arrangements in the Event of Death or Disability

Under the terms of the Executive Severance Plan, in the event that an NEO’s employment terminates due to their death or “disability”, he or she would be eligible for accelerated vesting of equity awards that would have otherwise become vested pursuant to their ordinary vesting schedule within the 24 months following the employment termination date. If the termination occurs during a performance period with respect to an award of PBRSUs scheduled to vest within this 24 month period, such award will be deemed earned assuming achievement of target performance for purposes of determining the number of awards that will become immediately vested.

CEO Pay Ratio Disclosure

We are providing the following information about the relationship of the annual total compensation of Mr. Schulman, our CEO, to the median of the annual total compensation of our employees, which we refer to as the "pay ratio." We believe that the pay ratio disclosed below is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2020, our last completed fiscal year, the median of the annual total compensation of the Company's employees (other than our CEO) was $83,988 and the annual total compensation of our CEO, as reported in the "Total" column of the "2020 Summary Compensation Table" in this proxy statement, was $23,362,072. Based on this information, for 2020, we estimate that the pay ratio of the annual total compensation of our CEO to the median of the annual total compensation of our employees is 278 to 1.

Methodology

PayPal is a global company and operates in over 200 markets around the world. As of December 31, 2020, we employed approximately 26,500 people globally: approximately 46% of them were based in the United States and 54% were based outside of the United States. We strive to create a competitive global compensation program in terms of both each employee's position and the geographic location in which the employee is located. In light of this, our compensation programs and reward offerings are designed to reflect local market practices across our global operations.

We selected December 31, 2020 (the last day of our fiscal year) as the date for identifying our median employee. As of that date, we compiled compensation information for all of our full-time and part-time employees worldwide (including interns).

For purposes of identifying the median employee from our global employee population, we compared the amount of base salary (including overtime for overtime-eligible employees), allowances, short-term incentives and other bonuses paid during 2020 and the intended grant value related to any long-term incentive equity awards granted during 2020, as reflected in our global human resource and equity management systems. We annualized base salaries for those employees who were not employed for the entire 2020 fiscal year. We did not include any contractors or workers employed through a third-party provider in our employee population. For employees outside of the United States, we converted their compensation to U.S. dollars using the applicable exchange rate as of December 31, 2020.

The elements in this compensation measure are representative of the principal forms of compensation delivered to our employees. We identified our median employee using this compensation measure, which was consistently applied to all employees included in the calculation.

Once we identified our median employee, we identified and calculated the elements of that employee's compensation for 2020 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of $83,988. For the annual total compensation of our CEO, we used the amount reported in the "Total" column of our "2020 Summary Compensation Table" in this proxy statement.

The SEC rules for identifying the median employee allow companies to adopt a many different methodologies, such as applying estimates, assumptions, adjustments, and exclusions, and adopting unique definitions of compensation to identify the median employee and calculate the pay ratio. In light of the differences in how pay ratios may be calculated, neither the median employee's compensation nor the estimated pay ratio reported by other companies may be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may use different methodologies, exclusions, estimates, and assumptions in calculating their pay ratios.

Equity Compensation Plan Information

The following table gives information regarding our equity compensation plans as of December 31, 2020, which we collectively refer to as our Equity Compensation Plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights ($)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans approved by security holders	24,308,915[(1)]	36.58[(2)]	94,940,867[(3)]
Equity Compensation Plans not approved by security holders	2,474,136[(4)]	7.51[(2)]	—
TOTAL	**26,783,051**	**14.50**	**94,940,867**

(1) Includes (a) 17,881,913 shares of our common stock issuable pursuant to RSUs under our Amended and Restated 2015 Equity Incentive Award Plan, as amended from time to time (our Equity Plan), (b) 140,542 shares of our common stock issuable pursuant to stock options under our Equity Plan, (c) 112,562 shares of our common stock issuable pursuant to DSUs under our Equity Plan, (d) 2,452,352 shares of common stock issuable from outstanding 2020 AIP Shares awarded under the 2020 AIP (representing the actual number of shares that were earned based on actual Company performance for the one-year performance period ending December 31, 2020), (e) 1,282,518 shares of our common stock issuable from outstanding PBRSUs awarded under the 2020-2022 PBRSUs (representing the maximum number of shares assuming achievement of maximum performance against target level), (f) 1,268,062 shares of our common stock issuable from outstanding PBRSUs awarded under the 2019-2021 PBRSUs (representing the maximum number of shares assuming achievement of maximum performance against target level), and (g) 1,170,966 shares of our common stock issuable from outstanding PBRSUs awarded under the 2018-2020 PBRSUs (representing the actual number of shares that were based on actual Company performance for the three-year performance period ending December 31, 2020). RSUs and DSUs each represent an unfunded, unsecured right to receive shares of Company common stock. The value of RSUs and DSUs varies directly with the price of our common stock.

(2) Does not include outstanding RSUs or DSUs.

(3) Includes 49,534,316 shares of our common stock reserved for future issuance under our Amended and Restated Employee Stock Purchase Plan as of December 31, 2020.

(4) Represents shares of our common stock to be issued upon exercise of outstanding options or vesting of RSUs assumed in connection with acquisitions. We do not intend to make further grants of any awards under any equity plan of any acquired company.

PROPOSAL 3:

Ratification of the Appointment of PricewaterhouseCoopers LLP as Our Independent Auditor for 2021

The ARC Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent auditor.

The ARC Committee has appointed PricewaterhouseCoopers LLP ("PwC") as our independent auditor for 2021. PwC has served as the independent auditor for PayPal, Inc., a wholly-owned, direct subsidiary of the Company, since 2000, and as the Company's independent auditor since it became an independent public company in July 2015. The Board and the ARC Committee believe that the continued retention of PwC to serve as our independent auditor is in the best interests of the Company and our stockholders. Accordingly, we are asking our stockholders to ratify the selection of PwC as our independent auditor for 2021. Although ratification is not legally required, we are submitting the appointment of PwC for ratification by our stockholders because we value our stockholders' views on the Company's independent auditors and as a matter of good corporate practice. We expect that a representative of PwC will attend the Annual Meeting, will have an opportunity to make a statement if he or she chooses, and will be available to respond to appropriate questions.

If stockholders do not ratify the appointment, the ARC Committee will reconsider the appointment of our independent auditor. Even if the appointment is ratified, the ARC Committee may in its discretion select a different independent registered public accounting firm at any time during the year if it determines that such a change would be appropriate.

THE BOARD AND THE ARC COMMITTEE RECOMMEND A VOTE FOR PROPOSAL 3.

ARC Committee Report

The ARC Committee operates under a written charter adopted by the Board and reviewed annually. The ARC Committee consists of the six directors named below. Each member of the ARC Committee meets the independence requirements of Nasdaq and the SEC, and otherwise satisfies the requirements for audit committee service imposed by the Exchange Act. In addition, the Board has determined that Mr. Moffett and Ms. Messemer are each an "audit committee financial expert" as defined by applicable SEC rules.

The ARC Committee provides assistance and guidance to the Board in fulfilling its oversight responsibilities with respect to:

- PayPal's corporate accounting and financial reporting practices and the audit of its financial statements;
- The independent auditor's qualifications and independence;
- The performance of PayPal's internal audit function and independent auditor;
- The quality and integrity of PayPal's financial statements and reports;
- Reviewing and approving all audit engagement fees and terms, as well as all non-audit engagements with the independent auditor;
- Producing this report;
- PayPal's overall risk framework and risk appetite framework; and
- PayPal's compliance with legal and regulatory requirements.

The ARC Committee relies on the expertise and knowledge of management, the internal audit department, and the independent auditor in carrying out its oversight responsibilities. Management is responsible for the preparation, presentation and integrity of PayPal's financial statements, and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. PayPal's independent auditor, PwC, is responsible for performing an audit of PayPal's financial statements in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB") and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles in the U.S. The independent auditor is also responsible for expressing an opinion on the effectiveness of PayPal's internal control over financial reporting.

During 2020 and early 2021, among other things, the ARC Committee:

- Reviewed and discussed with management and the independent auditor the Company's quarterly earnings press releases, financial statements and related periodic reports prior to filing with the SEC;
- Reviewed and discussed with senior management, the internal audit team and the independent auditor the scope, adequacy and effectiveness of the Company's internal accounting and financial reporting controls and the independent auditor's opinion on the effectiveness of the Company's internal control over financial reporting;
- Monitored and evaluated the independent auditor's qualifications, performance, internal quality-control procedures and independence on an ongoing basis;
- Reviewed and discussed with management, the independent auditor and, as appropriate, the chief accounting officer, the audit scope, any significant matters arising from any audit and the audit plans of both the internal audit department and the independent audit;
- Reviewed and discussed the Company's enterprise-wide risk management program and overall risk management framework, including policies and practices established by management to identify, assess, measure and manage key current and emerging risks facing the Company;
- Reviewed and discussed the Company's enterprise-wide compliance program and global financial crimes program, including compliance risks, management actions on significant compliance matters, progress of major compliance initiatives and reports concerning the Company's compliance with applicable laws and regulations;
- Reviewed with the Chief Business Affairs and Legal Officer, Chief Risk Officer and Chief Compliance Officer, as applicable, any significant legal, compliance or regulatory matters that could have a material impact on the Company's financial statements, business or compliance policies, including material notices to or inquiries received from governmental agencies;
- Reviewed and discussed with the independent auditor and management the audited financial statements in the Company's 2020 Annual Report on Form 10-K, including a discussion of the critical audit matters identified by the independent auditor, the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant judgments and estimates and the clarity of the disclosures in the financial statements; and
- Held separate executive sessions with the independent auditor, the internal audit department, the internal Sarbanes-Oxley Act of 2002 ("SOX") team, and senior management to enable them to discuss legal, accounting, auditing and internal controls matters privately with the ARC Committee.

The ARC Committee has discussed with PwC the matters required to be discussed by the requirements of the PCAOB and the SEC. In addition, the ARC Committee has discussed with PwC its independence from PayPal and its management, received the written disclosures and the letter required by applicable PCAOB requirements regarding the independent auditor's communications with the ARC Committee concerning independence and considered whether PwC's provision of non-audit services was compatible with maintaining the independent auditor's independence.

As provided in its charter, in addition to evaluating PwC's independence, the ARC Committee assessed PwC's performance as independent auditor during 2020. As part of its annual, comprehensive review of PwC to determine whether to re-appoint the firm for the following fiscal year, the ARC Committee reviews a variety of indicators of audit quality including: the quality and candor of PwC's communications with the ARC Committee and management; the quality and efficiency of the services provided, including input from management on PwC's performance and how effectively PwC demonstrates its independent judgment, objectivity, and professional skepticism; external data on audit quality and performance, including recent PCAOB reports on PwC and its peer firms; PwC's global capabilities, technical expertise and knowledge of the Company's global operations, accounting policies and practices and internal control over financial reporting; the appropriateness of PwC's fees; and PwC's tenure as the Company's independent auditor and the controls and procedures in place to maintain its independence. As a result of its evaluation, the ARC Committee concluded that the appointment of PwC as the Company's independent auditor for the fiscal year ending December 31, 2021 is in the best interests of the Company and its stockholders.

Based on the ARC Committee's reviews and discussions described above, the ARC Committee recommended to the Board that the consolidated audited financial statements be included in PayPal's Annual Report on Form 10-K for the year ended December 31, 2020 for filing with the SEC.

The ARC Committee of the Board

David M. Moffett (Chair)
Rodney C. Adkins
Belinda J. Johnson
Deborah M. Messemer
Ann M. Sarnoff
Frank D. Yeary

Audit and Other Professional Fees

The following table provides information about fees for services provided by PwC (in thousands):

	Year Ended December 31,	
	2020 ($)	2019 ($)
Audit Fees	14,968	14,031
Audit-Related Fees	1,020	1,423
Tax Fees	33	110
All Other Fees[1]	618	1,285
TOTAL	**16,639**	**16,849**

(1) Includes approximately $0.5 million and $1.3 million of lease payments to PwC Russia for office space in Russia for 2020 and 2019, respectively, pursuant to a sublease arrangement negotiated on an arm's-length basis.

"Audit Fees" include fees for services provided in connection with the audit of our annual financial statements, the review of our quarterly financial statements included in our quarterly reports on Form 10-Q, the audit of internal control over financial reporting, comfort letters, consents, statutory audits, discussions surrounding the proper application of financial accounting and/or reportable standards, and audit services provided in connection with other regulatory or statutory filings for which we have engaged PwC.

"Audit-Related Fees" are fees for assurance and related services that are reasonably associated with the performance of the audit or review of our consolidated financial statements or internal control over financial reporting and are not included in "Audit Fees." These services primarily include fees for procedures in connection with our Service Organizational Control ("SOC") reports and consultation regarding financial accounting and reporting matters in the year prior to adoption.

"Tax Fees" are fees for tax services, including transfer pricing consulting, tax planning and advice and tax compliance.

"All Other Fees" are fees for permitted services performed by PwC that do not meet the "Audit Fees," "Audit-Related Fees" or "Tax Fees" category description. These services primarily include fees for consulting services, compliance-related services and software licenses, as well as the lease payment described above.

The ARC Committee has determined that the provision of the non-audit services listed above is compatible with PwC's independence.

ARC Committee Pre-Approval Policy

The ARC Committee has adopted a policy regarding pre-approval of any audit and permissible non-audit services. Under this policy, the ARC Committee preapproves all audit and permissible non-audit services to be provided by PwC. These services may include audit services, audit-related services, tax services and other services. Pre-approval of services is generally provided for a period of up to one year, detailed as to the particular service or category of services and subject to a specified budget. PwC is required to report periodically to the ARC Committee regarding the extent of services provided in accordance with each pre-approval and the fees for such services provided to date. The ARC may also pre-approve particular services on a case-by-case basis.

PROPOSAL 4:

Stockholder Proposal – Stockholder Right to Act by Written Consent

John Chevedden, whose address is 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278, has advised the Company that he intends to present the following stockholder proposal at the Annual Meeting. Mr. Chevedden has indicated that he holds sufficient shares of PayPal common stock to meet the requirements of Rule 14a-8. The stockholder proposal will be voted on at the Annual Meeting only if properly presented by or on behalf of the proponent.

The text of the stockholder proposal and supporting statement appear exactly as received by the Company unless otherwise noted. All statements contained in the stockholder proposal and supporting statement are the sole responsibility of the proponent. The stockholder proposal may contain assertions about the Company or other matters that we believe are incorrect, but we have not attempted to refute all those assertions.

THE BOARD RECOMMENDS A VOTE AGAINST STOCKHOLDER PROPOSAL 4 BASED ON THE REASONS SET FORTH IN PAYPAL'S STATEMENT IN OPPOSITION FOLLOWING THE STOCKHOLDER PROPOSAL.

Stockholder Right to Act by Written Consent

Shareholders request that our board of directors take such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes shareholder ability to initiate any appropriate topic for written consent.

This proposal topic won 95%-support at Dover Corporation and 88%-support at AT&T.

This proposal topic also won our 41%-support at the 2020 PayPal annual meeting. Plus the 2020 proposal did not point out that our management was apparently ignorant of the basic fact that written consent can be structured so that all shareholders get notice of a proposed action. Plus PayPal management may be ignorant of the fact that written consent would require a 64%-approval from the shares that normally vote at the PayPal annual meeting. How can a 64%-vote represent a special interest?

A cornerstone of the management resistance to this proposal topic was that shareholders can call a special meeting - but this right took a big hit in 2020 with the avalanche of bare bones online shareholder meetings. Shareholders are so restricted in online meetings that management will never want a return to in-person shareholder meetings.

With the near universal use of online annual shareholder meetings, which can last only 10-minutes, the shareholder right to call a special meeting has been severely devaluated. Shareholders are restricted in making their views known at online shareholder meetings because all constructive questions and comments can be screened out.

For instance the Goodyear shareholder meeting was spoiled by a trigger-happy management mute button for shareholders. And AT&T would not allow shareholders to speak.

Please see:

Goodyear's virtual meeting creates issues with shareholder

https://www.crainscleveland.com/manufacturing/goodyears-virtual-meeting-creates-issues-shareholder

Please see:

AT&T investors denied a dial-in as annual meeting goes online

https://whbl.com/2020/04/17 /att-investors-denied-a-dial-in-as-annual-meeting-goes-online/1007928/

The Bank of New York Mellon Corporation (BK) said it adopted written consent in 2019 after 45%-support for a written consent shareholder proposal. This compares to the 41% PayPal shareholder vote in 2020. And this BK action was a year before the pandemic put an end to in-person shareholder meetings - perhaps forever.

Written consent is a means to elect a new director. Mr. Jonathan Christodoro was rejected by 200 million votes in 2020 - 100 times the negative votes of 5 of his director peers. Mr. Christodoro was on the management pay committee and management pay was rejected by 171 million votes.

Now more than ever shareholders need to have the option to take action outside of a shareholder meeting and send a wake-up call to management, if need be, since tightly controlled online shareholder meetings are a shareholder engagement and management transparency wasteland.

Please vote yes:

Stockholder Right to Act by Written Consent – Proposal 4

PayPal's Statement In Opposition

PAYPAL'S BOARD RECOMMENDS THAT STOCKHOLDERS VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board strongly believes that PayPal's stockholders are best served by holding meetings in which all stockholders are provided with an opportunity to consider and discuss the proposed actions and vote their shares. PayPal's Certificate of Incorporation and Bylaws provide that special meetings of PayPal's stockholders may be called at the request of holders of 20% of PayPal's outstanding common stock. The Company's special meeting requirements strike an appropriate balance between providing stockholders with a meaningful ability to propose actions for stockholder consideration between annual meetings and protecting against the risk of a small minority of stockholders using this mechanism for their own special interests, which may cause disruption in the effective management of the Company and be detrimental to stockholders' interests.

All PayPal stockholders have the opportunity to participate in annual stockholder meetings and any special stockholder meetings held outside of an annual meeting to determine proposed actions. The Board believes that action at an annual or special meeting aligns more closely with stockholder interests than action by written consent. In particular, the transparency and fairness of our stockholder meeting processes support all stockholders' interests and offer important protections and advantages that are absent from the written consent process:

- In accordance with our Bylaws, the Company provides advance notice of the date, time and agenda for an annual or special meeting, which ensures that all stockholders have a meaningful and structured opportunity to consider a proposed action, express their views and otherwise engage in dialogue and to vote on a proposed action.
- Thorough disclosure about the proposed stockholder action is widely distributed in the proxy statement before the meeting, which promotes a well-informed discussion on the merits of a proposed action.
- The Board is able to analyze and provide a recommendation with respect to actions proposed to be taken at a stockholder meeting or to suggest alternative proposals for stockholder evaluation that may be in the best interests of our stockholders.

The lack of transparency where stockholders are able to act by written consent would permit subsets of stockholders, including short-term or special interest stockholders, to use the written consent procedure at any time and as frequently as they choose to act on significant matters and without all stockholders having a fair opportunity to consider and vote on the merits of a proposed action. In addition, the stockholder proposal could create significant confusion and inefficiency for a widely held public company like PayPal. Under the stockholder proposal, multiple groups of stockholders could solicit written consents at any time on duplicative or contradictory matters, causing substantial confusion and inefficiency. This disordered state of corporate affairs would impose significant administrative and financial burdens on the Company, while providing little or no corresponding benefit to stockholders.

The Board further believes that PayPal's strong corporate governance practices make adoption of this proposal unnecessary. PayPal's corporate governance practices already provide transparency and Board accountability to all of PayPal's stockholders, and demonstrate PayPal's responsiveness to stockholder concerns:

- Special Meeting – 20% threshold for stockholders' right to call a special meeting of stockholders.
- Stockholder Engagement – We engage in ongoing, year-round dialogue with our stockholders on a variety of topics, including performance, board composition, governance, risk management, executive compensation, and environmental, social and governance matters, and we share this feedback with our Board. In addition, our investor relations team engages with our stockholders throughout the year, often together with our CEO, CFO and other senior executives, to discuss the Company's financial and business performance and to provide updates on key developments. We also provide stockholders with the ability to communicate directly with the Board and/or individual directors as further explained in our "Frequently Asked Questions" section of this proxy statement.
- Annual Election of Board of Directors – All of our directors are elected annually by the stockholders through a majority vote standard in uncontested director elections, and stockholders can remove directors with or without cause.
- Proxy Access – Our proxy access provisions in our Certificate of Incorporation and Bylaws permit stockholder(s) owning 3% or more of our stock for at least three years to nominate and include director nominees constituting up to 20% of the Board in our proxy statement.

- Independent Board leadership – The roles of Board Chair and CEO are separate at PayPal. The Board Chair is an independent director, as are all chairs of Board committees.
- Board Composition – The Board, which consists of 45% women or members of underrepresented communities, is composed of highly accomplished individuals with a wide variety of relevant and complementary skills, backgrounds and experiences.
- Majority Voting – PayPal's Certificate of Incorporation and Bylaws provisions do not have supermajority voting provisions – stockholders can approve binding Bylaw amendments with a majority vote.
- Safeguards for Virtual Meetings – We have conducted an exclusively online annual meeting each year since becoming an independent public company in 2015. We have adopted a series of safeguards that we believe provide all stockholders the same rights and opportunities to participate as they would at an in-person meeting.
- No Stockholder Rights Plan – PayPal does not have a stockholder rights plan, also known as a poison pill.

PayPal's stockholders have previously considered and rejected similar stockholder proposals on written consent at its 2020 and 2017 Annual Meetings. At the 2020 Annual Meeting, 42% of votes cast (representing 32% of outstanding shares) supported the proposal and 58% voted against the proposal. At the 2017 Annual Meeting, 36% of votes cast (representing 29% of outstanding shares) supported the proposal and 64% voted against the proposal. We believe these vote outcomes were due to PayPal's robust governance practices, strong stockholder engagement program, demonstrated responsiveness to stockholder concerns, existing special meeting rights and the downsides to stockholders of written consent compared with annual or special meetings.

The Board has carefully considered this proposal, and for the reasons set forth above, the Board believes that implementation of this proposal is unnecessary and not in the best interests of PayPal and its stockholders.

THE BOARD RECOMMENDS A VOTE AGAINST STOCKHOLDER PROPOSAL 4.

PROPOSAL 5:

Stockholder Proposal – Assessing Inclusion in the Workplace

NorthStar Asset Management, Inc. Funded Pension Plan, PO Box 301840, Boston, Massachusetts 02130, has advised the Company that it intends to present the following stockholder proposal at the Annual Meeting. NorthStar Asset Management, Inc. Funded Pension Plan has indicated that it holds sufficient shares of PayPal common stock to meet the requirements of Rule 14a-8. The stockholder proposal will be voted on at the Annual Meeting only if properly presented by or on behalf of the proponent.

The text of the stockholder proposal and supporting statement appear exactly as received by the Company unless otherwise noted. All statements contained in the stockholder proposal and supporting statement are the sole responsibility of the proponent. The stockholder proposal may contain assertions about the Company or other matters that we believe are incorrect, but we have not attempted to refute all those assertions.

THE BOARD RECOMMENDS A VOTE AGAINST STOCKHOLDER PROPOSAL 5 BASED ON THE REASONS SET FORTH IN PAYPAL'S STATEMENT IN OPPOSITION FOLLOWING THE STOCKHOLDER PROPOSAL.

Assessing Inclusion in the Workplace

WHEREAS: According to the National Museum of African American History and Culture, "[s]tructural racism is the overarching system of racial bias across institutions and society. These systems give privileges to white people resulting in disadvantages to people of color," thereby imposing a cultural hierarchy among racial groups;

The Harvard Business Review explains that "[c]ompanies must confront racism at a systemic level – addressing everything from the structural and social mechanics of their own organizations to the role they place in the economy at large";

A 2020 Citigroup study found that since 2000 the U.S. gross domestic product (GDP) has lost $16 trillion as a result of discrimination against African Americans, including $2.7 trillion lost due to pay disparities. The study also found that reversing discriminatory practices could boost U.S. GDP by $5 trillion in the next five years;

Tema Okun, a veteran racial justice facilitator, illustrates the insidious nature of white supremacist culture by explaining that "[c]ulture is powerful precisely because it is so present and at the same time so very difficult to name or identify." Cultural racism can manifest as people of color being ignored, overly criticized, undermined, or assumed as inferior. Other manifestations can be strict cultural norms or criticisms of certain hairstyles, manners of speech, or other physical appearances;

Cultural racism can do long-term emotional and psychological damage, and research shows that employees who bring their authentic selves to work perform better and report greater job satisfaction. Recently, a Fortune 500 company announced that it will allow natural black hairstyles and facial hair because the company wants all "employees feel comfortable, genuine and authentic";

Proponents believe that our company can advance long-term value creation through an analysis of whether and how systemic racism is embedded in company culture, policies and procedures.

RESOLVED: Shareholders urge the Board of Directors to prepare a report to shareholders on whether written policies or unwritten norms at the Company reinforce racism in company culture.

SUPPORTING STATEMENT: The report should be prepared within one year, at reasonable cost and excluding proprietary and privileged information. The Board is encouraged to assess whether Company policies or unwritten norms:

1. Yield inequitable outcomes for employees based on race and ethnicity in patterns of hiring and retention, promotion and upward mobility, disciplinary action, or employee usage of benefits;
2. Establish a cultural hierarchy through perceived pressure to use "whitened" names rather than birth names, to adopt "white-centric" physical appearance standards in hair style, body art or modifications, and facial hair styles, or to avoid traditional attire and religious head coverings.

PayPal's Statement In Opposition

PAYPAL'S BOARD RECOMMENDS THAT STOCKHOLDERS VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

Our Board believes that PayPal consistently promotes diversity, inclusion and equity in our policies and practices, which are a core aspect of our corporate culture and a focus of the proposal's supporting statement. Our Corporate Diversity, Inclusion, Equity & Belonging ("DIE&B") strategy focuses on enhancing current programs, procedures and processes to ensure that diversity, inclusion, equity and belonging are incorporated throughout our business and our culture. Additionally, we regularly publish information on our assessment of our programs and initiatives to promote diversity and inclusion, both within and outside of the Company, including the promotion of racial and social justice in our communities.

Our Board believes that our written policies and practices, including the Code of Business Conduct and Ethics (https://s1.q4cdn.com/633035571/files/doc_downloads/2021/03/Code-of-Business-Conduct-Ethics-2021.pdf) ("Code of Conduct") and information provided on our diversity and inclusion website, are clear examples of written policies designed to ensure that our corporate culture embraces respect for racial and ethnic diversity and cultivates an inclusive workplace. Our policies regarding diversity, inclusion, equity and belonging are overseen by the Compensation Committee of our Board. Our employee engagement survey, ethnic pay equity data and numerous recognitions provide evidence of how these policies, practices and unwritten norms promote a corporate culture that embraces inclusion. Our progress resulting from our policies, practices and culture is reported annually in our Global Impact Report, demonstrating our commitment to transparency and accountability for our mission of creating a more inclusive world.

- *Diversity and Inclusion Website*. We maintain a website devoted to "Diversity and Inclusion at PayPal" (https://www.paypal.com/us/webapps/mpp/jobs/culture) that discusses methods through which we promote diversity and inclusion within and outside of our workplace, including the following examples:
  - Confirmation that PayPal "strive[s] for a diverse workforce that includes people of different ethnic and cultural backgrounds, gender and sexual orientation, veteran status, abilities, and those who bring diverse thoughts, opinions, experience and leadership styles -- and all other characteristics that make people unique."
  - Active support of PayPal employees through our Employee Resource Groups ("ERGs"), which serve as (i) a support mechanism for creating an inclusive environment for our employees, (ii) a collective voice around shared issues or concerns specific to a particular community to promote a sense of belonging and an inclusive and respectful workplace and (iii) a resource for opportunities related to employment, education, training, retention and business outreach and development. We support eight ERGs, including communities to support our Black, Hispanic, Asian, women, Interfaith, LGBTQ+, disabled and military employees and their allies.
    - Amplify, the ERG that supports our Black community, launched a pilot program to reassess how to support members of the Black community more holistically, both internally and externally, in light of the social and civil unrest that occurred in 2020.
- *Global Impact Report*. Our Global Impact Report, available on our website at https://investor.pypl.com/esg-strategy/default.aspx, highlights progress we have made to date in advancing, among other things, an inclusive and diverse workforce. For example,:
  - At least 85% of our global employees participated in our 2020 engagement survey. We added new questions to the 2020 survey to gauge employee opinion on our culture of inclusion and belonging. In response to these additional questions, 84% of respondents agreed that diverse perspectives are valued at PayPal.
  - We have maintained 100% pay equity globally for women and men, as well as U.S. ethnic pay equity for the fifth year in a row.
  - As part of the ongoing development of our DIE&B program, we have created Inclusion at PayPal, an interactive experience designed to help all employees understand DIE&B practices in a more in-depth and actionable way.
  - We launched a series of Candid Conversations, which serve as virtual open forums for DIE&B discussions for employees to authentically share, learn and listen.
  - We have implemented Justice by Design, our approach to designing product experiences that promote equity and justice through identifying opportunities to embed a justice lens into the product development lifecycle and creating a playbook for inclusive and diverse illustrations in our branding.
- *Workplace culture*. PayPal's Code of Conduct confirms our policy of "respecting and embracing" diversity, and that "all employees are expected to treat each other with mutual respect and foster a culture of inclusion." The Code of Conduct goes beyond prescriptive actions expected by our employees and speaks to the broader inclusive workforce culture that is collectively expected from all PayPal employees.

- *Appropriate dress for the workplace.* As outlined in the Code of Conduct, we openly "encourage and foster a workplace where employees are comfortable in what they wear," so long as it continues to engender a respectful work environment for others.

In considering this proposal, our Board concluded the following:

- The Compensation Committee of our Board actively oversees our policies regarding diversity, inclusion, equity and belonging;
- We are devoting significant efforts to further our mission to create a more inclusive world and to drive improvements in this area over time;
- Our efforts focus not only on diversity and inclusion, but also on "belonging," which is core to the issues raised in the proposal;
- Our current programs and initiatives have been designed based in large part on information gathered from employee engagement surveys and other employee feedback, with oversight from the Compensation Committee, and are the right ones for PayPal;
- If our written policies and unwritten norms were reinforcing systemic racism within our corporate culture, these concerns would be apparent in our employee engagement surveys; and
- We remain committed to assessing and reporting on our progress and accountability through our annual Global Impact Report and other information available on our website.

Accordingly, our Board believes that devoting additional time and resources to further assess and report on written policies and unwritten norms would only distract from the ongoing programs and initiatives underway at PayPal to ensure an inclusive workplace and, therefore, the proposal is not in the best interests of PayPal and its stockholders.

THE BOARD RECOMMENDS A VOTE AGAINST STOCKHOLDER PROPOSAL 5.

Frequently Asked Questions

Proxy Materials

1. Why did I receive these proxy materials?

We have made these materials available to you or delivered paper copies by mail in connection with our Annual Meeting, which will take place exclusively online on Wednesday, May 26, 2021. As a stockholder, you are invited to participate in the Annual Meeting via live webcast and vote on the business items described in this proxy statement. This proxy statement includes information that we are required to provide to you under SEC rules and is intended to assist you in voting your shares.

2. What is included in the proxy materials?

The proxy materials include:

- The Notice of the Annual Meeting;
- Our proxy statement for the Annual Meeting; and
- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

If you received a paper copy of these materials by mail, the proxy materials also include a proxy card, or a voting instruction form for the Annual Meeting. If you received a "Notice of Internet Availability of Proxy Materials" (described below) instead of a paper copy of the proxy materials, see the section entitled "Voting Information" below for information regarding how you can vote your shares.

3. What does it mean if I receive more than one Notice, proxy card or voting instruction form?

It generally means that some of your shares are registered differently or are in more than one account. Please provide voting instructions for all Notices, proxy cards and voting instruction forms you receive.

4. Why did I receive a Notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

We are distributing our proxy materials to certain stockholders over the Internet under the "notice and access" approach in accordance with SEC rules. As a result, we are mailing to many of our stockholders a "Notice of Internet Availability of Proxy Materials" ("Notice") instead of a paper copy of the proxy materials. All stockholders receiving the Notice will have the ability to access the proxy materials over the Internet and request to receive a paper copy of the proxy materials by mail. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the Notice. In addition, the Notice contains instructions on how you may request access to proxy materials electronically on an ongoing basis or in printed form by mail.

5. How can I access the proxy materials over the Internet?

Your Notice, proxy card or voting instruction form will contain instructions on how to:

- view our proxy materials for the Annual Meeting on the Internet; and
- instruct us to send our future proxy materials to you electronically by email.

Our proxy materials are also available on our website at https://investor.pypl.com/financials/annual-reports/default.aspx

Your Notice, proxy card or voting instruction form will contain instructions on how you may request access to proxy materials electronically on an ongoing basis. Instead of receiving future copies of our proxy statements and annual reports by mail, stockholders of record and most beneficial owners may elect to receive an email that will provide an electronic link to these documents. Choosing to receive your proxy materials electronically helps us to conserve natural resources and reduces the cost of printing and distributing our proxy materials. If you choose to access future proxy materials electronically, you will receive an email with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to receive future proxy materials by email will remain in effect until you revoke it.

6. How may I obtain a paper copy of the proxy materials?

If you receive a paper Notice instead of a paper copy of the proxy materials, the Notice will provide instructions about how to obtain a paper copy of the proxy materials. If you receive the Notice by email, the email will also include instructions about how to obtain a paper copy of the proxy materials. All stockholders of record who do not receive a paper Notice or email will receive a paper copy of the proxy materials by mail.

7. I share an address with another stockholder, and we received only one paper copy of the proxy materials or Notice. How may I obtain an additional copy?

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding PayPal common stock but who share the same address, we have adopted an SEC-approved procedure called "householding." Under this procedure, we deliver a single copy of the Notice and, if applicable, the proxy materials to certain stockholders having the same last name and address and to individuals with more than one account registered at our transfer agent with the same address, unless contrary instructions have been received from an affected stockholder. This practice helps us to conserve natural resources and reduces printing costs and mailing fees, as well as the environmental impact of our Annual Meeting. Stockholders participating in householding will continue to receive separate proxy cards.

If you are a beneficial owner and wish to receive a separate Notice or set of proxy materials, please request the additional copy by contacting your individual bank, broker or other nominee. If you wish to receive a separate Notice or set of proxy materials now, please request the additional copy by contacting Broadridge Financial Solutions, Inc. ("Broadridge") at:

- By Internet: www.proxyvote.com
- By telephone: 1-800-579-1639
- By email: sendmaterial@proxyvote.com

If you request a separate Notice or set of proxy materials by email, please be sure to include your control number in the subject line. A separate Notice or set of proxy materials, as applicable, will be sent promptly following receipt of your request.

If you are a stockholder of record and wish to receive a separate Notice or set of proxy materials, as applicable, in the future, please contact Computershare Shareowner Services LLC, our transfer agent, at:

- 1-800-522-6645

If you are the beneficial owner of shares held through a bank, broker, or other nominee, and you wish to receive a separate Notice or set of proxy materials, as applicable, in the future, please call Broadridge at:

- 1-866-540-7095

8. I share an address with another stockholder, and we received more than one paper copy of the proxy materials or the Notice. How do we obtain a single copy in the future?

Stockholders of record sharing an address who are receiving multiple copies of the proxy materials or the Notice, as applicable, and who wish to receive a single copy of such materials in the future may contact Computershare Shareowner Services LLC, our transfer agent, at:

- 1-800-522-6645

Beneficial owners of shares held through a bank, broker, or other nominee sharing an address who are receiving multiple copies of the proxy materials or the Notice, as applicable, and who wish to receive a single copy of such materials in the future may contact Broadridge at:

- 1-866-540-7095

Voting Information

9. Which proposals will be voted on at the Annual Meeting? How does the Board recommend that I vote? What is the vote required to approve each of the proposals? What effect will abstentions and broker non-votes have?

	Voting Options	Board Recommendation	Vote Required to Adopt the Proposal	Effect of Abstentions	Broker Discretionary Voting Allowed*
Proposal 1: Election of the 11 director nominees identified in this proxy statement to hold office until our 2022 Annual Meeting of Stockholders.	For, Against or Abstain for each nominee	FOR each nominee	Majority of votes cast for such nominee	No effect	No
Proposal 2: Advisory vote to approve named executive officer compensation.	For, Against or Abstain	FOR	Majority of votes cast	Treated as votes Against	No
Proposal 3: Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2021.	For, Against or Abstain	FOR	Majority of votes cast	Treated as votes Against	Yes
Proposal 4: Stockholder Proposal – Stockholder Right to Act by Written Consent.	For, Against or Abstain	AGAINST	Majority of votes cast	Treated as votes Against	No
Proposal 5: Stockholder Proposal – Assessing Inclusion in the Workplace.	For, Against or Abstain	AGAINST	Majority of votes cast	Treated as votes Against	No

* See Question 16 below for additional information on broker non-votes.

10. Who is entitled to vote? How many shares can I vote?

Each share of PayPal common stock issued and outstanding as of the close of business on March 30, 2021, the Record Date for the Annual Meeting, is entitled to cast one vote per share on all items being voted on at the Annual Meeting. You may vote all shares of PayPal common stock that you owned as of the Record Date, including (1) shares held directly in your name as the stockholder of record, including shares purchased or acquired through PayPal's equity incentive plans, and (2) shares held for you as the beneficial owner through a broker, bank or other nominee.

On the Record Date, 1,174,261,310 shares of PayPal common stock were issued and outstanding and entitled to vote.

11. What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most of our stockholders hold their shares as a beneficial owner through a bank, broker, or other nominee rather than directly in their own name as the stockholder of record. As summarized below, there are some important distinctions between shares held of record and those owned beneficially.

Stockholder of Record

If your shares are registered directly in your name with our transfer agent, Computershare Shareowner Services LLC, you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to grant your voting proxy directly to PayPal or to a third party, or to vote your shares during the Annual Meeting.

Beneficial Owner

If your shares are held in a brokerage account or by a bank or other holder of record (commonly referred to as holding shares in "street name"), you are considered the "beneficial owner" of those shares. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares during our Annual Meeting.

12. How can I vote my shares without participating in the Annual Meeting?

Whether you are a stockholder of record or a beneficial stockholder, you may direct how your shares are voted without participating in the Annual Meeting. We encourage stockholders to vote well before the Annual Meeting, even if they plan to attend the virtual Annual Meeting. Please make sure that you have your Notice, proxy card or voting instruction form available and carefully follow the instructions. There are three ways to vote by proxy:

- By Internet: vote your shares online at www.proxyvote.com.
- By telephone: call 1-800-690-6903 or the telephone number on your proxy card or voting instruction form.
- By mail: complete, sign and date your proxy card or voting instruction form and return in the postage-paid envelope.

Internet and telephone voting are available 24 hours a day until 11:59 p.m. Eastern time on Tuesday, May 25, 2021.

13. How can I vote my shares during the Annual Meeting?

The Annual Meeting will be held entirely online to allow greater participation. Stockholders may participate in the Annual Meeting by visiting the following website:

- www.virtualshareholdermeeting.com/PYPL2021

To participate in the Annual Meeting, you will need the 16-digit control number included on the Notice, proxy card or voting instruction form, as applicable.

Whether you are a stockholder of record or a beneficial stockholder, you may vote your shares electronically during the Annual Meeting. Even if you plan to participate in the Annual Meeting online, we recommend that you also vote by proxy as described above so that your vote will be counted if you later decide not to participate in the Annual Meeting.

14. May I change my vote or revoke my proxy?

If you are the stockholder of record, you may revoke your proxy at any time before it is voted at the Annual Meeting by:

- submitting a new proxy by Internet, telephone or paper ballot with a later date (which will automatically revoke the earlier proxy);
- sending written notice of revocation to our Corporate Secretary; or
- voting in person by attending the virtual Annual Meeting by webcast.

Participation in the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request as described in the immediately preceding sentence. For shares you hold beneficially in the name of a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or nominee, or by participating in the meeting and electronically voting your shares during the meeting.

15. What if I return my proxy card but do not provide voting instructions?

If you are a stockholder of record and you return your signed proxy card without giving specific voting instructions, your shares will be voted as recommended by the Board (see Question 9 above).

16. What if I am a beneficial owner and do not give voting instructions to my broker?

If you are a beneficial owner of shares, your broker, bank or other nominee is not permitted to vote on your behalf on the election of directors and other matters to be considered at the Annual Meeting, except for Proposal 3 (the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2021), unless you provide specific instructions by completing and returning the voting instruction form or following the instructions provided to you to vote your shares on the Internet or by telephone. If you do not provide voting instructions, your shares will not be voted on any proposal except for Proposal 3. This is called a "broker non-vote." **For your vote to be counted, you will need to communicate your voting decision to your broker, bank, or other nominee before the date of the Annual Meeting, or to vote in person at the virtual Annual Meeting.**

17. Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner designed to protect your voting privacy. Your vote will not be disclosed, either within PayPal or to third parties, except: (1) as necessary to meet applicable legal requirements; (2) to allow for the tabulation of votes and certification of the vote; and (3) to facilitate proxy solicitation. To the extent that stockholders provide written comments on their proxy cards, those comments will be forwarded to management.

18. What constitutes a quorum?

The quorum requirement for holding the Annual Meeting and the transaction of business is that holders of a majority of the shares of PayPal common stock entitled to vote at the Annual Meeting must be present in person or represented by proxy. All abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

19. Who will bear the cost of soliciting votes for the Annual Meeting?

We will bear the expense of soliciting proxies and have engaged D.F. King & Co., Inc. to solicit proxies for a fee of $17,500, plus a reasonable amount to cover expenses. We will reimburse brokerage houses and other custodians, fiduciaries and nominees for their reasonable out-of-pocket expenses for forwarding proxy materials to beneficial owners of shares. Our directors, officers and employees may solicit proxies in person, by mail, by telephone, or by electronic communication. No additional compensation will be paid to our directors, officers or employees for such services.

20. What happens if additional matters are presented at the Annual Meeting?

Other than the five items of business described in this proxy statement, we are not aware of any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Daniel H. Schulman, John D. Rainey, Louise Pentland and Brian Y. Yamasaki, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting. If, for any reason, any of the nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

21. Where can I find the voting results of the Annual Meeting?

We intend to announce preliminary voting results at the Annual Meeting and will publish the final voting results in a Current Report on Form 8-K within four business days of the Annual Meeting. The Form 8-K can be found at www.sec.gov and on our Investor Relations website.

Attending the Annual Meeting

22. How can I attend the Annual Meeting?

The Annual Meeting will be a completely virtual meeting of stockholders, which will be conducted exclusively online via live webcast. You are entitled to attend and participate in the Annual Meeting only if you were a PayPal stockholder as of the close of business on March 30, 2021, the Record Date, or if you hold a valid proxy for the Annual Meeting.

You will be able to attend the Annual Meeting online and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/PYPL2021. You also will be able to vote your shares by attending the virtual Annual Meeting online. Interested persons who were not stockholders as of the close of business on March 30, 2021, the Record Date, may view, but not participate, in the Annual Meeting by visiting www.virtualshareholdermeeting.com/PYPL2021. To participate in the Annual Meeting, you will need the 16-digit control number included on your Notice, on your proxy card (if you requested printed materials), or on the instructions that accompanied your proxy materials. Stockholders who wish to submit a question to PayPal prior to the Annual Meeting may do so at www.proxyvote.com before 8:59 p.m. Pacific Time on May 25, 2021. Stockholders will need the 16-digit control number to submit a question.

The online meeting will begin promptly at 8:00 a.m. Pacific Time. We encourage you to access the meeting prior to the start time. Online check-in will begin at 7:45 a.m. Pacific Time, and you should allow sufficient time for the check-in procedures.

23. What if during the check-in time or during the meeting I have technical difficulties or trouble accessing the virtual meeting website?

We will have technicians to assist you if you experience technical difficulties accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call 844-986-0822 (US) or 303-562-9302 (international).

24. Why are you holding a virtual meeting instead of a physical meeting?

We have conducted an exclusively virtual Annual Meeting each year since becoming a public company in 2015 and have adopted a series of safeguards which we believe provide all stockholders the same rights and opportunities to participate as they would at an in-person meeting. We have found that the virtual meeting format enables greater stockholder attendance and participation globally, while saving the Company's and investors' time and money and reducing our environmental impact. Please visit www.virtualshareholdermeeting.com/PYPL2021, where you can attend this year's Annual Meeting and submit questions before and during the meeting. For additional information regarding our virtual Annual Meeting, please see the section entitled "Important Information About PayPal's Virtual Annual Meeting" on page 2 of this proxy statement.

25. Can stockholders ask questions during the Annual Meeting?

Yes. We will answer stockholder questions submitted in advance of, and questions submitted live during, the Annual Meeting, time permitting. Stockholders may submit a question in advance of the meeting before 8:59 p.m. Pacific Time on May 25, 2021 at www.proxyvote.com after logging in with the 16-digit control number included on the Notice, on their proxy card (if they requested printed materials), or on the instructions that accompanied their proxy materials. Questions may be submitted during the Annual Meeting through www.virtualshareholdermeeting.com/PYPL2021. We will endeavor to answer as many questions submitted by stockholders that comply with the meeting rules of conduct as time permits. We will limit each stockholder to one question so we can answer questions from as many stockholders as possible. Questions should be succinct and cover only one topic. Questions from multiple stockholders on the same topic or that are otherwise related may be grouped, summarized and answered together. In addition, questions may be edited for brevity and grammatical corrections. We do not intend to address any questions that are, among other things: irrelevant to the business of the Company or to the business of the Annual Meeting; related to material non-public information of the Company; related to personal matters or grievances; derogatory or otherwise in bad taste; repetitious statements already made by another stockholder; in furtherance of the stockholder's personal or business interests; or out of order or not otherwise suitable for the conduct of the Annual Meeting, as determined by the Board Chair or Corporate Secretary. For additional information regarding our virtual Annual Meeting, please see the section entitled "Important Information About PayPal's Virtual Annual Meeting" on page 2 of this proxy statement.

26. What is the deadline to propose actions for consideration at the 2022 Annual Meeting of Stockholders or to nominate individuals to serve as directors?

Stockholder Proposals for the 2022 Annual Meeting

Stockholders may present proper proposals for consideration at future stockholder meetings. For a stockholder proposal (other than a director nomination) to be considered for inclusion in our proxy statement and for consideration at our 2022 Annual Meeting of Stockholders ("2022 Annual Meeting"), our Corporate Secretary must receive the written proposal at our principal executive offices no later than December 14, 2021. If we hold our 2022 Annual Meeting more than 25 days before or after the one-year anniversary date of the Annual Meeting, we will disclose the new deadline by which stockholder proposals must be received by any means reasonably determined to inform stockholders. In addition, stockholder proposals must otherwise comply with the requirements of Rule 14a-8 under the Exchange Act. Proposals should be addressed to Corporate Secretary, PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131. Failure to deliver a proposal in accordance with this procedure may result in the proposal not being deemed timely received.

Our Bylaws also establish an advance notice procedure for stockholders who wish to present a proposal, including the nomination of directors, before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy materials. Our Bylaws provide that the only business that may be conducted at an annual meeting is business that is (1) brought before the meeting by the Company and specified in the notice of a meeting given by or at the direction of our Board, (2) brought before the meeting by or at the direction of our Board, or (3) otherwise properly brought before the meeting by a stockholder of record entitled to vote at the annual meeting who has delivered timely written notice to our Corporate Secretary, which notice must contain the information specified in our Bylaws. To be timely for our 2022 Annual Meeting, our Corporate Secretary must receive the written notice by overnight express courier or registered mail, return receipt requested, at our principal executive offices:

- not earlier than the close of business on December 14, 2021; and
- not later than the close of business on January 13, 2022.

If we hold our 2022 Annual Meeting more than 25 days before or after the one-year anniversary of the 2021 Annual Meeting, our Corporate Secretary must receive the written notice at our principal executive offices no later than the close of business on the 10th day following the day on which public disclosure of the date of such annual meeting was first made.

If a stockholder proponent (or its representative) does not appear virtually (for a virtual annual meeting) or in person (for a physical annual meeting) to present their proposal or nomination at such meeting, we are not required to present the proposal for a vote at such meeting.

In addition, our Bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our Bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our Bylaws, which, in general, require that our Corporate Secretary receive the notice within the time period described above under "Stockholder Proposals" for stockholder proposals that are not intended to be included in our proxy statement.

We advise you to review our Bylaws, which contain these and other requirements with respect to advance notice of stockholder proposals and director nominations, including certain information that must be included concerning the stockholder and each proposal and nominee. Our Bylaws were filed with the SEC on January 18, 2019 as an exhibit to our Current Report on Form 8-K and are available at https://investor.pypl.com/financials/sec-filings/default.aspx. You may also contact our Corporate Secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for submitting stockholder proposals and nominating director candidates. We will not consider any proposal or nomination that is not timely or otherwise does not meet our Bylaws' and SEC requirements for submitting a proposal or nomination. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

27. Where can I find more information about the Company's SEC filings, governance documents and communicating with the Company and the Board?

SEC Filings and Reports

Our SEC filings, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, are available free of charge on our Investor Relations website at https://investor.pypl.com/financials/sec-filings/default.aspx.

Corporate Governance Documents

Our Corporate Governance Guidelines, charters of our principal Board committees, our Code of Business Conduct and Ethics and other key corporate governance documents and materials are available on our Investor Relations website at https://investor.pypl.com/governance/governance-overview/default.aspx.

Communicating with Management and Investor Relations

Stockholders may contact management or Investor Relations through our Investor Relations department by writing to Investor Relations at our principal executive offices at PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131 or by email at investorrelations@paypal.com.

Communicating with the Board

Our Board has adopted a process by which stockholders or other interested persons may communicate with the Board or any of its members. Stockholders and other interested parties may send communications in writing to any or all directors (including the Board Chair, Board committees or the independent directors as a group) in care of our Corporate Secretary, PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131. All mail received may be opened and screened for security purposes. Certain items that are unrelated to the duties and responsibilities of the Board will not forwarded. Such items include, but are not limited to: spam; junk mail and mass mailings; new product suggestions; resumes and other forms of job inquiries; surveys; and business solicitations or advertisements. In addition, material that is trivial, obscene, unduly hostile, threatening, illegal or similarly unsuitable items will not be forwarded.

Other Matters

The Board is not aware of any other matters that will be presented for consideration at the Annual Meeting. However, if any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy intend to vote on those matters in accordance with their best judgment.

By Order of the Board of Directors

Brian Y. Yamasaki
Corporate Secretary
Dated: April 13, 2021

APPENDIX A:

Reconciliation of Non-GAAP Financial Measures

This proxy statement contains certain non-GAAP measures of financial performance. These non-GAAP measures include Non-GAAP Operating Margin and Free Cash Flow.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures.

Reconciliation to the most directly comparable GAAP measure of all non-GAAP measures included in the proxy statement can be found in the tables below.

In addition to the non-GAAP measures discussed above, the company also analyzes certain measures, including revenues on an FX-neutral basis to better measure the comparability of operating results between periods. The company believes that changes in foreign currency exchange rates are not indicative of the company's operations, and that evaluating growth in revenues on an FX-neutral basis provides an additional meaningful and comparable assessment of this measure to both management and investors. FX-neutral results are calculated by translating the current period's local currency results with the prior period's exchange rate. FX-neutral growth rates are calculated by comparing the current period's FX-neutral results by the prior period's results, excluding the impact from hedging activities.

Reconciliation of GAAP Operating Income to Non-GAAP Operating Income and GAAP Operating Margin to Non-GAAP Operating Margin

(In millions, except percentages) (unaudited)	Year Ended December 31, 2020	2019	2018	2017
GAAP net revenues	$ 21,454	$ 17,772	$ 15,451	$ 13,094
GAAP operating income	3,289	2,719	$ 2,194	$ 2,127
Stock-based compensation expense and related employer payroll taxes	1,472	1,104	920	761
Amortization of acquired intangible assets[(1)]	450	211	146	129
Restructuring	109	78	25	40
Other[(2)]	48	16	40	(302)
Acquisition related transaction expense	20	3	24	—
Total non-GAAP operating income adjustments	2,099	1,412	1,155	628
NON-GAAP OPERATING INCOME	**$ 5,388**	**$ 4,131**	**$ 3,349**	**$ 2,755**
GAAP operating margin	15%	15%	14%	16%
Non-GAAP operating margin	25%	23%	22%	21%

(1) Includes a $30 million impairment related to a portion of acquired TIO customer-related intangible assets in 2017.

(2) The year ended for the periods presented, as applicable, include the following:

- December 31, 2020 includes $30 million of asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties, $22 million of expenses related to pre-acquisition contingencies of an acquired company identified outside of the measurement period, and an adjustment of $4 million to an award for a legal proceeding based on the final settlement.
- December 31, 2019 includes a $23 million award for a legal proceeding and a $7 million of gain related to the sale of our U.S. consumer credit receivables portfolio executed during the year ended December 31, 2018.
- December 31, 2018 includes net loss related to the sale of our U.S. consumer credit receivables portfolio.
- December 31, 2017 includes elimination of allowance on loans receivable ($283 million), allowance on interest receivable ($39 million) due to the designation of the U.S. consumer credit portfolio as held for sale, certain fees associated with the sale of the portfolio ($5 million), and impairment of an investment in an intellectual property fund ($15 million).

Reconciliation of Operating Cash Flow to Free Cash Flow and Adjusted Free Cash Flow

	Year Ended December 31,			
(In millions/unaudited)	2020	2019[1]	2018[1]	2017
Net cash provided by operating activities	$ 5,854	$ 4,071	$ 5,480	$ 2,531
Less: Purchases of property and equipment	(866)	(704)	(823)	(667)
Free cash flow[2]	$ 4,988	$ 3,367	$ 4,657	$ 1,864

(1) Net cash provided by operating activities for 2018 and 2019 reflects the impact of reclassification as described in our Form 8-K filed with the SEC on February 3, 2021.

(2) Free cash flow for 2017 and 2018 reflects the impact of held for sale accounting treatment in connection with the sale of the Company's U.S. consumer credit receivables portfolio, which reduced free cash flow for 2017 by approximately $1.3 billion and increased free cash flow for 2018 by approximately $1.4 billion. Normalizing for this impact, free cash flow for 2017 and 2018 would have been approximately $3.2 billion and $3.3 billion, respectively.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________

Commission file number: 001-36859

PAYPAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**47-2989869**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
2211 North First Street San Jose, California	**95131**
(Address of Principal Executive Offices)	*(Zip Code)*

(408) 967-1000

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:		
Title of each class	*Trading Symbol(s)*	*Name of each exchange on which registered*
Common stock, $0.0001 par value per share	**PYPL**	**NASDAQ Global Select Market**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark	**YES**	**NO**
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.	☐	☑
• whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	☑	☐
• whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	☑	☐
• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐		
• If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	☐	
• whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.	☑	
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $204.2 billion based on the closing sale price as reported on the NASDAQ Global Select Market.

As of January 29, 2021, there were 1,171,175,760 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2021 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2020.

Table of Contents

Trademarks, Trade Names and Service Marks

PayPal owns or has rights to use the trademarks, service marks, and trade names that it uses in conjunction with the operation of its business. Some of the more important trademarks that PayPal owns or has rights to use that appear in this Annual Report on Form 10-K include: PayPal®, PayPal Credit®, Braintree, Venmo, Xoom, iZettle, Hyperwallet, and Honey, which may be registered or trademarked in the United States and other jurisdictions. PayPal's rights to some of these trademarks may be limited to select markets. Each trademark, trade name, or service mark of any other company appearing in this Annual Report on Form 10-K is, to PayPal's knowledge, owned by such other company.

Part I

Forward-Looking Statements

This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions, such as those relating to future business, future results of operations or financial condition, new or planned features or services, mergers or acquisitions, or management strategies. Additionally, our forward-looking statements include expectations related to anticipated impacts of the outbreak of the novel coronavirus ("COVID-19"). These forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "strategy," "future," "opportunity," "plan," "project," "forecast," and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results and financial condition to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Item 1A. Risk Factors" of this Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing in this report and our other filings with the Securities and Exchange Commission ("SEC"). We do not intend, and undertake no obligation except as required by law, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the information in this report in conjunction with the audited consolidated financial statements and the related notes that appear in this report.

Item 1. Business

Overview

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 merchants and consumers worldwide. PayPal is committed to democratizing financial services to improve the financial health of individuals and to increase economic opportunity for entrepreneurs and businesses of all sizes around the world. Our goal is to enable our merchants and consumers to manage and move their money anywhere in the world, anytime, on any platform, and using any device when sending payments or getting paid. We also facilitate person-to-person ("P2P") payments through our PayPal, Venmo, and Xoom products and services and simplify and personalize shopping experiences for our consumers through our Honey Platform. Our combined payment solutions, including our core PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle, and Hyperwallet products and services, comprise our proprietary Payments Platform. 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.

PayPal's payment solutions enable our customers to send and receive payments. We operate a global, two-sided network at scale that connects merchants and consumers with 377 million active accounts (consisting of 348 million consumer active accounts and 29 million merchant active accounts) across more than 200 markets. PayPal helps merchants and consumers connect, transact, and complete payments, whether they are online, on a mobile device, in an app, or in person. PayPal is more than a connection to third-party payment networks. We provide proprietary payment solutions accepted by merchants that enable the completion of payments on our Payments Platform on behalf of our customers. The COVID-19 pandemic has impacted consumer behavior and has accelerated the shift from traditional in-store shopping toward e-commerce and buy online and pick up in store to the extent that merchants are adopting safer contactless payment solutions based on consumer demand for such options.

We offer our customers the flexibility to use their accounts to purchase and receive payments for goods and services, as well as the ability to transfer and withdraw funds. We enable consumers to exchange funds more safely with merchants using a variety of funding sources, which may include a bank account, a PayPal Cash or Cash Plus account balance, a Venmo account balance, our credit products, a credit card, debit card, or other stored value products such as coupons, gift cards, and eligible credit card rewards. Our PayPal, Venmo, and Xoom products also make it safer and simpler for friends and family to transfer funds to each other. We offer merchants an end-to-end payments solution that provides authorization and settlement capabilities, as well as instant access to funds. We help merchants connect with their customers and manage risk. We enable consumers to engage in cross-border shopping and merchants to extend their global reach while reducing the complexity and friction involved in enabling overseas and cross-border trade.

We earn revenues primarily by charging fees for completing payment transactions for our customers and other payment-related services that are typically based on the volume of activity processed on our Payments Platform. 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 conversion and instant transfers from their PayPal or Venmo account to their debit card or bank account, as well as from interest and fees from our credit products. We also earn revenue by providing other value added services, which comprise revenue earned through partnerships, our merchant and consumer credit products, referral fees, subscription fees, gateway services, and other services that we provide to our merchants and consumers.

Key Performance Metrics

2020 Key Performance Metrics

Expanding Our Base:
Active Accounts of **377 Million**
24% from 2019

Driving Customer Engagement:
15.4 Billion Payment Transactions
25% from 2019

Gaining Share:
$936 Billion of Total Payment Volume
31% from 2019

We measure the relevance of our products and services to our customers and the performance and success of our business through active accounts, payment transactions, and total payment volume:

An *Active Account* is an account registered directly with PayPal or a platform access partner that has completed a transaction on our Payments Platform or through our Honey Platform, not including gateway-exclusive transactions, within the past 12 months. A platform access partner is a third party whose customers are provided access to PayPal's Payments Platform through such third-party's login credentials.

Number of Payment Transactions are the total number of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

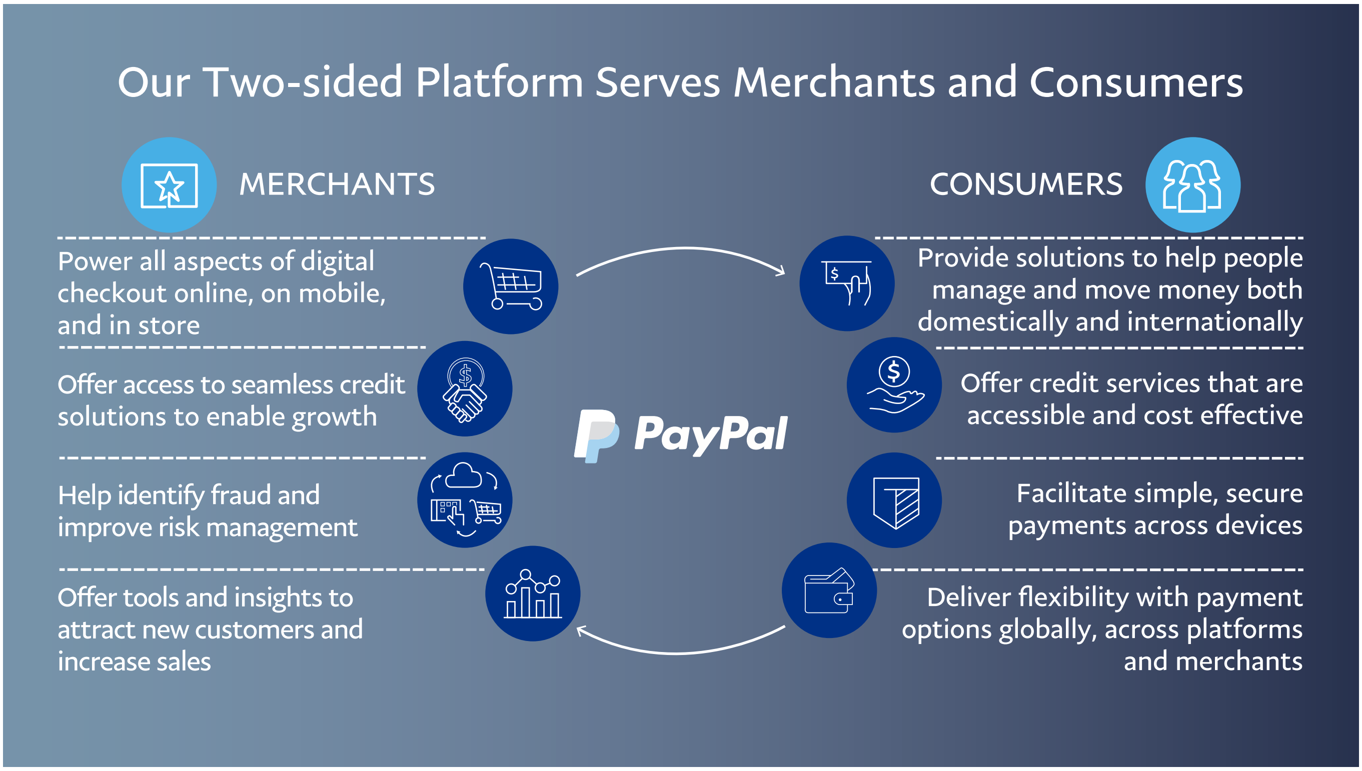
Total Payment Volume ("TPV") is the value of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

Our Strengths

Our business is built on a strong foundation designed to drive growth and differentiate us from our competitors. We believe that our competitive strengths include the following:

- *Two-sided network*—our Payments Platform connecting merchants and consumers enables PayPal to offer unique end-to-end product experiences while gaining valuable insights into customer behavior. Our Payments Platform provides for digital, mobile, and in-store (at the point of sale) transactions while being both technology and platform agnostic.
- *Scale*—our global scale allows us to drive organic growth. As of December 31, 2020, we had 377 million active accounts, consisting of 348 million consumer active accounts and 29 million merchant active accounts in more than 200 markets around the world. A market is a geographic area or political jurisdiction, such as a country, territory, or protectorate, in which we offer some or all of our products and services. A country, territory, or protectorate is identified by a distinct set of laws and regulations. In 2020, we processed $936 billion of TPV.
- *Brands*—we have built and strengthened well-recognized and trusted brands, including PayPal, Braintree, Venmo, Xoom, Hyperwallet, iZettle, and Honey. Our marketing efforts across multiple demographic groups play an important role in building brand visibility, usage, and overall preference among customers.
- *Risk and Compliance Management*—our enterprise risk and compliance management program and use of tokenization are designed to help keep customer information secure, and to help ensure we process legitimate transactions around the world, while identifying and minimizing illegal, high-risk, or fraudulent transactions.
- *Regulatory*—we believe that our regulatory licenses, which enable us to operate in markets around the world, are a distinct advantage and help support business growth.

Merchant and Consumer Payment Solutions



Merchant Value Proposition

We partner with our merchants to help grow and expand their businesses by providing global reach and powering all aspects of digital checkout. We offer alternative payment methods, including access to credit solutions, provide fraud prevention and risk management solutions, reduce losses through proprietary protection programs, and offer tools and insights for leveraging data analytics to attract new customers and improve sales conversion. We employ a technology and platform agnostic approach intended to enable merchants of all sizes to quickly and easily provide digital checkout online, on mobile devices, and in-store across all platforms and devices and to securely and simply receive payments from their customers.

PayPal's Payments Platform enables merchants to accept all types of online and offline payments, including those made with the PayPal and Venmo wallets, credit cards and debit cards, Apple Pay, Samsung Pay, and Google Pay, as well as other popular local payment methods. Our diversified product suite is tailored to meet the needs of merchants regardless of their size or business complexity. We have expanded our merchant value proposition to enable payment acceptance at the point of sale through our PayPal and Venmo digital wallets, our iZettle point of sale solutions, and our quick response ("QR") code-based solutions. We aim to offer a seamless, omni-channel solution that helps merchants manage and grow their business. Our Honey Platform and PayPal consumer credit offerings, including installment payment products, enable merchants to drive increased conversion through higher consumer engagement.

We offer access to credit products for certain small and medium-sized merchants through our PayPal Working Capital and PayPal Business Loan products, which we collectively refer to as our merchant lending offerings. Our PayPal Working Capital product allows businesses to borrow a certain percentage of their annual payment volume processed by PayPal for a fixed fee. Our PayPal Business Loan product provides businesses with short-term financing for a fixed fee based on an evaluation of both the applying business as well as the business owner. We believe that our merchant lending offerings allow us to deepen our engagement with our existing small and medium-sized merchants and expand services to new merchants by providing access to capital that may not be available effectively or efficiently from traditional banks or other lending providers.

Our acquisition of a controlling equity interest in Guofubao Information Technology Co. (GoPay), Ltd ("GoPay"), a holder of payment business licenses in China, enables us to partner with Chinese financial institutions and technology platforms to provide a more comprehensive set of payment solutions to merchants and consumers, both in China and globally.

We generate revenues from merchants primarily by charging fees for completing their payment transactions and other payment-related services.

Consumer Value Proposition

We focus on providing affordable consumer products intended to democratize the management and movement of money. We provide consumers with a digital wallet that enables them to send payments to merchants more safely using a variety of funding sources, which may include a bank account, a PayPal Cash or Cash Plus account balance, a Venmo account balance, our consumer credit products, a credit card, debit card, or other stored value products such as coupons, gift cards, and eligible credit card rewards.

We also offer consumers P2P payment solutions through our PayPal, Venmo, and Xoom products and services. We enable both domestic and international P2P transfers across our Payments Platform. Our Venmo app in the U.S. is a leading mobile application used to move money between our customers and to make purchases at select merchants. Xoom is an international money transfer service that enables our customers to send money and prepaid mobile phone reloads to, and pay bills for, people around the world in a secure, fast, and cost-effective way. P2P is a significant customer acquisition channel that facilitates organic growth by enabling potential PayPal users to establish active accounts with us at the time they make or receive a P2P payment. We also simplify and personalize shopping experiences for our consumers through our Honey Platform by offering tools for product discovery, price-tracking, and offers, which enhances consumer engagement and conversion and sales for our merchants.

We offer our PayPal Credit products to consumers in certain markets as a potential funding source at checkout. Once a consumer is approved for credit, PayPal Credit is made available as a funding source for that account holder. Our U.S. PayPal- and Venmo-branded consumer credit program is offered primarily through Synchrony Bank. In addition, we have expanded our consumer credit offerings to include installment payment products in the U.S., U.K., France, and Germany. We believe that our consumer credit products allow us to increase engagement with consumers and merchants on our two-sided network.

We generate revenue from consumers on fees charged for foreign currency conversion, optional instant transfers from their PayPal or Venmo account to their debit card or bank account, interest and fees from our PayPal Credit products, and other miscellaneous fees.

Protecting Merchants and Consumers

Protecting merchants and consumers on our Payments Platform from financial and fraud loss is imperative to successfully competing and sustainably growing our business. Fraudulent activities, such as account takeover, identity theft (including stolen financial information), and counterparty malicious activities, represent a significant risk to merchants and consumers, as well as their payment partners. We provide merchants and consumers with protection programs for certain purchase transactions completed on our Payments Platform. We believe that these programs, which help protect both merchants and consumers from financial loss resulting from fraud and counterparty non-performance, are generally broader than similar protections provided by other participants in the payments industry. As a result, merchants may incur losses for chargebacks and other claims on certain transactions when using other payments providers that the merchants would not incur if they used our payments services. We also provide consumer protection against losses on qualifying purchases and accept claims for review up to 180 days post-transaction. We believe that this protection is generally consistent with, or better than, that offered by other payments providers. These programs are designed to promote confidence on both the part of consumers, who will only be required to pay if they receive their purchased item in the condition significantly as described, and merchants, who will receive payment for the product they deliver to the customer.

Our ability to protect both merchants and consumers is based largely on our proprietary, end-to-end Payments Platform and our ability to utilize the data from both sides of transactions on our two-sided network, specifically from buyers and sellers and from senders and receivers of payments. We believe mobile devices will continue to play a significant and increasing role in commerce, including by creating the opportunities to make the payments ecosystem safer. For example, PayPal uses data from mobile devices to help reduce financial and fraud risk to merchants and consumers. Our ongoing investment in systems and processes designed to enhance the safety and security of our products reflects our goal of having PayPal recognized as one of the world's most trusted payments brands.

Competition

The global payments industry is highly competitive, continuously changing, highly innovative, and increasingly subject to regulatory scrutiny and oversight. We compete against a wide range of businesses. Some of our current and potential competitors may be larger than we are, have larger customer bases, greater brand recognition, longer operating histories, a dominant or more secure position, broader geographic scope, volume, scale, resources, and market share than we do, or offer products and services that we do not offer. Other competitors are smaller or younger companies that may be more agile in responding quickly to regulatory and technological changes. Many of the areas in which we compete evolve rapidly with innovative and disruptive technologies, emerging competitors, business alliances, shifting consumer habits and user needs, price sensitivity on the part of merchants and consumers, and frequent introductions of new products and services.

We differentiate ourselves to merchants through our ability to innovate and develop products and services that offer new payment experiences for our merchants, demonstrate that they may achieve incremental sales by using and offering our services to consumers, support transactions on our Payments Platform across varied technologies and payment methods, through the simplicity and transparency of our fee structure, and our seller protection programs. In addition, we differentiate ourselves to consumers through the ability to use our products and services across multiple commerce channels, including e-commerce, mobile, and payments at the point of sale, and without sharing their financial information with the merchant or any other party they are paying; our customer service, dispute resolution, and buyer protection programs; and our ability to simplify and personalize shopping experiences. We believe that we compare favorably to our competitors with respect to these factors and we invest resources towards improving our products and services, offering choice in payment options, providing excellent customer service, and building brands that merchants and consumers trust.

Our business faces competition from a wide range of businesses and from all forms of physical and electronic payments. We face competition from banks and financial institutions, which provide traditional payment methods (particularly credit cards and debit cards (collectively, "payment cards"), electronic bank transfers, and credit), payment networks that facilitate payments for payment cards or proprietary retail networks, payment card processors, and "card on file" services. We also face competition from providers offering a variety of payment products and services including tokenized and contactless payment cards, digital wallets and mobile payments solutions, credit, installment or other buy now pay later methods, real-time payment systems, P2P payments and money remittance services, card readers and other devices or technologies for payment at point of sale, virtual currencies and distributed ledger technologies, and tools that simplify and personalize shopping experiences for consumers and merchants. Our products and services face competition from all forms of payments, which include paper-based payments (primarily cash and checks), credit cards, debit cards, electronic bank transfers, credit, installment methods, digital wallets and mobile payment solutions, contactless payments (including contactless cards, tokenized cards, near field communication ("NFC") based solutions, and QR code-based solutions), and virtual currencies, such as cryptocurrencies and stablecoins.

In addition to the discussion in this section, see "Item 1A. Risk Factors" under the caption "*We face substantial and increasingly intense competition worldwide in the global payments industry*" for further discussion of the potential impact of competition on our business.

Strategy

Our ability to grow revenue is affected by, among other things, consumer spending patterns, merchant and consumer adoption of digital payment methods, the expansion of multiple commerce channels, the growth of mobile devices and merchant and consumer applications on those devices, the growth of consumers globally with internet and mobile access, the pace of transition from cash and checks to digital forms of payment, our share of the digital payments market, and our ability to innovate and introduce new products and services that merchants and consumers value. Our strategy to drive growth in our business includes the following:

- *Growing our core business:* through expanding our global capabilities, customer base and scale, increasing our customers' use of our products and services by better addressing their everyday needs related to accessing, managing, and moving money, and expanding the adoption of our solutions by merchants and consumers;
- *Expanding our value proposition for merchants and consumers:* by being technology and platform agnostic, partnering with our merchants to grow and expand their business online and in-store, and providing consumers with simple, secure, and flexible ways to manage and move money across different markets, merchants, and platforms;
- *Forming strategic partnerships:* by building new strategic partnerships to provide better experiences for our customers, offering greater choice and flexibility, acquiring new customers, and reinforcing our role in the payments ecosystem; and
- *Seeking new areas of growth:* organically and through acquisitions and strategic investments in our existing and new international markets around the world and focusing on innovation both in the digital and physical world.

In 2021, we intend to further enhance our PayPal and Venmo digital wallets to increase their functionality and drive higher engagement on our Payments Platform. Our goal is to provide our consumers with a comprehensive set of services to manage their finances and enhance their ability to shop online and in person.

Technology

Our Payments Platform utilizes a combination of proprietary and third-party technologies and services intended to efficiently and securely facilitate transactions between millions of merchants and consumers worldwide across different channels, markets, and networks. Our Payments Platform connects with financial service providers around the world and allows consumers to make purchases using a wide range of payment methods, regardless of where a merchant is located. Consumers who use our Payments Platform can send payments in more than 200 markets around the world and in more than 100 currencies, withdraw funds to their bank accounts in 56 currencies, and hold balances in their PayPal accounts in 25 currencies.

A transaction on our Payments Platform can involve multiple participants in addition to us, including a merchant, a consumer, and the consumer's funding source provider. We have developed intuitive user interfaces, customer tools, transaction completion database, and network applications on our Payments Platform designed to enable our customers to utilize our suite of products and services. Our Payments Platform, open application programming interfaces, and developer tools are designed to enable developers to innovate with ease and offer robust applications to our global ecosystem of merchants and consumers, while at the same time maintaining the security of our customers' information.

The technology infrastructure supporting our Payments Platform simplifies the storage and processing of large amounts of data and facilitates the deployment and operation of large-scale global products and services in both our own data centers and when hosted by third party cloud service providers. Our technology infrastructure is designed around industry best practices intended to reduce downtime and help ensure the resiliency of our Payments Platform in the event of outages or catastrophic occurrences. Our Payments Platform incorporates multiple layers of protection for business continuity and system redundancy purposes and to help mitigate cybersecurity risks. We have a comprehensive cybersecurity program designed to protect our technology infrastructure and Payments Platform against cybersecurity threats, which includes regularly testing of our systems to identify and address potential vulnerabilities. We strive to continually improve our technology infrastructure and Payments Platform to enhance the customer experience and to increase efficiency, scalability, and security.

For additional information regarding risks relating to our technology infrastructure and cybersecurity, see the information in "Item 1A. Risk Factors" under the captions "*Cyberattacks and security vulnerabilities could result in serious harm to our reputation, business, and financial condition" and "Business interruptions or systems failures may impair the availability of our websites, applications, products or services, or otherwise harm our business.*"

Research and Development

Total research and development expense was $1.4 billion in 2020 and $1.1 billion in both 2019 and 2018.

Intellectual Property

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 have registered our core brands as domain names and as trademarks in the U.S. and a large number of international jurisdictions. We also have an active program to continue to secure and enforce trademarks and domain names that corresponds to our brands in markets of interest. We have filed patent applications in the U.S. and in international jurisdictions covering certain aspects of our proprietary technology and new innovations. We also rely on contractual restrictions to protect our proprietary rights when offering or procuring products and services. We have routinely entered into confidentiality and invention assignment agreements with our employees and contractors, and non-disclosure agreements with parties with whom we conduct business to control access to, and use and disclosure of, our proprietary information.

For additional information regarding risks relating to our intellectual property, see the information in "Item 1A. Risk Factors" under the captions "*Third parties may allege that we are infringing their patents and other intellectual property rights*" and "*We may be unable to adequately protect or enforce our intellectual property rights.*"

Government Regulation

We operate globally and in a rapidly evolving regulatory environment characterized by a heightened focus by regulators globally on all aspects of the payments industry, including countering terrorist financing, anti-money laundering, privacy, cybersecurity, and consumer protection. 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. New or changing laws and regulations, including changes to their interpretation or implementation, as well as increased penalties and enforcement actions related to non-compliance, could have a material adverse impact on our business, results of operations, and financial condition. We monitor these areas closely and are focused on designing compliant solutions for our customers.

Government regulation impacts key aspects of our business. We are subject to regulations that affect the payments industry in the markets we operate.

Payments Regulation

Various laws and regulations govern the payments industry in the U.S. and internationally. In the U.S., PayPal, Inc. (a wholly-owned subsidiary) holds licenses to operate as a money transmitter (or its equivalent) in the states where such licenses are required, as well as in the District of Columbia and certain territories. These licenses include not only the PayPal branded products and services offered in these locations, but also our Venmo, Hyperwallet and Xoom products and services to the extent offered in these locations. As a licensed money transmitter, PayPal is subject to, among other requirements, restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements, and inspection by state regulatory agencies. In certain cases, these licenses also generally cover PayPal's service enabling customers to buy, hold, and sell cryptocurrency directly from their PayPal account, which is currently available only in the U.S. In the State of New York, PayPal has obtained a conditional virtual currency license from the New York Department of Financial Services to offer cryptocurrency services in the state in partnership with Paxos Trust Company. Outside the U.S., we provide similar services customized for various countries and foreign jurisdictions through our foreign subsidiaries. The activities of those non-U.S. entities are, or may be, supervised by a financial regulatory authority in the jurisdictions in which they operate. Among other regulatory authorities, the Luxembourg Commission de Surveillance du Secteur Financier (the "CSSF"), the Australian Prudential Regulation Authority, the People's Bank of China, the Monetary Authority of Singapore, the Reserve Bank of India, the Central Bank of Russia, and the Central Bank of Brazil have asserted jurisdiction over some or all of our activities in their respective jurisdictions. This list is not exhaustive, and there are numerous other regulatory agencies that have or may assert jurisdiction over our activities. The laws and regulations applicable to the payments industry in any given jurisdiction are subject to interpretation and change.

In addition, financial services regulators in various jurisdictions, including the U.S. and the European Union ("EU"), have implemented authentication requirements for banks and payment processors intended to reduce online fraud, which could impose significant costs, make it more difficult for new customers to join PayPal, and reduce the ease of use of our products.

Banking Agency Supervision

We serve our customers in the EU through PayPal (Europe) S.à.r.l. et Cie, SCA, a wholly-owned subsidiary that is licensed and subject to regulation as a bank in Luxembourg by the CSSF. Consequently, we must comply with rules and regulations of the European banking industry, including those related to capitalization, funds management, corporate governance, anti-money laundering, disclosure, reporting, and inspection. We are, or may be, subject to banking-related regulations in other countries now or in the future related to our role in the financial industry. In addition, based on our relationships with our partner financial institutions, we are, or may be, subject to indirect regulation and examination by these financial institutions' regulators.

Lending Regulation

PayPal's U.S. consumer short-term installment loan product is subject to state lending laws (some of which require licensure and/or state regulator notification), state collection laws, as well as compliance with the Equal Credit Opportunity Act and Regulation B as implemented by the Consumer Financial Protection Bureau (the "CFPB") and other applicable laws and regulations.

Consumer Financial Protection Bureau

The CFPB has significant authority to regulate consumer financial products in the U.S., including consumer credit, deposits, payments, and similar products. As a large market participant of remittance transfers, the CFPB has direct supervisory authority over our business. The CFPB and similar regulatory agencies in other jurisdictions may have broad consumer protection mandates that could result in the promulgation and interpretation of rules and regulations that may affect our business.

Anti-Money Laundering, Counter-Terrorist Financing, and Sanctions

PayPal is subject to anti-money laundering ("AML") laws and regulations in the U.S. and other jurisdictions, as well as laws designed to prevent the use of the financial systems to facilitate terrorist activities. Our AML program is designed to prevent our Payments Platform from being used to facilitate money laundering, terrorist financing, and other illicit activities, or to do business in countries or with persons and entities included on designated country or person lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Controls ("OFAC") and equivalent authorities in other countries. Our AML and sanctions compliance programs, overseen by our AML/Bank Secrecy Act Officer, is composed of policies, procedures, and internal controls, and is designed to address these legal and regulatory requirements and assist in managing money laundering and terrorist financing risks.

Interchange Fees

Interchange fees associated with four-party payments systems are being reviewed or challenged in various jurisdictions. For example, in the EU, the Multilateral Interchange Fee ("MIF") Regulation caps interchange fees for credit and debit card payments and provides for business rules to be complied with by any company dealing with payment card transactions, including PayPal. As a result, the fees that we collect in certain jurisdictions may become the subject of regulatory challenge.

Data Protection and Information Security

We are subject to a number of laws, rules, directives, and regulations ("privacy and data protection laws") relating to the collection, use, retention, security, processing, and transfer (collectively, "processing") of personally identifiable information about our customers, our merchants' customers, and employees ("personal data") in the countries where we operate. Our business relies on the processing of personal data in many jurisdictions and the movement of data across national borders. As a result, much of the personal data that we process, which may include certain financial information associated with individuals, is subject to one or more privacy and data protection laws in one or more 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. The EU has adopted a comprehensive General Data Protection Regulation (the "GDPR"), which came into effect in May 2018. GDPR expanded the scope of the EU data protection law to foreign companies processing personal data of European Economic Area ("EEA") individuals and imposed a stricter data protection compliance regime. In the U.S., we are subject to privacy and information safeguarding requirements under the Gramm-Leach-Bliley Act as well as the California Consumer Privacy Act, which requires privacy protections comparable to those afforded by the GDPR, as well as the maintenance of a written, comprehensive information security program. In Europe, the operations of our Luxembourg bank are subject to confidentiality and information safeguarding requirements under the Luxembourg Banking Act.

PayPal relies on a variety of compliance methods to transfer personal data of EEA individuals 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"). PayPal must also ensure that third parties processing personal data of PayPal's EEA customers and/or employees outside of the EEA have compliant transfer mechanisms. In July 2020, the European Court of Justice ("ECJ") invalidated the U.S.-EU Privacy Shield - safe harbor framework that was previously relied upon by some PayPal vendors, and PayPal entered into SCCs with those third parties. PayPal did not certify under the Privacy Shield regime and continues to use SCCs and BCRs as the primary cross border data transfer mechanisms. However, the ECJ ruling made clear that these transfer mechanisms will be subject to additional scrutiny as well. To the extent PayPal relies on SCCs, or any third party relies on the Privacy Shield regime for the compliant transfer of personal data, PayPal's ability to process EEA personal data to such parties could be jeopardized.

Regulatory scrutiny of privacy, data protection, cybersecurity practices, and the processing of personal data is increasing around the world. Regulatory authorities are continuously considering numerous legislative and regulatory proposals and interpretive guidelines that may contain additional privacy and data protection obligations. In addition, the interpretation and application of these privacy and data protection laws in the U.S., Europe, and elsewhere are often uncertain and in a state of flux.

Anti-Corruption

PayPal is subject to applicable anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, and similar laws in the jurisdictions in which we operate. Anti-corruption laws generally prohibit offering, promising, giving, accepting, or authorizing others to provide anything of value, either directly or indirectly, to or from a government official or private party in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business. We have implemented policies, procedures, and internal controls that are designed to comply with these laws and regulations.

Additional Regulatory Developments

Various regulatory agencies continue to examine and implement laws governing a wide variety of issues, including virtual currencies, identity theft, account management guidelines, disclosure rules, cybersecurity, and marketing, which may impact PayPal's business.

For an additional discussion on governmental regulation affecting our business, please see "Item 1A. Risk Factors" and "Item 3. Legal Proceedings" included in this Form 10-K.

Human Capital

Global Talent Management

At PayPal, we consider the management of our global talent (human capital) to be essential to the ongoing success of our business. As of December 31, 2020, we employed approximately 26,500 people globally, representing approximately 150 nationalities, located in more than 30 countries, including approximately 12,300 located in the U.S.

Attracting, recruiting, developing, and retaining diverse talent enables us to provide our customers with products and services that help them to thrive in the global economy, and serve our stakeholders. We are focused on supporting our employees across the full employee lifecycle from recruitment to onboarding to development, and have implemented programs designed to promote their total wellness, particularly during difficult times such as the COVID-19 pandemic. For example, in 2020, we enhanced our Crisis Leave Program, provided flexible work arrangements, and adjusted our benefits to include additional mental health support.

Employee Engagement

We use employee feedback to directly inform the ongoing development of our employee programs. In addition to administering an annual survey to gather input from our global workforce, we conducted regular wellness surveys throughout the COVID-19 pandemic to get real-time feedback from our employees. For our 2020 annual employee survey, we heard from 85% of our global employees. Our engagement score, which reflects employees that would recommend PayPal to their peers and/or are happy at PayPal was 84%, representing a four percentage point increase compared to 2019. In 2020, we continued to enhance our employee programs based on results from our 2019 survey and other employee input. For example, we established in-person feedback sessions to improve efficiencies, enhanced employee communication strategies, and launched additional learning and development programs. We also evaluate employee survey responses for feedback on other key components of our culture and programs. The detailed scores are shared across the organization and analyzed to understand differences by geography, demographics, and job level, and to identify opportunities for further improvement.

Talent Acquisition and Development

As a leading technology platform and digital payments company, we compete for top global talent around the world. We believe that a strong culture focused on employee experiences that enables advancement, learning, and individual career insights is essential to the successful acquisition, retention, and development of diverse talent. To that end, we have implemented programs focused on inclusive hiring practices, enriched virtual new hire experiences, individual coaching, and mentorship programs, and provided ongoing learning opportunities, including unlimited access to LinkedIn Learning.

Employee Wellness

We remain focused on promoting the total wellness of our employees, including resources, programs and services to support our employees' physical, mental, and financial wellness. As part of our integrated approach to benefits, we have made strengthening employee financial wellness a strategic priority at PayPal. In late 2019, we designed an inclusive program that raised wages (where appropriate), lowered the cost of U.S. healthcare benefits for hourly-wage earners, offered new financial tools and resources, and granted equity or equity-based awards to all employees of the company, subject to legal limitations. We continue to extend this initiative and recently added resources for employees to improve their cash flow through access to early earned wages and modified retirement programs in select global markets.

Diversity, Inclusion, Equity, and Belonging

Our focus on fostering diversity, inclusion, equity, and belonging ("DIEB") is critical to our global talent strategy and pivotal to building a culture that embraces individual characteristics, values diversity, minimizes barriers, and enhances feelings of security and support across the workplace. We are committed to equal pay for equal work, promoting enterprise-wide inclusive learning opportunities, and partnering with leading organizations to embed DIEB considerations into our talent strategy. We empower eight employee resource groups to promote community and authenticity for employees that identify as Black, Latinx, women, interfaith, veterans, LGBTQ+, Asian, and disabled persons. These groups drive ongoing employee engagement around the world for all employees, regardless of background, to support and champion their peers and related causes. In 2020, we also announced a targeted commitment to support Black- and minority-owned businesses, and underrepresented communities and employees, including additional financial commitments to enhance our employee resource groups, cultivate diverse talent pipelines, and create inclusive onboarding and skill building opportunities.

As part of our annual environmental, social, and governance ("ESG") reporting, we provide additional information on our global talent strategy, including detailed representation metrics, in our Global Impact Report available at https://investor.pypl.com/esg-strategy/default.aspx.

Available Information

The address of our principal executive offices is PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131. Our website is located at www.paypal.com, and our investor relations website is located at https://investor.pypl.com. From time to time, we may use our investor relations site and other online and social media channels, including the PayPal Newsroom (https://newsroom.paypal-corp.com/), PayPal Stories Blog (https://www.paypal.com/stories/us), Twitter handles (@PayPal and @PayPalNews), LinkedIn page (https://www.linkedin.com/company/paypal), Facebook page (https://www.facebook.com/PayPalUSA/), YouTube channel (https://www.youtube.com/paypal), Dan Schulman's LinkedIn profile (https://www.linkedin.com/in/dan-schulman/), John Rainey's LinkedIn profile (www.linkedin.com/in/john-rainey-pypl), Dan Schulman's Facebook page (https://www.facebook.com/DanSchulmanPayPal/), and Dan Schulman's Instagram page (https://www.instagram.com/dan_schulman/) as a means of disclosing information about the Company and for complying with our disclosure obligations under Regulation Fair Disclosure ("FD"). Our Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge on our investor relations website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The content of our websites and information we may post on or provide to online and social media channels, including those mentioned above, and information that can be accessed through our websites or these online and social media channels is not incorporated by reference into this Form 10-K or in any other report or document we file with the SEC, and any references to our websites or these online and social media channels are intended to be inactive textual references only.

Item 1A. Risk Factors

You should carefully review this section in addition to the other information appearing in this Form 10-K, including our consolidated financial statements and related notes, for important information regarding risks and uncertainties that affect us. 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. If any of the following risks actually occur, our business, financial condition, results of operations, and future prospects could be materially and adversely affected.

Coronavirus Pandemic Risks

The novel coronavirus ("COVID-19") pandemic could materially and adversely affect our business, financial condition, and results of operations.

There are no comparable recent events that provide guidance as to the effect that the spread of COVID-19 as a global pandemic may have. The ultimate extent to which the COVID-19 pandemic impacts our business, financial condition, and results of operations will depend on future developments, which are highly uncertain, difficult to predict, and subject to change, including, but not limited to, the duration, scope, severity, and geographic spread of the outbreak, its impact on the global economy, actions taken to contain or limit the impact of COVID-19, such as the availability of an effective vaccine or treatment, geographic variation in how countries and states are handling the pandemic, and how quickly and to what extent normal economic and operating conditions may potentially resume.

The COVID-19 pandemic has adversely impacted and is likely to further adversely impact the operations of our customers, suppliers, vendors and other business partners, and may adversely impact our results of operations in the future. Cross-border and domestic commerce may be adversely impacted by measures taken by government authorities and businesses globally to contain and limit the outbreak's spread, including travel restrictions, border closures, quarantines, shelter in place and lock down orders, mask and social distancing requirements, and business limitations and shutdowns. To the extent that such mitigation measures remain in place or are reinstated for significant periods of time, they may adversely affect our business, financial condition, and results of operations. Actions that we have taken or may take in the future intended to assist customers impacted by COVID-19 may negatively impact our results of operations. In particular, we have experienced and may continue to experience adverse financial impacts from a number of operational factors, including, but not limited to:

- Merchants selling goods or services in advance of the date of their delivery (e.g., travel and events verticals) or experiencing bankruptcy, insolvency, business failure, or other business interruption, which could result in our becoming liable to the buyers of such goods or services through our buyer protection program or through chargebacks on payment cards used by customers to fund their payments;
- Merchants who utilize PayPal branded merchant credit products such as PayPal Working Capital and PayPal Business Loan products or consumers who utilize PayPal branded consumer credit products defaulting on their payment obligations;
- Increased cybersecurity and payment fraud risk related to COVID-19, as cybercriminals attempt to profit from the disruption in light of increased online banking, e-commerce, and other online activity;
- Challenges to the availability and reliability of our products and services resulting from changes to our normal operations, including due to one or more clusters of COVID-19 cases occurring at our (or our service providers') sites or mandatory local lock-down requirements, which may impact our employees, our level of customer service, and/or the systems or employees of our customers and business partners; and
- An increased volume of customer requests for support and regulatory requests for information and support or additional regulatory requirements, which could require additional resources and costs to address.

Additionally, COVID-19 has negatively impacted the financial viability and operations of merchants in certain verticals (such as travel and events) and, as a result, allowances for transaction and credit losses may not accurately reflect the amount of losses that PayPal may be exposed to by these merchants. Further, we may not have the ability to accurately forecast the magnitude of such losses or any additional merchant segments that could be adversely impacted by COVID-19.

Our business has benefited from the shift from in-store shopping and traditional payment methods towards e-commerce and digital payments, including a significant increase in net new active accounts and payments volume. To the extent that customer preferences revert to pre-COVID-19 behaviors as mitigation measures to limit the spread of COVID-19 are lifted or relaxed and an effective vaccine or treatments for COVID-19 becomes available, our business, financial condition, and results of operations could be adversely impacted.

The significant increase in the number of our employees who are working remotely as a result of the pandemic, and an extended period of remote work arrangements and subsequent reintroduction into the workplace could introduce operational risk, increase cybersecurity risk, strain our business continuity plans, negatively impact productivity, and give rise to claims by employees or otherwise adversely affect our business. Additionally, COVID-19 could require new or modified processes, procedures, and controls to respond to changes in our business environment. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19 or will otherwise be satisfactory to government authorities.

The impacts of COVID-19, individually or collectively, could have a material adverse impact on our business, financial condition, and results of operations and have the effect of heightening or exacerbating many of the other risks described in this "Risk Factors" section.

Cybersecurity and Technology Risks

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

The techniques used to obtain unauthorized, improper, or illegal access to systems and information (including customers' personal data), disable or degrade service, or sabotage systems are constantly evolving, and often are not recognized or detected until after they have been launched against a target. Unauthorized parties have attempted, and we expect that they will continue to attempt, to gain access to our systems or facilities through various means, including, but not limited to, hacking into our systems or facilities or those of our customers, partners, or vendors, and attempting to fraudulently induce users of our systems (including employees and customers) into disclosing user names, passwords, payment card information, or other sensitive information. This information may in turn be used to access our customers' personal or proprietary information and payment card data that are stored on or accessible through our information technology systems and those of third parties with whom we partner. Numerous and evolving cybersecurity threats, including advanced and persisting cyberattacks, cyberextortion, spear phishing and social engineering schemes, the introduction of computer viruses or other malware, and the physical destruction of all or portions of our information technology and infrastructure and those of third parties with whom we partner could compromise the confidentiality, availability, and integrity of the data in our systems. We have experienced from time to time, and may experience in the future, breaches of our security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities, or other irregularities. We believe that PayPal is a particularly attractive target due to our name and brand recognition and the widespread adoption and use of our products and services.

Any cyberattacks or data security breaches affecting the information technology or infrastructure of companies we acquire or of our customers, partners, or vendors (including data center and cloud computing providers) could have similar negative effects. For example, in November 2017, we suspended the operations of TIO Networks ("TIO") (acquired in July 2017) as part of an investigation of security vulnerabilities of the TIO platform. In December 2017, we announced that we had identified evidence of unauthorized access to TIO's network and the potential compromise of personally identifiable information for approximately 1.6 million TIO customers. This incident resulted in governmental inquiries and civil claims against us and may lead to additional inquiries and claims in the future.

Under payment card network rules and our contracts with our payment processors, if there is a breach of payment card information that we store, or that is stored by our direct payment card processing vendors, we could be liable to the payment card issuing banks for their cost of issuing new cards and related expenses. Cybersecurity breaches and security vulnerabilities could subject us to significant costs and liabilities, result in improper disclosure of data and violations of applicable privacy and other laws, require us to change our business practices, cause us to incur significant remediation costs, lead to loss of customer confidence in, or decreased use of, our products and services, damage our reputation and brands, divert the attention of management from the operation of our business, or result in significant compensation or contractual penalties from us to our customers and their business partners as a result of losses to or claims by them. While we maintain insurance policies, our coverage may be insufficient to compensate us for all losses caused by security breaches.

Business interruptions or systems failures may impair the availability of our websites, applications, products or services, or otherwise harm our business.

Our systems and operations and those of our service providers and partners have experienced from time to time, and may experience in the future business interruptions or degradation because of distributed denial-of-service and other cyberattacks, insider threats, hardware and software defects or malfunctions, human error, earthquakes, hurricanes, floods, fires, and other natural disasters, public health crises (including pandemics), power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. Our corporate headquarters are located in the Silicon Valley, a seismically active region in California. A catastrophic event that results in a disruption or failure of our systems or operations could result in significant losses and require substantial recovery time and significant expenditures to resume or maintain operations, which could have a material adverse impact on our business, financial condition, and results of operations. Additionally, some of our systems, including those of companies we have acquired, are not fully redundant, and our disaster recovery planning may not be sufficient for all possible outcomes or events. 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 rigorous testing of such plans, which may be costly and time-consuming to implement, 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 continue to 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 permanently harm our relationship with our customers and partners and our reputation. Moreover, if any system failure or similar event results in damages to our customers or their business partners, these customers or partners could seek significant compensation or contractual penalties from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address, and could have other consequences described in this "Risk Factors" section under the caption "*Cyberattacks and security vulnerabilities could result in serious harm to our reputation, business, and financial condition.*"

Our Payments Platform has experienced and may in the future experience intermittent unavailability. We have undertaken and continue to undertake certain system upgrades and re-platforming efforts designed to improve our reliability, resiliency, 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. 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, applications, and services supplied by third parties, including data center facilities and cloud storage services. From time to time, such third parties have ceased to provide us with such facilities and services. If these third parties experience operational interference or disruptions (including a cybersecurity incident), 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, regulatory scrutiny, and damage to our reputation and brands, and materially and adversely affect our business. While we maintain business interruption insurance, it may not be sufficient to reimburse us for losses caused by interruptions in our service as a result of systems failures and similar events.

In addition, any failure to successfully implement new information systems and technologies, or improvements or upgrades to existing information systems and technologies in a timely manner could have an adverse impact on our business, internal controls (including internal controls over financial reporting), results of operations, and financial condition.

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, for example, payment technologies (including real-time payments, payment card tokenization, virtual currencies, distributed ledger and blockchain technologies, and proximity payment technology such as NFC and other contactless payments); internet browser technologies, that enable users to easily store their payment card information for use on any retail or e-commerce website; artificial intelligence and machine learning; developments in technologies supporting our regulatory and compliance obligations; and in-store, digital, mobile, and social commerce.

We expect new services and technologies to continue to emerge and evolve, and we cannot predict the effects of technological changes on our business. We rely in part on third parties, including some of our competitors, for the development of and access to new or evolving technologies. These third parties may restrict or prevent our access to, or utilization of, those technologies, as well as their platforms or products. We may not be able to accurately predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge and may be superior to, or render obsolete, the technologies we currently use in our products and services. Developing and incorporating new technologies into our products and services may require significant investment, take considerable time, and ultimately may not be successful. Our ability to adopt new products and services and to develop new technologies may be limited or restricted by industry-wide standards, platform providers, payments networks, changes to laws and regulations, changing expectations of consumers or merchants, third-party intellectual property rights, and 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.

Legal, Regulatory and Compliance Risks

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

Our business is subject to complex and changing laws, rules, regulations, policies, and legal interpretations in the markets in which we operate, including, but not limited to, those governing: banking, credit, deposit taking, cross-border and domestic money transmission, prepaid access, foreign currency exchange, privacy and data protection, data governance, cybersecurity, banking secrecy, digital payments and cryptocurrency, payment services (including payment processing and settlement services), fraud detection, consumer protection, antitrust and competition, economic and trade sanctions, anti-money laundering, and counter-terrorist financing.

Regulators globally have been establishing and increasing their regulatory authority, oversight, and enforcement in ways that impact our business. As we introduce new products and services and expand into new markets, including through acquisitions, we may become subject to additional regulations, restrictions, and licensing requirements. As we expand and localize our international activities, we expect that our obligations in the markets in which we operate will continue to increase. In addition, because 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 which may impose different, more specific, or conflicting obligations on us, as well as broader liability.

Any failure or perceived failure to comply with existing or new laws, regulations, or orders of any government authority (including changes to or expansion of their interpretation) 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;

cause us to lose existing licenses or prevent or delay us from obtaining additional licenses that may be required for our business; increase regulatory scrutiny of our business; divert management's time and attention from our business; restrict our operations; lead to increased friction for customers; force us to make changes to our business practices, products or operations; require us to engage in remediation activities; or delay planned transactions, product launches or improvements. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brands and business, and adversely affect our results of operations and financial condition. The complexity of U.S. federal and state and international regulatory and enforcement regimes, coupled with the global scope of our operations and the evolving global regulatory environment, could result in a single event prompting 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, and agents will not violate such laws and regulations.

Payments Regulation

In the U.S., PayPal, Inc. (a wholly-owned subsidiary) holds licenses to operate as a money transmitter (or its equivalent) in the states where such licenses are required, as well as in the District of Columbia and certain territories (as described further in "Item 1. Business – Government Regulation" of this Form 10-K). If we violate the laws or regulations covered under our licenses, 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 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 hold balances or withdraw funds. These limitations may adversely affect our ability to grow our business in these markets.

We principally provide our services to customers in the European Union ("EU") and the United Kingdom ("U.K.") through PayPal (Europe) S.à r.l. et Cie, S.C.A ("PayPal (Europe)"), our wholly-owned subsidiary that is licensed and subject to regulation as a credit institution in Luxembourg. PayPal (Europe) is potentially subject to significant fines or other enforcement action if it violates applicable requirements imposed on Luxembourg credit institutions. Additionally, compliance with EU laws and regulations could become more costly and operationally difficult to manage due to potentially inconsistent interpretations and domestic regulations by EU member countries. European Directives, such as the Revised Payment Services Directive ("PSD2") enabling payment and account information sharing by regulated payment providers, could subject us to data security and other legal and financial risks. If the business activities of PayPal (Europe) exceed certain thresholds, or if the European Central Bank ("ECB") determines, PayPal (Europe) may be deemed a significant supervised entity and certain activity of PayPal (Europe) could become directly supervised by the ECB, rather than by the CSSF (the Luxembourg regulator), which could subject us to additional requirements and would likely increase compliance costs.

In many of the other markets outside the U.S. in which we do business, we serve our customers through PayPal Pte. Ltd., our wholly-owned subsidiary based in Singapore. PayPal Pte. Ltd. is supervised by the Monetary Authority of Singapore ("MAS"), but does not hold a remittance license. As a result, PayPal Pte. Ltd. is not able to offer outbound remittance payments from 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. The Payment Services Act came into effect in Singapore in January 2020. PayPal Pte. Ltd. has submitted an application for a Major Payment Institution license to the MAS to continue to provide payments services. It will continue to operate within a statutory transition period while the application is pending. Once PayPal Pte. Ltd. obtains its license, we will be required to comply with new regulatory requirements, which will result in increased operational complexity and costs for our Singapore and international operations.

In the additional markets in which we do business, we provide our services to customers through a local subsidiary subject to local regulatory supervision or oversight and we may be subject to significant fines or other enforcement actions if we violate applicable requirements. From time to time, we may also acquire entities subject to local payments regulatory supervision or oversight.

There are substantial costs and potential product and operational changes involved in maintaining and renewing licenses, certifications, and approvals, and we could be subject to fines, other enforcement actions, and litigation if we are found to violate any of these requirements. There can be no assurance that we will be able to (or decide to) continue to apply for or obtain any licenses, renewals, certifications, and approvals in any jurisdictions. In certain markets, we may rely on local banks or other partners to process payments and conduct foreign currency exchange transactions in local currency, and local regulators may use their authority over such local partners to prohibit, restrict, or limit us from doing business. The need to obtain or maintain licenses, certifications, or other regulatory approvals could impose substantial additional costs, delay or preclude planned transactions, product launches or improvements, require significant and costly operational changes, impose restrictions, limitations, or additional requirements on our business, products and services, or prevent us from providing our products or services in a given market.

Lending Regulation

PayPal's U.S. consumer short-term installment loan product is subject to state lending laws (some of which require licensure and/or state regulator notification), state collection laws, as well as compliance with the Equal Credit Opportunity Act and Regulation B as implemented by the Consumer Financial Protection Bureau ("CFPB") and other applicable laws and regulations. Changes to state laws and regulatory interpretation may require us to make product changes, incur substantial additional costs, or cease lending in a particular state. We could be subject to fines, other enforcement action, and litigation if we are found to violate any aspects of installment loan regulations.

Consumer Protection

Violations of federal and state consumer protection laws and regulations, including the Electronic Fund Transfer Act ("EFTA") and Regulation E as implemented by the CFPB, could result in the assessment of significant actual damages or statutory damages or penalties (including treble damages in some instances) and plaintiffs' attorneys' fees. 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).

The CFPB issued a final rule on prepaid accounts that came into effect on April 1, 2019. We have implemented certain changes to comply with the final rule and made substantial changes to the design of certain U.S. consumer accounts and their operability, which could lead to unintended customer confusion and dissatisfaction, discourage customers from opening new accounts, require us to reallocate resources, and increase our costs, which could negatively affect our business.

PayPal principally offers its services in the European Economic Area ("EEA") countries through a "passport" notification process through the Luxembourg regulator (in the case of PayPal (Europe)) to regulators in other EEA member states in accordance with EU regulations. Regulators in these countries could notify us of local consumer protection laws that apply to our business, in addition to Luxembourg consumer protection laws, and could also seek to persuade the local regulator to order PayPal to conduct its 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 ability to expand our business in Europe.

Anti-Money Laundering and Counter-Terrorist Financing; Economic and Trade Sanctions

Regulators in the U.S. and around the world continue to increase standards and expectations regarding anti-money laundering and counter-terrorist financing, and expand the scope of existing laws and regulations to emerging products and markets, which may require us to further revise or expand our compliance program globally and/or in specific jurisdictions, including the procedures we use to verify the identity of our customers and to monitor international and domestic transactions. Such changes could have the effect of making compliance more costly and operationally difficult to manage, lead to increased friction for customers, and result in a decrease in business. 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 compliance costs and impact our business. In addition, we are required to comply with economic and trade sanctions administered by the U.S, the EU, relevant EU member states, and other jurisdictions in which we operate. Non-compliance with anti-money laundering laws and regulations or economic and trade sanctions may subject us to significant fines, penalties, lawsuits, and enforcement actions, result in regulatory sanctions and additional compliance requirements, increase regulatory scrutiny of our business, restrict our operations, or damage our reputation and brands. See "Note 13—Commitments and Contingencies" to our consolidated financial statements for disclosure relating to possible violations arising from our sanctions compliance program.

Privacy and Protection of Customer Data

The legal and regulatory environment relating to "privacy and data protection laws" (as defined in "Item 1. Business— Government Regulation") continues to develop and evolve in ways we cannot predict, including with respect to technologies such as cloud computing, artificial intelligence, cryptocurrency, and blockchain technology. Any failure, or perceived failure, by us to comply with our privacy policies as communicated to users or with privacy and data protection laws could result in proceedings or actions against us by data protection authorities, government entities, or others. Such proceedings or actions could subject us to significant fines, penalties, judgments, and negative publicity which may require us to change our business practices, increase the costs and complexity of compliance, and materially harm our business. In addition, compliance with inconsistent privacy and data protection laws may restrict our ability to provide products and services to our customers. For further information regarding data protection and information security, see "Item 1. Business—Government Regulation".

PayPal relies on a variety of compliance methods to transfer personal data of EEA individuals to the U.S., including 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 EEA customers and/or employees outside of the EEA have compliant transfer mechanisms. In July 2020, the European Court of Justice invalidated the Privacy Shield regime and raised several questions regarding the efficacy of SCCs focusing on whether data transfers under SCCs are consistent with the EU privacy principles. To the extent PayPal relies on SCCs, or any third party relies on the Privacy Shield regime for the compliant transfer of personal data, PayPal's ability to process EEA personal data to such parties could be jeopardized.

We are subject to regulatory activity and legal proceedings under antitrust and competition laws.

We are subject to scrutiny by various government agencies regarding antitrust and competition laws and regulations in the U.S. and internationally, including in connection with proposed business combinations, acquisitions, and investments. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anticompetitive conduct. Other companies and government agencies have in the past and may in the future allege that our actions violate the antitrust or competition laws of the U.S., individual states, other countries, or the EU, or otherwise constitute unfair competition. Some regulators and legislators, particularly those outside of the U.S., may perceive that our products and services are used so broadly that otherwise uncontroversial business practices could be deemed anticompetitive. Any claims or investigations, even if without merit, may be very expensive to defend or respond to, involve negative publicity, and substantial diversion of management time and effort, and could result in reputational harm, significant judgments, fines and remedial actions against us, or require us to change our business practices, make product or operational changes, or delay or preclude planned transactions, product launches or improvements.

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

We are regularly subject to claims, individual and class action lawsuits, government and regulatory investigations, inquiries, actions or requests, and other proceedings alleging violations of laws, rules, and regulations with respect to competition, antitrust, intellectual property, privacy, data protection, information security, anti-money laundering, counter-terrorist financing, sanctions, anti-corruption, consumer protection, fraud, accessibility, securities, tax, labor and employment, commercial disputes, services, charitable fundraising, contract disputes, escheatment of unclaimed or abandoned property, product liability, the matters described in "Note 13—Commitments and Contingencies—Litigation and Regulatory Matters—General Matters" to our consolidated financial statements, and other matters. The number and significance of these disputes and inquiries may increase as our business expands in scale, scope, and geographic reach, including through acquisitions of businesses and technology, and our products and services increase in scale and complexity. The legal proceedings are inherently uncertain, expensive and disruptive to our operations, and could result in substantial payments to satisfy judgments, fines, penalties or settlements, negative publicity, substantial diversion of management time and effort, reputational harm, criminal sanctions, orders that prevent us from offering certain products or services, requirements to change our business practices in costly ways, develop non-infringing or otherwise altered products or technologies, pay substantial royalty or licensing fees or delay or preclude planned transactions, product launches or improvements. Determining legal reserves or possible losses from such matters involves judgment and may not reflect the full range of uncertainties and unpredictable outcomes. We may be exposed to losses in excess of the amount recorded, and such amounts could be material. If any of our estimates and assumptions change or prove to have been incorrect, it could have a material adverse effect on our business, financial position, results of operations, or cash flows.

Third parties may allege that we are infringing their patents and other intellectual property rights.

We are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. At any given time, we are typically a defendant in a number of patent lawsuits and subject to intellectual property infringement claims. Intellectual property infringement claims against us may result from, among other things, our expansion into new business areas, including through acquisitions of businesses and technology, the expansion in scope and complexity of our products and services and their convergence with technologies not previously associated with areas related to our business, products, and services. The ultimate outcome of any allegation or claim is often uncertain and 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 settle claims or lawsuits, satisfy judgments, or pay substantial royalty or licensing fees.

We may be unable to adequately protect or enforce our 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. Effective intellectual property protection may not be available in every jurisdiction in which we offer our products and services. 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 our contractual arrangements will prevent or deter third parties from infringing or misappropriating our intellectual property, and third parties may independently develop equivalent or superior intellectual property rights. We may be required to expend significant time and expense to prevent infringement and enforce our rights, and we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. If we are unable to prevent third parties from using or offering technologies that infringe our patent or trade secret rights, the uniqueness and value of our products and services could be adversely affected. 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. 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.

Business and Operations Risks

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

The global payments industry is highly competitive, continuously changing, highly innovative, and increasingly subject to regulatory scrutiny and oversight. Many areas in which we compete evolve rapidly with innovative and disruptive technologies, shifting user preferences and needs, price sensitivity of merchants and consumers, and frequent introductions of new products and services. Competition also may intensify as new competitors emerge, businesses enter into business combinations and partnerships, and established companies in other segments expand to become competitive with various aspects of our business.

We compete with a wide range of businesses. Some of our current and potential competitors are larger operationally and/or financially than we are, have larger customer bases, greater brand recognition, longer operating histories, a dominant or more secure position, broader geographic scope, volume, scale, resources, and market share than we do, or offer products and services that we do not offer, which may provide them significant competitive advantages. Some competitors may also be subject to less burdensome regulatory requirements or may be smaller or younger companies that may be more agile and effective in responding quickly to user needs, technological innovations, and legal and regulatory changes. These competitors may devote greater resources to the development, promotion, and sale of products and services, and/or offer lower prices or more effectively offer their own innovative programs, products, and services. We often partner with many of these businesses and we consider the ability to continue establishing these partnerships to be 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. See "Item 1. Business—Competition" of this Form 10-K for further discussion of the competitive environment in the markets where we operate. If we are not able to differentiate our products and services from those of our competitors, drive value for our customers, or effectively and efficiently align our resources with our goals and objectives, we may not be able to compete effectively in the market.

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

To process certain transactions, we must comply with applicable payment card network, bank or other network (collectively, "network") rules. The rules govern all aspects of a transaction, including fees and other practices. From time to time, the networks have increased the fees and assessments that they charge for transactions that access their networks. Certain of the networks have also imposed special fees or assessments for transactions that are executed through a digital wallet such as the one that PayPal offers. Our payment processors may have the right to pass any increases in fees and assessments on to us as well as increase their own fees for processing. Any increase in interchange fees, special fees, or assessments for transactions that we pay to our payment processors or the networks could make our pricing less competitive, increase our operating costs, and reduce our operating income, which could materially harm our business, financial condition, and results of operations.

In some jurisdictions, government regulations have required the payment card networks to reduce or cap interchange fees. Any changes in interchange fee rates or limitations, or their applicability to PayPal, could adversely affect our competitive position against traditional payment card service providers and the revenue we earn from our branded card programs, require us to change our business practices and harm our business.

We may also be subject to fines assessed by the networks resulting from any rule violations by us or our merchants. The networks set and interpret their rules and have alleged from time to time that various aspects of our business model violate these operating rules. Such allegations may result in significant fines and penalties or require changes in our business practices that may be costly and adversely affect our business. The network rules may also increase the cost of, impose restrictions on, or otherwise impact the development of, our retail point-of-sale solutions, which may negatively affect their deployment and adoption. The networks could adopt new operating rules or interpret or re-interpret existing rules that we or our payment processors might find difficult or even impossible to follow, or costly to implement, which could require us to make significant changes to our products. If we become unable or limited in our ability to accept certain payment types such as debit or credit cards, our business would be adversely affected.

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, from an existing PayPal account balance or Venmo account balance, or through our PayPal branded consumer credit products. Our financial performance is sensitive to changes in the rate at which our consumers fund payments using payment cards, which can significantly increase our costs. Although we provide consumers in certain markets with the opportunity to use their existing PayPal account balance or Venmo account balance to fund payment transactions, some of our consumers may prefer to use payment cards, which may offer features and benefits 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.

Our ability to receive the benefit of our merchant lending offerings may be subject to challenge.

Merchant loans and advances under our U.S. PayPal Working Capital ("PPWC") and PayPal Business Loan ("PPBL") products are provided by a state chartered industrial bank under a program agreement with us, and we acquire the receivables generated by those loans after origination. In June 2020, largely in response to the *Madden v. Midland Funding, LLC* case decided in the U.S. Court of Appeals for the Second Circuit, the Federal Deposit Insurance Corporation ("FDIC") approved a final rule clarifying that loans originated by state-chartered banks remain valid throughout the lifetime of the loan, reflecting a similar rule finalized by the Office of the Comptroller of Currency ("OCC") in May 2020. The final rule reaffirms and codifies in regulation the so-called "valid-when-made doctrine," which provides that the interest rate for a loan is determined when the loan is made and will not be affected by subsequent events such as sale, assignment, or other transfer. A number of state attorneys general have challenged these FDIC and OCC rules, and there remains some uncertainty whether non-bank entities purchasing loan receivables originated by FDIC-insured, state chartered industrial banks, may rely on federal preemption of state usury laws and other state laws. An adverse outcome of these or similar challenges, or changes to applicable laws and regulations, could materially impact our U.S. PPWC and PPBL products and our business.

Our credit products expose us to additional risks.

We offer credit products to a wide range of consumers and merchants in the U.S. and various international markets. The financial success of these products depends on the effective management of related risk. The credit decision-making process for our consumer credit products uses proprietary methodologies and credit algorithms and other analytical techniques designed to analyze the credit risk of specific consumers based on, among other factors, their past purchase and transaction history with PayPal or Venmo and their credit scores. Similarly, proprietary risk models and other indicators are applied to assess merchants who desire to use our merchant lending offerings to help predict their ability to repay. These risk models may not accurately predict the creditworthiness of a consumer or merchant due to inaccurate assumptions, including those related to the particular consumer or merchant, market conditions, economic environment, or limited transaction history or other data. 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, changes in consumer behavior, changes in the economic environment, issuing bank policies, and other factors.

We generally rely on third-party chartered financial institutions to provide PayPal and Venmo branded consumer credit and merchant lending offerings to our U.S. customers. As a service provider to these third-party chartered financial institutions, which are federally supervised U.S. financial institutions, we are subject from time to time to examination by their federal banking regulators. In the event of any termination or interruption in a partner bank's ability or willingness to lend, our ability to offer consumer credit and merchant credit products could be interrupted or limited, which could materially and adversely affect our business. We may be unable to reach a similar arrangement with another chartered financial institution on favorable terms or at all. Obtaining licenses to originate such loans would be a costly, time-consuming and uncertain process, and would subject us to additional laws and regulatory requirements, which could significantly increase our costs and compliance obligations and require us to change our business practices.

We are subject to the risk that account holders who use our credit products will default on their payment obligations, creating the risk of potential charge-offs or negatively impacting our revenue share arrangement with Synchrony Bank. The non-payment rate among account holders may increase due to, among other factors, changes to underwriting standards, risk models not accurately predicting the creditworthiness of a user, 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 merchant lending offerings in the U.S. and extend credit for our consumer and merchants products outside the U.S. through our international subsidiaries. If we are unable to fund our credit business adequately or in a cost-effective manner, or if we are unable to efficiently manage the cash resources utilized for these purposes, the growth of our credit business could be negatively impacted.

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: 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 our U.S. PayPal Credit, U.S. merchant credit, and branded credit card products; our branded debit card products; cryptocurrency custodial service providers; and external business partners and contractors who provide key functions (e.g., outsourced customer support and product development functions; facilities; information technology, data center facilities and cloud computing). These risks may include legal, regulatory, information security, reputational, operational, or any other risks inherent in engaging a third party. If we are unable to effectively manage our third-party relationships, these third parties are unable to meet their obligations to us, or we experience substantial disruptions in these relationships, our operations, results of operations, and financial results could be adversely impacted. Additionally, while we have policies and procedures for managing these relationships, they inherently involve a lesser degree of control over business operations, governance, and compliance, thereby potentially increasing our financial, legal, reputational, and operational risk.

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 revenues and profits. Cross-border transactions generally provide higher revenues and operating income than similar transactions that take place within a single country or market. In certain markets, cross-border trade represents our primary (and in some instances our only) presence.

Cross-border trade may be negatively impacted by various factors including foreign currency exchange rate fluctuations and the interpretation and application of laws of multiple jurisdictions in the context of cross-border trade and foreign exchange. Any factors that increase the costs of cross-border trade for us or our customers or that restrict, delay, or make cross-border trade more difficult or impractical, such as trade policy or higher tariffs, could reduce our cross-border transactions and volume, negatively impact our revenues and profits, and harm our business.

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

Our buyer and seller protection programs protect merchants and consumers from fraudulent transactions, and protect consumers if they do not receive the item ordered or if the item received is significantly different from its description. We incur substantial losses from our buyer and seller protection programs as a result of claims from consumers. We seek to recover losses from our buyer and seller protection programs from the merchant, but may not fully recover them if the merchant is unwilling or unable to pay or the transaction involves a fraudulent merchant. 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, including through our buyer protection program or through chargebacks on payment cards used by customers to fund their payments. Allowances for transaction losses that we have established may be insufficient to cover incurred losses. We also incur substantial losses from claims that the consumer did not authorize the purchase, fraud, erroneous transactions, and customers who have closed bank accounts or have insufficient funds in their bank accounts to satisfy payments. In addition, consumers who pay through PayPal may have reimbursement rights from their payment card issuer, which in turn will seek recovery from us. If losses incurred by us related to payment card transactions become excessive, we could lose the ability to accept payment cards for payment, which would negatively impact our business. Measures to detect and reduce the risk of fraud require continuous improvement and may not be effective in detecting and preventing fraud, particularly new and continually evolving forms of fraud or in connection with new or expanded product offerings. If these measures do not succeed, our business could be negatively impacted. Increases in our loss rate, including as a result of changes to the scope of transactions covered by our buyer and seller protection programs, could negatively impact our business. See "Note 13—Commitments and Contingencies— Protection Programs" to our consolidated financial statements.

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, sanctions evasion, illegal online gambling, fraudulent sales of goods or services, illegal sales of prescription medications or controlled substances, piracy of software, movies, music, and other copyrighted or trademarked goods (in particular, digital goods), bank fraud, child pornography, human trafficking, prohibited sales of alcoholic beverages or tobacco products, securities fraud, pyramid or ponzi schemes, or the facilitation of other illegal or improper activity. The use of our payment system for illegal or improper uses has subjected us, and may subject us in the future, to claims, individual and class action lawsuits, and government and regulatory requests, inquiries, or investigations that could result in liability and harm our reputation. Moreover, certain activity that may be legal in one jurisdiction may be illegal in another jurisdiction, and a merchant may be found responsible for intentionally or inadvertently importing or exporting illegal goods, resulting in liability for us. 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.

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

We expect to continue to consider and evaluate a wide array of potential strategic transactions as part of our overall business strategy, including, but not limited to, business combinations, acquisitions, and dispositions of certain businesses, technologies, services, products, and other assets; strategic investments; and commercial and strategic partnerships (collectively, "strategic transactions"). At any given time, we may be engaged in discussions or negotiations with respect to one or more strategic 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. Strategic transactions may involve additional significant challenges, uncertainties, and risks, including, but not limited to, challenges of integrating new employees, systems, technologies, and business cultures; failure to develop the acquired business adequately; disruption of our ongoing operations and diversion of our management's attention; inadequate data security, cybersecurity and operational and information technology resilience; failure to identify, or our underestimation of, commitments, liabilities, deficiencies and other risks associated with acquired businesses or assets; and potential exposure to new or increased regulatory oversight and uncertain or evolving legal, regulatory, and compliance requirements; potential reputational risks that could arise from transactions with, or investments in, companies involved in new or developing businesses or industries, which may be subject to uncertain or evolving legal, regulatory, and compliance requirements; failure of the transaction to advance our business strategy and of its anticipated benefits to materialize; potential impairment of goodwill or other acquisition-related intangible assets; and the potential for our acquisitions to result in dilutive issuances of our equity securities or significant additional debt. Strategic transactions may also heighten many of the risks described in this "Risk Factors" section. These transactions are inherently risky, may not be successful, and may harm our business, results of operations, and financial condition.

Strategic investments in which we have a minority ownership stake inherently involve a lesser degree of influence over business operations. In addition, we may be dependent on 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 controlling shareholders, management, or other persons or entities who control companies in which we invest may adversely affect the value of our investment, result in litigation or regulatory action against us, and otherwise damage our reputation and brand.

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

Our international operations generate approximately one-half of our net revenues. Our international operations, including any expansion in international markets, subject us to significant challenges, uncertainties, and risks, including, but not limited to: local regulatory, licensing, reporting, and legal obligations; costs and challenges associated with operating in markets in which we may have limited or no experience, including effectively localizing our products and services and adapting them to local preferences; difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences and in light of varying laws, regulations, and customs; difficulties in recruiting and retaining qualified company employees and maintaining our company culture; fluctuations in foreign currency exchange rates; exchange control regulations; profit repatriation restrictions; potential tariffs, sanctions, fines, or other trade barriers or restrictions; import or export regulations; compliance with U.S. and foreign anti-corruption, anti-bribery, sanctions, anti-money laundering and counter-terrorist financing laws and regulations; the interpretation and application of laws of multiple jurisdictions; and national or regional political, economic, or social instability.

Our international operations also may heighten many of the other risks described in this "Risk Factors" section. Violations of the complex foreign and U.S. laws, rules and regulations that may apply to our international operations may result in fines, criminal actions, or sanctions against us, our officers, or our employees; prohibit or require us to change the way we conduct our business; and damage 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, may increase our costs of doing business internationally, and could materially and adversely affect our business.

Brexit: The United Kingdom's departure from the EU could harm our business, financial condition, and results of operations.

Following the departure of the U.K. from the EU and the EEA on January 31, 2020 (commonly referred to as "Brexit") and the expiration of a transition period on December 31, 2020, there continues to be uncertainty over the practical consequences of Brexit including the potential for Brexit to contribute to long-term instability in financial, stock and currency exchange markets, greater restrictions on the supply and availability of goods and services between the U.K. and EEA region, and a general deterioration in consumer sentiment and credit conditions leading to overall negative economic growth and increased risk of merchant default.

The consequences of Brexit have brought legal uncertainty and increased complexity for financial services firms, which could continue as national laws and regulations in the U.K. differ from EU laws and regulations and additional authorization requirements come into effect. These developments have led to additional regulatory costs and challenges for us, including:

- PayPal (Europe) operates in the U.K. within the scope of its passport permissions (as they stood at the end of the transition period) pursuant to the Temporary Permissions Regime pending the grant of new UK authorizations by the U.K. financial regulators. If we are unable to obtain the required authorizations before the expiry of the longstop dates set by the U.K. regulators under the Temporary Permissions Regime, our European operations could lose their ability to offer services into the U.K. market on a cross-border basis; and
- our European operations are required to comply with new legal and regulatory requirements in the U.K. that occasionally are in addition to, or inconsistent with, those of the EEA, in each case, leading to increased complexity and costs.

Global and regional economic conditions could harm our business.

Adverse global and regional economic conditions such as turmoil affecting the banking system or financial markets, including tightening in the credit markets, extreme volatility or distress in the financial markets (including the fixed income, credit, currency, equity, and commodity markets), higher unemployment, high consumer debt levels, reduced consumer confidence or economic activity, government fiscal and tax policies, U.S and international trade relationships, agreements, treaties, tariffs and restrictive actions, the inability of a government to enact a budget in a fiscal year, government shutdowns, government austerity programs, and other negative financial news or macroeconomic developments 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. Additionally, any inability to access the capital markets when needed due to volatility or illiquidity in the markets and increased regulatory liquidity and capital requirements may strain our liquidity position. Such conditions may also expose us to fluctuations in foreign currency exchange rates or interest rates that could materially and adversely affect our financial results. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Impact of Foreign Currency Exchange Rates and Liquidity and Capital Resources" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for additional information on our financial risks.

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, receivables outstanding, and other investments on deposit or in accounts with banks or other financial institutions in the U.S. and international jurisdictions. 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. 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, held in accounts with, or otherwise due from, 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.

There are risks associated with our indebtedness.

We have incurred indebtedness, and we may incur additional indebtedness in the future. Our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations and generate sufficient cash flows to service such debt. Our outstanding indebtedness and any additional indebtedness we incur may have significant consequences, including, without limitation: requiring us to use a significant portion of our cash flow from operations and other available cash to service our indebtedness, thereby reducing the funds available for other purposes, including capital expenditures, acquisitions, and strategic investments; reducing our flexibility in planning for or reacting to changes in our business, competition pressures and market conditions; and limiting our ability to obtain additional financing for working capital, capital expenditures, acquisitions, share repurchases, or other general corporate and other purposes.

Our revolving credit facilities and the indenture for our senior unsecured notes pursuant to which certain of our outstanding debt securities were issued contain financial and other covenants that restrict or could restrict, among other things, our business and operations. If we fail to pay amounts due under a debt instrument or breach any of its covenants, the lenders would typically have the right to demand immediate repayment of all borrowings thereunder (subject in certain cases to a grace or cure period). Moreover, any such acceleration and required repayment of, or default in respect of, our indebtedness could, in turn, constitute an event of default under other debt instruments, thereby resulting in the acceleration and required repayment of our indebtedness. Any of these events could materially adversely affect our liquidity and financial condition.

Changes by any rating agency to our outlook or credit rating could negatively affect the value of both our debt and equity securities and increase our borrowing costs. If our credit ratings are downgraded or other negative action is taken, the interest rates payable by us under our indebtedness may increase, and our ability to obtain additional financing in the future on favorable terms or at all could be adversely affected.

Changes in tax laws, exposure to unanticipated additional tax liabilities, or implementation of record-keeping obligations could have a material adverse effect on our business.

An increasing number of U.S. states, the U.S. federal government, and foreign jurisdictions, as well as international organizations, such as the Organization for Economic Co-operation and Development and the EU Commission, are focused on tax reform and other legislative or regulatory action to increase tax revenue. Various countries have proposed or enacted digital services taxes. These actions may materially affect our effective tax rate.

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. We are currently undergoing a number of investigations, audits, and reviews by tax authorities in multiple U.S. and foreign tax jurisdictions. Any adverse outcome of any such audit or review could result in unforeseen tax-related liabilities that differ from the amounts recorded in our financial statements, which may, individually or in the aggregate, 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 the incurrence of losses or earnings being lower than anticipated in jurisdictions that have lower statutory tax rates, and earnings being higher than anticipated in jurisdictions that have higher statutory tax rates; by changes in the valuation of our deferred tax assets and liabilities, including as a result of gains on our foreign currency exchange risk management program; by changes in tax laws, regulations, or accounting principles; or by certain discrete items.

A number of U.S. states, the U.S. federal government, and foreign jurisdictions have implemented and may impose reporting or record-keeping obligations on companies that engage in or facilitate e-commerce to improve tax compliance. A number of jurisdictions are also 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 applicable requirements and expect that 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.

If the distribution of our common stock in connection with our separation from eBay, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we and certain of our stockholders could be subject to significant tax liabilities.

On July 17, 2015, we became an independent publicly traded company through the pro rata distribution by eBay Inc. of 100% of our outstanding common stock to eBay's stockholders (which we 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 Internal Revenue Code. Notwithstanding the opinion of counsel, the Internal Revenue Service (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. If the distribution, together with certain related transactions, failed to qualify as a transaction that is generally tax-free, eBay stockholders who received PayPal common stock in the distribution may be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares, and we could incur significant liabilities.

There are risks associated with our relationship with eBay.

In connection with our separation from eBay, we entered into a separation and distribution agreement with eBay and various other agreements, including an operating agreement and agreements covering tax, employee, and intellectual property matters, data sharing, and product development. These agreements determined the allocation of assets and liabilities between the companies following the separation for those respective areas and associated indemnification obligations and established certain commercial relationships between eBay and us. If either we or eBay are unable to satisfy our performance, payment, or indemnification obligations under these agreements or other commercial agreements between the parties, we could incur operational difficulties or losses or be required to make substantial indemnification or other payments to eBay.

We expect the portion of our revenue and operating income attributable to eBay will continue to decline due to various factors, including the speed and extent to which eBay intermediates payments on its platform and migrates eBay merchants to eBay's managed payments platform, limits the availability of PayPal as a payment option, offers or promotes alternative payment options, directs transactions on its platforms to different providers of payment services, or eliminates or modifies its risk management or customer protection programs on its platforms, which could result in customer dissatisfaction, reduction in eBay volume, and other consequences adverse to our business. If we are unable to generate sufficient business from our non-eBay customers to offset the expected reduction in the portion of our business attributable to eBay, the growth of our business and our ability to meet our long-term financial targets could be negatively impacted.

We may be unable to attract, retain, and develop the highly skilled employees we need to support our business.

Competition for key and other highly skilled personnel is intense, especially for executive talent, software engineers, and other technology talent. We may be limited in our ability to recruit or hire internationally, including due to restrictive laws or policies on immigration, travel, or availability of visas for skilled workers. The loss of the services of any of our key personnel, or our inability to attract, hire, train, and retain highly qualified personnel effectively, could harm our business and growth prospects.

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

We may be subject to claims relating to information disseminated through our online services, including claims alleging defamation, libel, harassment, hate speech, breach of contract, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services, among other things. If the laws or regulations that provide protections for online dissemination of information are invalidated or are modified to reduce protections available to us and 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, including expending substantial resources or discontinuing certain product or service offerings, which could harm our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own and lease various properties in the U.S. and other countries around the world. We use the properties for executive and administrative offices, data centers, product development offices, and customer services and operations centers. As of December 31, 2020, our owned and leased properties provided us with aggregate square footage as follows:

(In millions)	United States	Other Countries	Total
Owned facilities	1.0	0.2	1.2
Leased facilities	1.4	2.0	3.4
TOTAL FACILITIES	**2.4**	**2.2**	**4.6**

We own a total of approximately 106 acres of land, with approximately 85 acres in the U.S. Our corporate headquarters are located in San Jose, California and occupy approximately 0.7 million of owned square feet.

Item 3. Legal Proceedings

The information set forth under “Note 13—Commitments and Contingencies—Litigation and Regulatory Matters” to the consolidated financial statements included in Part IV, Item 15 of this Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

ANNUAL REPORT

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Common Stock

PayPal common stock is quoted on the NASDAQ Global Select Market under the ticker symbol "PYPL."

As of January 29, 2021, there were 3,926 holders of record of our common stock. The actual number of stockholders is significantly greater than this number of record holders, and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We have never paid any cash dividends and we currently do not anticipate paying any cash dividends in the foreseeable future.

Stock Repurchase Activity

In July 2018, our Board of Directors authorized a stock repurchase program that provides for the repurchase of up to $10 billion of our common stock, with no expiration from the date of authorization. Our stock repurchase program is 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 program may be made through open market transactions, block trades, privately negotiated transactions including accelerated share repurchase agreements or other means at times and in such amounts as management deems appropriate, and will be funded from our working capital or other financing alternatives. Moreover, any stock repurchases are subject to market conditions and other uncertainties and we cannot predict if or when any stock repurchases will be made. We may terminate our stock repurchase program at any time without prior notice.

The stock repurchase activity under our stock repurchase program during the three months ended December 31, 2020 is summarized as follows:

(In millions, except per share amounts)	Total number of shares purchased	Average price paid per share(1)	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
Balance as of September 30, 2020				$ 8,698
October 1, 2020 through October 31, 2020	0.6	$ 198.39	0.6	8,586
November 1, 2020 through November 30, 2020	0.5	$ 188.64	0.5	8,488
December 1, 2020 through December 31, 2020	0.2	$ 224.55	0.2	8,433
BALANCE AS OF DECEMBER 31, 2020	**1.3**		**1.3**	**$ 8,433**

(1) Average price paid per share for open market purchases includes broker commissions.

Item 6. Selected Financial Data

The following selected financial data reflect the consolidated operations of PayPal. PayPal derived the selected consolidated income statement data for the years ended December 31, 2020, 2019, and 2018 and the selected consolidated balance sheet data as of December 31, 2020 and 2019 as set forth below, from its audited consolidated financial statements, which are included in "Item 15. Exhibits, Financial Statement Schedules" of this Annual Report on Form 10-K ("Form 10-K"). PayPal derived the selected consolidated income statement data for the years ended December 31, 2017 and 2016 and selected consolidated balance sheet data as of December 31, 2018, 2017, and 2016 from audited consolidated financial statements not included in this Form 10-K. The historical results do not necessarily indicate the results expected for any future period. You should read the selected consolidated financial data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included in this report.

	Year Ended December 31,				
(In millions, except per share amounts)	2020	2019	2018	2017	2016
Consolidated Statement of Income Data:					
Net revenues	$ 21,454	$ 17,772	$ 15,451	$ 13,094	$ 10,842
Operating income	3,289	2,719	2,194	2,127	1,586
Net income	4,202	2,459	2,057	1,795	1,401
Net income per share:					
Basic	$ 3.58	$ 2.09	$ 1.74	$ 1.49	$ 1.16
Diluted	$ 3.54	$ 2.07	$ 1.71	$ 1.47	$ 1.15
Weighted average shares:					
Basic	1,173	1,174	1,184	1,203	1,210
Diluted	1,187	1,188	1,203	1,221	1,218
Consolidated Balance Sheet Data:					
Total assets	$ 70,379	$ 51,333	$ 43,332	$ 40,774	$ 33,103
Total long-term liabilities	11,869	7,485	2,042	1,917	1,513

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans, or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features or services, mergers or acquisitions, or management strategies). Additionally, our forward-looking statements include expectations related to anticipated impacts of the outbreak of the novel coronavirus. These forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "strategy," "future," "opportunity," "plan," "project," "forecast," and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results and financial condition to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Item 1A. Risk Factors" of this Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing in this report and our other filings with the Securities and Exchange Commission ("SEC"). We do not intend, and undertake no obligation except as required by law, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" in conjunction with the audited consolidated financial statements and the related notes that appear in this report. Unless otherwise expressly stated or the context otherwise requires, references to "we," "our," "us," "the Company," and "PayPal" refer to PayPal Holdings, Inc. and its consolidated subsidiaries.

This Management's Discussion and Analysis of Financial Condition and Results of Operations focuses on discussion of 2020 results as compared to 2019 results. For discussion of 2019 results as compared to 2018 results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" within our Form 10-K for the year ended December 31, 2019 filed with the SEC on February 6, 2020.

Business Environment

The Company

We are a leading technology platform and digital payments company that enables digital and mobile payments on behalf of merchants and consumers worldwide. PayPal is committed to democratizing financial services to improve the financial health of individuals and to increase economic opportunity for entrepreneurs and businesses of all sizes around the world. Our goal is to enable our merchants and consumers to manage and move their money anywhere in the world, anytime, on any platform, and using any device when sending payments or getting paid. We also facilitate person-to-person ("P2P") payments through our PayPal, Venmo, and Xoom products and services and simplify and personalize shopping experiences for our consumers through our Honey Platform. Our combined payment solutions, including our core PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle, and Hyperwallet products and services, comprise our proprietary Payments Platform.

Regulatory Environment

We operate globally and in a rapidly evolving regulatory environment characterized by a heightened focus by regulators globally on all aspects of the payments industry, including countering terrorist financing, anti-money laundering, privacy, cybersecurity, and consumer protection. 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. New or changing laws and regulations, including the changes to their interpretation and implementation, as well as increased penalties and enforcement actions related to non-compliance, could have a material adverse impact on our business, results of operations, and financial condition. We monitor these areas closely and are focused on designing compliant solutions for our customers.

Information Security

Information security risks for global payments and technology companies like us have increased significantly in recent years. Although we have developed systems and processes designed to protect the data we manage, prevent data loss and other security incidents, and effectively respond to known and potential risks, and expect to continue to expend significant resources to bolster these protections, we remain subject to these risks and there can be no assurance that our security measures will provide sufficient security or prevent breaches or attacks. For additional information regarding our information security risks, see "Item 1A. Risk Factors—*Cyberattacks and security vulnerabilities could result in serious harm to our reputation, business, and financial condition*."

COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a pandemic. The outbreak has resulted in government authorities and businesses throughout the world implementing numerous measures intended to contain and limit the spread of COVID-19, including travel restrictions, border closures, quarantines, shelter-in-place and lock-down orders, mask and social distancing requirements, and business limitations and shutdowns. These measures have negatively impacted consumer and business spending and payments activity generally, and have significantly contributed to deteriorating macroeconomic conditions and higher unemployment in some countries, including those in which we have significant operations. The spread of COVID-19 has caused us to make significant modifications to our business practices, including enabling most of our workforce to work from home, establishing strict health and safety protocols for our offices, restricting physical participation in meetings, events, and conferences, and imposing restrictions on employee travel. We will continue to actively monitor the situation and may take further actions that may alter our business practices as may be required by federal, state, or local authorities or that we determine are in the best interests of our employees, customers, or business partners.

While the current macroeconomic environment as a result of the COVID-19 pandemic has adversely impacted general consumer and merchant spending with a more pronounced impact on travel and events verticals, the spread of COVID-19 has also accelerated the shift from in-store shopping and traditional in-store payment methods (e.g. cash) towards e-commerce and digital payments and resulted in increased customer demand for safer payment and delivery solutions (e.g. contactless payment methods, buy online and pick up in store) and a significant increase in online spending in certain verticals that have historically had a strong in-store presence. On balance, our business has benefited from these behavioral shifts, including a significant increase in net new active accounts and payments volume. To the extent that consumer preferences revert to pre-COVID-19 behaviors as mitigation measures to limit the spread of COVID-19 are lifted or relaxed, our business, financial condition, and results of operations could be adversely impacted.

The rapidly changing global market and economic conditions as a result of COVID-19 have impacted, and are expected to continue to impact, our operations and business. The broader implications of the COVID-19 pandemic on our business, financial condition, and results of operations remain uncertain. For additional information on how COVID-19 has impacted and could continue to negatively impact our business, see below for specific discussion in the respective areas, and also refer to "Part I, Item 1A, Risk Factors" in this Form 10-K.

Brexit

The United Kingdom ("U.K.") formally exited the European Union ("EU") and the European Economic Area ("EEA") on January 31, 2020 (commonly referred to as "Brexit") with the expiration of a transition period on December 31, 2020. PayPal (Europe) S.à.r.l. et Cie, SCA ("PayPal (Europe)") operates in the U.K. within the scope of its passport permissions (as they stood at the end of the transition period) under the Temporary Permissions Regime pending the grant of new U.K. authorizations by the U.K. financial regulators. We are currently unable to determine the longer-term impact that Brexit will have on our business, which will depend, in part, on the implications of new tariff, trade and regulatory frameworks that now govern the provision of cross-border goods and services between the U.K. and the EEA, as well as the financial and operational consequences of the requirement for PayPal (Europe) to obtain new U.K. authorizations to operate its business longer-term within the U.K. market. For additional information on how Brexit could affect our business, see "Item 1A. Risk Factors—*Brexit: The United Kingdom's departure from the EU could harm our business, financial condition, and results of operations*."

Brexit may contribute to instability in financial, stock, and foreign currency exchange markets, including volatility in the value of the British Pound and Euro. We have foreign currency exchange exposure management programs designed to help reduce the impact from foreign currency exchange rate movements. In 2020, 2019, and 2018, net revenues generated from our U.K. operations constituted 11% of total net revenues. In 2020, 2019, and 2018, net revenues generated from the EU (excluding the U.K.) constituted less than 20% of total net revenues. Approximately 50% and 37% of our gross loans and interest receivables as of December 31, 2020 and 2019, respectively, were due from customers in the U.K. Approximately 14% and 6% of our gross loans and interest receivables as of December 31, 2020 and 2019, respectively, were due from customers in the EU (excluding the U.K.). The increase in the percentage of gross loans and interest receivable outstanding in the U.K. and EU as of December 31, 2020 as compared to 2019 was driven by an increase in the balances in those regions as we continue to originate consumer loans in our international markets, combined with a decline in our gross total loans and interest receivable outstanding due to minimal originations in our merchant credit portfolio as compared to 2019.

Overview of Results of Operations

The following table provides a summary of our consolidated financial results for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,			Percent Increase/(Decrease)	
(In millions, except percentages and per share amounts)	2020	2019	2018	2020	2019
Net revenues	$21,454	$ 17,772	$ 15,451	21%	15%
Operating expenses	18,165	15,053	13,257	21%	14%
Operating income	3,289	2,719	2,194	21%	24%
Operating margin	15%	15%	14%	**	**
Other income (expense), net	1,776	279	182	537%	53%
Income tax expense	863	539	319	60%	69%
Effective tax rate	17%	18%	13%	**	**
NET INCOME	**$4,202**	**$2,459**	**$ 2,057**	**71%**	**20%**
Net income per diluted share	$ 3.54	$ 2.07	$ 1.71	71%	21%
Net cash provided by operating activities[(1)]	$ 5,854	$ 4,071	$ 5,480	44%	(26)%

All amounts in tables are rounded to the nearest million, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

** Not Meaningful

(1) Prior period amounts have been revised to conform to the current period presentation. Refer to "Note 1—Overview and Summary of Significant Accounting Policies" to our consolidated financial statements included in this Form 10-K for additional information.

Net revenues increased $3.7 billion, or 21%, in 2020 as compared to 2019 driven primarily by growth in total payment volume ("TPV", as defined below under "Net Revenues") of 31%. Our acquisition of Honey Science Corporation ("Honey") contributed approximately one percentage point to the growth rate in 2020.

Total operating expenses increased $3.1 billion, or 21%, in 2020 as compared to 2019 due primarily to an increase in transaction expense, and to a lesser extent, increases in technology and development expenses, sales and marketing expenses, transaction and credit losses, and general and administrative expenses. Our acquisitions of Honey and a 70% equity interest in Guofubao Information Technology Co. (GoPay), Ltd. ("GoPay") collectively contributed approximately five percentage points to the growth rate in total operating expenses in 2020.

Operating income increased $570 million, or 21%, in 2020 as compared to 2019 due to growth in net revenues, partially offset by an increase in operating expenses. Our operating margin was 15% in both 2020 and 2019. Our acquisitions of Honey and GoPay collectively had a negative impact of approximately three percentage points to our operating margin, which was offset by operating efficiencies.

Net income increased by $1.7 billion, or 71%, in 2020 as compared to 2019 due to the previously discussed increase in operating income of $570 million and an increase in other income (expense), net of $1.5 billion, driven primarily by net gains on strategic investments, partially offset by an increase in income tax expense of $324 million, driven primarily by tax expense related to gains on strategic investments.

Impact of Foreign Currency Exchange Rates

We have significant international operations that are denominated in foreign currencies, primarily the British Pound, Euro, Australian Dollar, and Canadian Dollar, subjecting us to foreign currency exchange risk which may adversely impact our financial results. The strengthening or weakening of the U.S. dollar versus the British Pound, Euro, Australian Dollar, and Canadian Dollar, as well as other currencies in which we conduct our international operations, impacts the translation of our net revenues and expenses generated in these foreign currencies into the U.S. dollar. In 2020, 2019, and 2018, we generated approximately 49%, 47%, and 46% of our net revenues from customers domiciled outside of the United States, respectively. Because we generate substantial net revenues internationally, we are subject to the risks of doing business outside of the U.S., including those discussed under "Item 1A. Risk Factors."

We calculate the year-over-year impact of foreign currency exchange movements on our business using prior period foreign currency exchange rates applied to current period transactional currency amounts. While changes in foreign currency exchange rates affect our reported results, we have a foreign currency exchange exposure management program in which we designate certain foreign currency exchange contracts as cash flow hedges intended to reduce the impact on earnings from foreign currency exchange rate movements. Gains and losses from these foreign currency exchange contracts are recognized as a component of transaction revenues in the same period the forecasted transactions impact earnings.

In the years ended December 31, 2020 and 2019, the year-over-year foreign currency movements relative to the U.S. dollar had the following impact on our reported results:

	Year Ended December 31,	
(In millions)	2020	2019
Favorable (unfavorable) impact to net revenues (exclusive of hedging impact)	$ 66	$ (316)
Hedging impact	20	238
Favorable (unfavorable) impact to net revenues	86	(78)
Favorable impact to operating expense	4	158
NET FAVORABLE IMPACT TO OPERATING INCOME	**$ 90**	**$ 80**

While we enter into foreign currency exchange contracts to help reduce the impact on earnings from foreign currency exchange rate movements, it is impossible to predict or eliminate the total effects of this exposure.

We also used a foreign currency exchange contract, designated as a net investment hedge, to reduce the foreign currency exchange risk related to our investment in a foreign subsidiary. Gains and losses associated with this instrument will remain in accumulated other comprehensive income until the foreign subsidiary is sold or substantially liquidated.

Additionally, in connection with our services that are paid for in multiple currencies, we generally set our foreign currency exchange rates daily and may face financial exposure if we incorrectly set our foreign currency exchange rates or as a result of fluctuations in foreign currency exchange rates between the times that we set our foreign currency exchange rates. Given that we also have foreign currency exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries, we have an additional foreign currency exchange exposure management program in which we use foreign currency exchange contracts to offset the impact of foreign currency exchange rate movements on our assets and liabilities. The foreign currency exchange gains and losses on our assets and liabilities are recorded in other income (expense), net, and are offset by the gains and losses on the foreign currency exchange contracts. These foreign currency exchange contracts reduce, but do not entirely eliminate, the impact of foreign currency exchange rate movements on our assets and liabilities.

Financial Results

Net Revenues

Our revenues are classified into the following two categories:

- *Transaction revenues:* Net fees charged to merchants and consumers on a transaction basis primarily based on the TPV completed on our Payments Platform. Growth in TPV is directly impacted by the number of payment transactions that we enable on our Payments Platform. We earn additional fees on transactions where we perform currency conversion, when we enable cross-border transactions (i.e., transactions where the merchant and consumer are in different countries), to facilitate the instant transfer of funds for our customers from their PayPal or Venmo account to their debit card or bank account, and other miscellaneous fees.
- *Revenues from other value added services:* Net revenues derived primarily from revenue earned through partnerships, referral fees, subscription fees, gateway fees, and other services we provide to our merchants and consumers. We also earn revenues from interest and fees earned primarily on our portfolio of loans receivable, and interest earned on certain assets underlying customer balances.

Our revenues can be significantly impacted by the following:

- The mix of merchants, products, and services;
- The mix between domestic and cross-border transactions;
- The geographic region or country in which a transaction occurs; and
- The amount of our loans receivable outstanding with merchants and consumers.

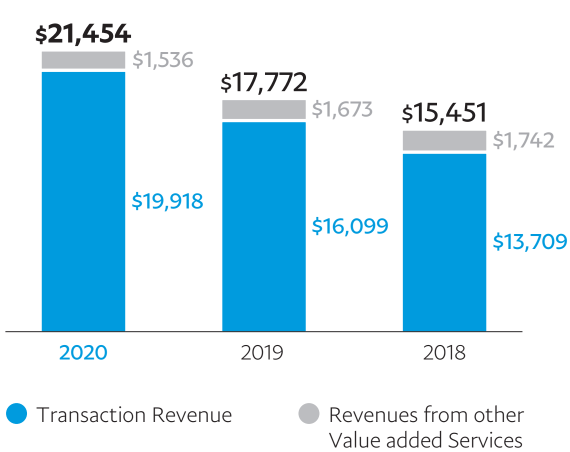
Active accounts, number of payment transactions, number of payment transactions per active account, and TPV are key non-financial performance metrics ("key metrics") that management uses to measure the performance of our business, and are defined as follows:

- An *active account* is an account registered directly with PayPal or a platform access partner that has completed a transaction on our Payments Platform or through our Honey Platform, not including gateway-exclusive transactions, within the past 12 months. A platform access partner is a third party whose customers are provided access to PayPal's Payments Platform through such third party's login credentials. The number of active accounts provides management with additional perspective on the growth of accounts across our Payments and Honey Platforms as well as the overall scale of our platforms.
- *Number of payment transactions* are the total number of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.
- *Number of payment transactions per active account* reflects the total number of payment transactions within the previous 12-month period, divided by active accounts at the end of the period. The number of payment transactions per active account provides management with insight into the number of times a customer is engaged in payments activity on our Payments Platform in a given period.
- *TPV* is the value of payments, net of payment reversals, successfully completed on our Payments Platform, or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

As our transaction revenue is typically correlated with TPV growth and the number of payment transactions completed on our Payments Platform, management uses these metrics to gain insights into the scale and strength of our Payments Platform, the engagement level of our customers, and underlying activity and trends which are indicators of current and future performance. We present these key metrics to enhance investors' evaluation of the performance of our business and operating results.

Net Revenue Analysis

The components of our net revenue for the years ended December 31, 2020, 2019 and 2018 were as follows (in millions):



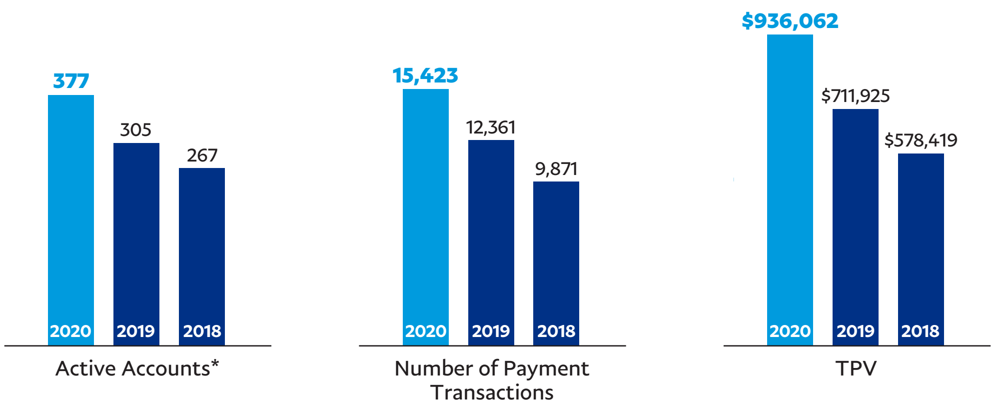
ANNUAL REPORT

Transaction revenues

Transaction revenues increased by $3.8 billion, or 24%, in 2020 compared to 2019 and were mainly attributable to our core PayPal products and services due primarily to strong growth in TPV and the number of payment transactions, both of which resulted primarily from an increase in our active accounts, and to a lesser extent, an increase in revenue from currency conversion fees.

The current macroeconomic environment as a result of the COVID-19 pandemic has adversely impacted general consumer and merchant spending with a more pronounced impact on travel and events verticals. However, we have experienced strong growth in online retail, gaming, and food volume, offsetting this decline.

The graphs below present the respective key metrics (in millions) for the years ended December 31, 2020, 2019, and 2018:



* Reflects active accounts at the end of the applicable period. Active accounts as of December 31, 2020 includes 10.2 million active accounts contributed by Honey on the date of acquisition in January 2020.

The following table provides a summary of related metrics:

	Year Ended December 31,			Percent Increase/ (Decrease)	
	2020	2019	2018	2020	2019
Payment transactions per active account	40.9	40.6	36.9	1%	10%
Percent of cross-border TPV	17%	18%	19%	**	**

** Not meaningful

Transaction revenues grew more slowly than TPV, which grew 31%, and the number of payment transactions, which grew 25%, in 2020 compared to 2019 due primarily to a higher proportion of P2P transactions (primarily from our Venmo products) from which we earn lower fees, a decline in hedging gains, and a higher portion of TPV generated by platform partners and large merchants who generally pay lower rates with higher transaction volumes. Changes in prices charged to our customers did not significantly impact transaction revenue growth in 2020.

Revenues from other value added services

Revenues from other value added services decreased by $137 million, or 8%, in 2020 compared to 2019 due primarily to a decline in interest earned on certain assets underlying customer account balances resulting from lower interest rates and a decrease in interest and fee income on our loans and advances receivable due to an increase in the allowance for expected credit losses against interest and fees receivable, a decline in originations, and payment holidays that we provided during the year to our customers as a part of our COVID-19 payment relief initiatives. Additionally, the decline in revenues from other value added services was driven by a decline in revenue earned from transition servicing activities provided to Synchrony Bank ("Synchrony"), which ended in the second quarter of 2019. This decline was partially offset by incremental revenues from our acquisition of Honey, which contributed approximately 15 percentage points to the revenue growth rate for other value added services in 2020, and an increase in our revenue share earned from Synchrony.

The total gross consumer and merchant loans receivable balance as of December 31, 2020 and 2019 was $3.6 billion and $4.2 billion, respectively. The year-over-year decrease of 15% in 2020 compared to 2019 was driven by a decline in our merchant receivable portfolio due to reduced originations, partially offset by growth in our consumer receivable portfolio.

In response to the COVID-19 pandemic, we have taken both proactive and reactive measures to support our merchants and consumers that have loans and interest receivables due to us under our credit product offerings. These measures were intended to reduce financial difficulties experienced by our customers and included providing payment holidays to grant payment deferrals to certain borrowers for varying periods of time, and amended payment terms through loan modifications in certain cases. These measures have adversely impacted and are expected to continue to adversely impact the recognition of interest and fee income in future periods. Given the uncertainty surrounding the COVID-19 pandemic, including its duration and severity and the ultimate impact it may have on the financial condition of our merchants and consumers, the extent of these types of actions and their prospective impact on our interest and fee income is not determinable. In addition, consumers that have outstanding loans and interest receivable due to Synchrony may experience similar hardships that result in increased losses recognized by Synchrony, which may result in a decrease in our revenue share earned from Synchrony in future periods. In the event the overall return on the PayPal branded credit programs funded by Synchrony does not meet a minimum rate of return ("minimum return threshold") in a particular quarter, our revenue share for that period would be zero. Further, in the event the overall return on the PayPal branded credit programs managed by Synchrony does not meet the minimum return threshold as measured over four consecutive quarters and in the following quarter, we would be required to make a payment to Synchrony, subject to certain limitations. Through December 31, 2020, the overall return on the PayPal branded credit programs funded by Synchrony exceeded the minimum return threshold.

Operating Expenses

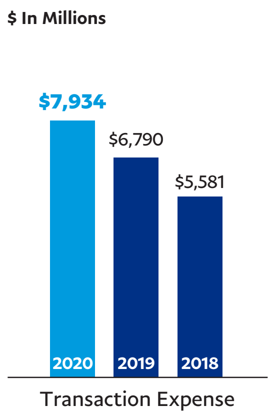
The following table summarizes our operating expenses and related metrics we use to assess the trends in each:

	Year Ended December 31,			Percent Increase/(Decrease)	
(In millions, except percentages)	2020	2019	2018	2020	2019
Transaction expense	$ 7,934	$ 6,790	$ 5,581	17%	22%
Transaction and credit losses	1,741	1,380	1,274	26%	8%
Customer support and operations	1,778	1,615	1,407	10%	15%
Sales and marketing	1,861	1,401	1,314	33%	7%
Technology and development	2,642	2,085	1,831	27%	14%
General and administrative	2,070	1,711	1,541	21%	11%
Restructuring and other charges	139	71	309	96%	(77)%
TOTAL OPERATING EXPENSES	**$18,165**	**$15,053**	**$13,257**	**21%**	**14%**
Transaction expense rate(1)	0.85%	0.95%	0.96%	**	**
Transaction and credit loss rate(2)	0.19%	0.19%	0.22%	**	**

(1) Transaction expense rate is calculated by dividing transaction expense by TPV.
(2) Transaction and credit loss rate is calculated by dividing transaction and credit losses by TPV.
** Not meaningful.

Transaction Expense

Transaction expense is primarily composed of the costs we incur to accept a customer's funding source of payment. These costs include fees paid to payment processors and other financial institutions to draw funds from a customer's credit or debit card, bank account, or other funding source they have stored in their digital wallet. Transaction expense also includes fees paid to disbursement partners to enable a transaction. We refer to the allocation of funding sources used by our consumers as our "funding mix." The cost of funding a transaction with a credit or debit card is generally higher than the cost of funding a transaction from a bank or through internal sources such as a PayPal or Venmo account balance or PayPal Credit. As we expand the availability and presentation of alternative funding sources to our customers, our funding mix may change, which could increase or decrease our transaction expense rate. The cost of funding a transaction is also impacted by the geographic region or country in which a transaction occurs because we generally pay lower rates for transactions funded with credit cards outside the U.S. than in the U.S. Our transaction expense rate is impacted by changes in product mix, merchant mix, regional mix, funding mix, and assessments charged by payment processors and other financial institutions when we draw funds from a customer's credit or debit card, bank account, or other funding sources. Macroeconomic environment changes may also result in behavioral shifts in consumer spending patterns affecting the type of funding source they use, which also impacts the funding mix.

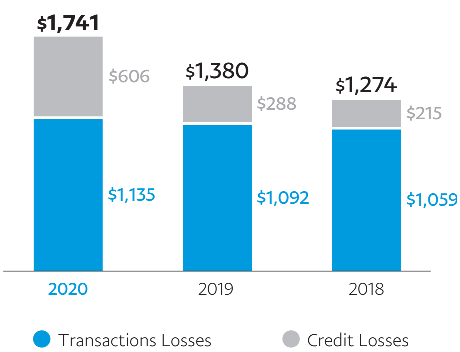


Transaction expense increased by $1.1 billion, or 17%, in 2020 compared to 2019 and was primarily attributable to an increase in TPV of 31%. The decrease in transaction expense rate in 2020 compared to 2019 was due primarily to favorable changes in product mix and funding mix. For the years ended December 31, 2020, 2019, and 2018, approximately 2% of TPV was funded with PayPal Credit. For the years ended December 31, 2020, 2019, and 2018, approximately 40%, 41%, and 43% of TPV, respectively, was generated outside of the U.S.

Transaction and Credit Losses

Transaction losses include the expense associated with our buyer and seller protection programs, fraud, and chargebacks. Credit losses include the losses associated with our merchant and consumer loans receivable portfolio. Beginning in 2020, these losses are based on current expected credit losses. Our transaction and credit losses fluctuate depending on many factors, including TPV, current and projected macroeconomic conditions including unemployment rates, merchant insolvency events, changes to and usage of our customer protection programs, the impact of regulatory changes, and the credit quality of loans receivable arising from transactions funded with our credit products for consumers and loans and advances to merchants.

The components of our transaction and credit losses (in millions) for the years ended December 31, 2020, 2019, and 2018 were as follows:



Transaction and credit losses increased by $361 million, or 26%, in 2020 compared to 2019.

Transaction loss rate (transaction losses divided by TPV) was 0.12%, 0.15%, and 0.18% for the years ended December 31, 2020, 2019, and 2018, respectively.

Transaction losses increased by $43 million, or 4%, in 2020 compared to 2019 due to growth in TPV, partially offset by benefits realized through improvements in risk management capabilities, which also contributed to a decrease in our transaction loss rate over the same period. The duration and severity of the impacts of the COVID-19 pandemic remain unknown. The negative impact on macroeconomic conditions could increase the risk of merchant bankruptcy, insolvency, business failure, or other business interruption, which may adversely impact our transaction losses, particularly for merchants that sell goods or services in advance of the date of their delivery or use.

Credit losses increased by $318 million, or 110%, in 2020 compared to 2019 due primarily to an increase in provisions for our loans and interest receivable associated with changes in current and projected macroeconomic conditions, including qualitative adjustments to account for the impact of limitations in our expected credit loss models that have arisen due to the extreme fluctuations in both the actual and projected macroeconomic conditions during the period as well as to incorporate varying degrees of merchant performance in the current environment and expected performance in future periods. Our estimate of the macroeconomic impact on current expected credit losses is most significantly impacted by projected unemployment trends and benchmark credit card charge-off rates, which directly correlate to the forecast of loans and interest receivables that we expect to charge off in the future. Credit losses for the year ended December 31, 2020 include the impact of the increase in actual unemployment rates and credit card charge-off rates during the current period and expectations of a prolonged economic recovery period over which the value of loans and interest receivable that charge-off are projected to exceed historical trends. If the actual unemployment and charge-offs vary from these projections as of December 31, 2020, the credit losses recognized in future periods will be impacted.

The consumer loans and interest receivables balance as of December 31, 2020 and 2019 was $2.2 billion and $1.3 billion, respectively. The year-over-year increase of 64% in 2020 compared to 2019 was due to growth of PayPal Credit in international markets and, to a lesser extent, growth of our installment credit products in the U.S. and international markets. Approximately 77% and 94% of our consumer loans receivables outstanding as of December 31, 2020 and 2019, respectively, were due from consumers in the U.K.

The following table provides information regarding the credit quality of our consumer loans and interest receivable balance:

	December 31,	
	2020	2019
Percent of consumer loans and interest receivables current (1),(2)	97.9%	96.7%
Percent of consumer loans and interest receivables > 90 days outstanding (1), (2), (3)	0.9%	1.5%
Net charge off rate(4)	2.4%	4.1%

(1) Prior period revised to conform to the current period presentation.
(2) Includes the impact of payment holidays provided by the Company as a part of our COVID-19 payment relief initiatives.
(3) Represents percentage of balances which are 90 days past the billing date to the consumer.
(4) Net charge off rate is the annual ratio of net credit losses, excluding fraud losses, on consumer loans receivables as a percentage of the average daily amount of consumer loans and interest receivables balance during the period.

The decrease in the net charge off rate for consumer receivables at December 31, 2020 as compared to December 31, 2019 was primarily attributable to the continued expansion and maturity of our international consumer loan receivable portfolio and was in-part favorably impacted in the current year by payment holidays provided by the Company as a part of our COVID-19 payment relief initiatives.

We offer access to credit products for certain small and medium-sized merchants, which we refer to as our merchant lending offerings. Total merchant loans, advances, and interest and fees receivable outstanding, net of participation interest sold, as of December 31, 2020 and 2019 were $1.4 billion and $2.8 billion, respectively. The year-over-year decrease of 51% in 2020 compared to 2019 was due primarily to a reduction in originations due to modifications in our acceptable risk parameters as well as a shift towards merchants borrowing through the U.S. Government's Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA") and enacted in March 2020 under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in response to the COVID-19 pandemic. We do not own the receivables associated with loans originated through the PPP. Approximately 81% and 10% of our merchant receivables outstanding as of December 31, 2020 were due from merchants in the U.S. and U.K., as compared to 83% and 10% as of December 31, 2019, respectively.

The following table provides information regarding the credit quality of our merchant loans, advances, and interest and fees receivable balance:

	December 31,	
	2020	2019
Percent of merchant receivables within original expected or contractual repayment period	75.4%	89.6%
Percent of merchant receivables > 90 days outstanding after the end of original expected or contractual repayment period(1)	12.5%	4.2%
Net charge off rate(2)	18.9%	7.4%

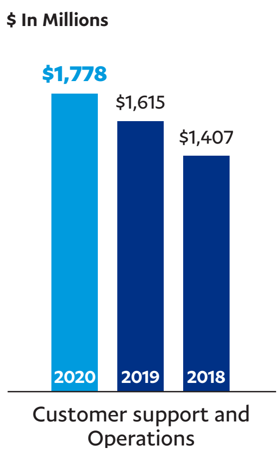
(1) Includes the impact of payment holidays and modification programs provided by the Company as a part of our COVID-19 payment relief initiatives.
(2) Net charge off rate is the annual ratio of net credit losses, excluding fraud losses, on merchant loans and advances as a percentage of the average daily amount of merchant loans, advances, and interest and fees balance during the period.

The decline in the percent of merchant receivables within the original expected or contractual repayment period, increase in percent of merchant receivables greater than 90 days outstanding, and increase in the net charge off rate for merchant receivables at December 31, 2020 as compared to December 31, 2019 was primarily due to an increase in payment delinquency driven by financial difficulties experienced by our merchants associated with the economic impact of COVID-19 and a significant decline in our outstanding merchant receivables balance due to repayments and reduced originations, which increases net charge offs and delinquency rates presented as a percentage of our outstanding loan balance. Beginning in the third quarter of 2020, we have granted certain merchants loan modifications intended to provide them with financial relief and to help enable us to mitigate losses. The associated loans and interest receivables have been treated as troubled debt restructurings due to significant changes in their structure, including repayment terms and fee/rate structure. For additional information, see "Note 11—Loans and Interest Receivable" in the notes to our consolidated financial statements included in this Form 10-K.

During the year ended December 31, 2020, modifications to the acceptable risk parameters of our credit products in response to the impacts of the COVID-19 pandemic resulted in the implementation of a number of risk mitigation strategies, including reduction of maximum loan size, tightening eligibility terms, and a shift from automated to manual underwriting of loans and advances. These changes in acceptable risk parameters have resulted in a deceleration in the growth of our borrowing base and a decrease in merchant receivables as of December 31, 2020, as compared to 2019. While the impact of COVID-19 on the economic environment remains uncertain, the longer and more severe the pandemic, the more likely it is to have a material adverse impact on our borrowing base, which is primarily comprised of small and medium-sized merchants. For additional information, see "Note 11—Loans and Interest Receivable" in the notes to the consolidated financial statements, and "Item 1A. Risk Factors—*Our credit products expose us to additional risks*." included in this Form 10-K.

Customer Support and Operations

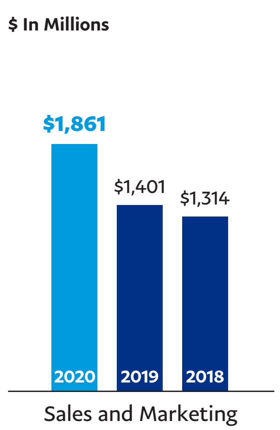
Customer support and operations includes (a) costs incurred in our global customer operations centers, including costs to provide call support to our customers, (b) costs to support our trust and security programs protecting our merchants and consumers, and (c) other costs incurred related to the delivery of our products, including payment devices, card production, and customer onboarding and compliance costs.



Customer support and operations costs increased $163 million, or 10%, in 2020 compared to 2019. The increase in 2020 was primarily attributable to an increase in employee-related expenses and contractors and consulting costs mainly in our operations function that support the growth of our active accounts and payment transactions, as well as customer onboarding and compliance costs.

Sales and Marketing

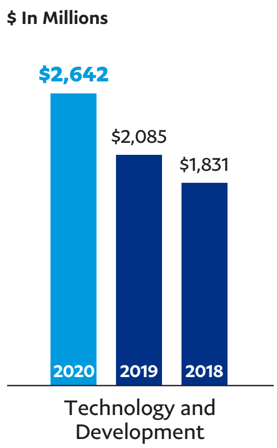
Sales and marketing includes costs incurred for customer acquisition, business development, advertising, and marketing programs.



Sales and marketing expenses increased $460 million, or 33%, in 2020 compared to 2019 due primarily to higher spend on marketing programs and employee-related expenses. Our acquisitions of Honey and GoPay collectively contributed approximately 20 percentage points to the growth rate of sales and marketing expenses in 2020.

Technology and Development

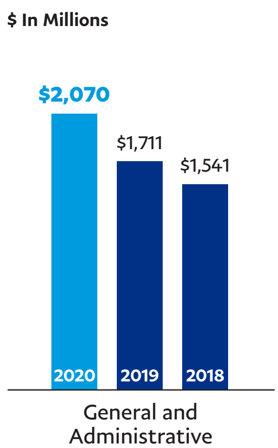
Technology and development includes (a) costs incurred in connection with the development of our Payments Platform, new products, and the improvement of our existing products, including the amortization of software and website development costs incurred in developing our Payments Platform, which are capitalized, and acquired developed technology, and (b) our site operations and other infrastructure costs incurred to support our Payments Platform.



Technology and development expenses increased $557 million, or 27%, in 2020 compared to 2019 due primarily to increases in employee-related expenses, amortization of acquired intangibles, data center and cloud computing services utilized in delivering our products, and costs related to contractors and consultants. Our acquisitions of Honey and GoPay collectively contributed approximately 15 percentage points to the growth rate of technology and development expenses in 2020.

General and Administrative

General and administrative includes costs incurred to provide support to our business, including legal, human resources, finance, risk, compliance, executive, and other support operations.

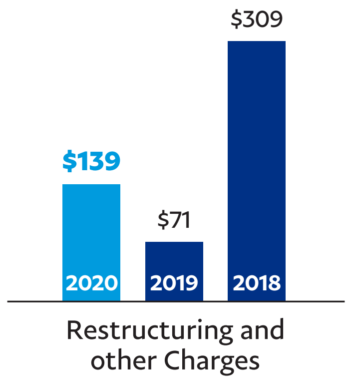


General and administrative expenses increased $359 million, or 21%, in 2020 compared to 2019 due primarily to increases in employee-related expenses, professional services expenses, including those attributable to acquisition related transaction expenses, and amortization of acquired intangibles and internally developed software used in our general and administrative functions. Our acquisitions of Honey and GoPay collectively contributed approximately 13 percentage points to the growth rate of general and administrative expenses in 2020.

Restructuring and Other Charges

Restructuring and other charges primarily consist of restructuring expenses and, in 2018, cost adjustments related to our loans and receivables, held for sale portfolio.

$ In Millions



Restructuring and other charges increased by $68 million in 2020 compared to 2019.

During the first quarter of 2020, management approved a strategic reduction of the existing global workforce, which resulted in restructuring charges of $109 million. The approved strategic reduction in 2020 is part of a multiphase process to reorganize our workforce concurrently with the redesign of our operating structure, which spanned multiple quarters. We primarily incurred employee severance and benefits costs, as well as other associated consulting costs under the 2020 strategic reduction. We have experienced delays, primarily as a result of COVID-19, in the execution of these restructuring actions, which are now expected to be completed by the end of the first quarter of 2021.

Additionally, in 2020, we incurred asset impairment charges of $30 million due to the write-off of certain right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties.

In the first quarter of 2019, management approved strategic reductions of the existing global workforce, which resulted in restructuring charges of $78 million. The approved strategic reductions for 2019 were intended to better align our teams to support key business priorities and included the transfer of certain operational functions between geographies, as well as the impact of the transition of servicing activities provided to Synchrony, which ended in the second quarter of 2019. We primarily incurred employee and severance benefits expenses under the 2019 strategic reductions, which were substantially completed by the end of the first quarter of 2020.

For information on the associated restructuring liability, see "Note 17—Restructuring and Other Charges" in the notes to the consolidated financial statements included in this Form 10-K.

Other Income (Expense), Net

Other income (expense), net increased $1.5 billion, or 537%, in 2020 compared to 2019 primarily driven by net gains on strategic investments of $1.7 billion due primarily to favorable changes in fair value related to our marketable equity securities. This increase was partially offset by a decline in interest income driven by lower interest rates as well as incremental interest expense associated with our fixed rate notes issued in the third quarter of 2019 and second quarter of 2020.

Income Tax Expense

Our effective tax rate was 17% in 2020 and 18% in 2019. The decrease in our effective tax rate in 2020 was primarily the result of favorable discrete tax adjustments, partially offset by taxes associated with gains on strategic investments. See "Note 16—Income Taxes" to the consolidated financial statements included in this Form 10-K for more information on our effective tax rate.

Liquidity and Capital Resources

We require liquidity and access to capital to fund our global operations, including customer protection programs, our credit products, capital expenditures, investments in our business, potential acquisitions and strategic investments, working capital, and other cash needs. The following table summarizes our cash, cash equivalents, and investments as of December 31, 2020 and 2019:

	Year Ended December 31,	
(In millions)	2020	2019
Cash, cash equivalents, and investments[(1),(2)]	$ 15,852	$ 11,722

(1) Excludes assets related to funds receivable and customer accounts of $33.4 billion and $22.5 billion as of December 31, 2020 and 2019, respectively.
(2) Excludes total restricted cash of $88 million and $64 million at December 31, 2020 and 2019, respectively, and strategic investments of $3.2 billion and $1.8 billion as of December 31, 2020 and 2019, respectively.

Foreign Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments held by our foreign subsidiaries were $7.0 billion at December 31, 2020 and $7.2 billion at December 31, 2019, or 44% and 61% of our total cash, cash equivalents, and investments as of those respective dates. At December 31, 2020, all of our cash, cash equivalents, and investments held by foreign subsidiaries were subject to U.S. taxation under Subpart F, Global Intangible Low Taxed Income ("GILTI"), or the one-time transition tax. Subsequent repatriations to the U.S. will not be taxable from a U.S. federal tax perspective, but may be subject to state or foreign withholding tax. A significant aspect of our global cash management activities involves meeting our customers' requirements to access their cash while simultaneously meeting our regulatory financial ratio commitments in various jurisdictions. Our global cash balances are required not only to provide operational liquidity to our businesses, but also to support our global regulatory requirements across our regulated subsidiaries. As such, not all of our cash is available for general corporate purposes.

Available Credit and Debt

In May 2020 and September 2019, we issued fixed rate notes with varying maturity dates for an aggregate principal amount of $9.0 billion (collectively referred to as the "Notes"). Proceeds from the issuance of these Notes may be used for general corporate purposes, which may include funding the repayment or redemption of outstanding debt, share repurchases, ongoing operations, capital expenditures, and possible acquisitions of businesses, assets, or strategic investments. As of December 31, 2020, we had $9.0 billion in fixed rate debt outstanding with varying maturity dates.

In September 2019, we entered into a credit agreement (the "Credit Agreement") that provides for an unsecured $5.0 billion, five-year revolving credit facility that includes a $150 million letter of credit sub-facility and a $500 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. In March 2020, we drew down $3.0 billion under the Credit Agreement. In May 2020, we repaid the $3.0 billion using proceeds from the May 2020 debt issuance. As of December 31, 2020, no borrowings were outstanding under the Credit Agreement and as such, $5.0 billion of borrowing capacity was available for the purposes permitted by the Credit Agreement, subject to customary conditions to borrowing. Additionally, in September 2019, we entered into a 364-day credit agreement that provided for an unsecured $1.0 billion 364-day revolving credit facility, which terminated in September 2020.

We maintain an uncommitted credit facility with a borrowing capacity of approximately $30 million, where we can withdraw and utilize the funds at our discretion for general corporate purposes. As of December 31, 2020, the majority of the borrowing capacity under this credit facility was available, subject to customary conditions to borrowing.

For additional information, see "Note 12—Debt" to our consolidated financial statements included in this Form 10-K.

We have a cash pooling arrangement with a financial institution for cash management purposes. The arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the financial institution ("Aggregate Cash Deposits"). The arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of December 31, 2020, we had a total of $3.9 billion in cash withdrawals offsetting our $3.9 billion in Aggregate Cash Deposits held within the financial institution under the cash pooling arrangement.

Liquidity for Loans Receivable

Growth in our portfolio of loan receivables increases our liquidity needs, and any inability to meet those liquidity needs could adversely affect our business. We continue to evaluate partnerships and third party sources of funding for our loans receivable portfolio. In June 2018, the Luxembourg Commission de Surveillance du Secteur Financier (the "CSSF") agreed that PayPal's management may designate up to 35% of European customer balances held in our Luxembourg banking subsidiary to be used for European and U.S. credit activities. As of December 31, 2020, the cumulative amount approved by management to be designated for credit activities aggregated to $2.0 billion and represented approximately 21% of European customer balances potentially available for our corporate use at that date as determined by applying financial regulations maintained by the CSSF. We may periodically seek to designate additional amounts of customer balances, if necessary, based on utilization of the approved funds and anticipated credit funding requirements. Our objective is to expand the availability of our credit products with capital from external sources, although there can be no assurance that we will be successful in achieving that goal. Under certain exceptional circumstances, corporate liquidity could be called upon to meet our obligations related to our European customer balances.

In April 2020, PayPal was approved to participate in the PPP administered by the SBA. The program was designed to provide a direct incentive for small businesses to keep their workers on payroll during the COVID-19 pandemic and includes initial loan repayment deferrals and debt forgiveness provisions for eligible borrowers. Loans made under this program are funded by an independent chartered financial institution that we partner with, and the related receivables are not purchased by PayPal. We receive a fee for providing origination services and loan servicing for the loans and retain operational risk related to those activities.

Credit Ratings

As of December 31, 2020, we continue to be rated investment grade by Standard and Poor's Financial Services, LLC, Fitch Ratings, Inc., and Moody's Investors Services Inc. We expect that these credit rating agencies will continue to monitor our performance, including our capital structure and results of operations. Our goal is to be rated investment grade, but as circumstances change, there are factors that could result in our credit ratings being downgraded or put on a watch list for possible downgrading. If that were to occur, it could increase our borrowing rates, including the interest rate on borrowings under our credit agreement.

Risk of Loss

The risk of losses from our buyer and seller protection programs are specific to individual customers, merchants, and transactions, and may also be impacted by regional variations in, and changes or modifications to, the programs, including as a result of changes in regulatory requirements. For the periods presented in these consolidated financial statements included in this report, our transaction loss rates ranged between 0.12% and 0.18% of TPV. Historical loss rates may not be indicative of future results. The duration and severity of the impacts of the COVID-19 pandemic remain unknown. Its negative impact on macroeconomic conditions could increase the risk of merchant bankruptcy, insolvency, business failure, or other business interruption, which may result in an adverse impact on our transaction losses, particularly for merchants that sell goods or services in advance of the date of their delivery or use.

Stock Repurchases and Acquisitions

During the year ended December 31, 2020, we repurchased approximately $1.6 billion of our common stock in the open market under our stock repurchase programs authorized in April 2017 and July 2018. The July 2018 stock repurchase program became effective during the first quarter of 2020 upon completion of the April 2017 stock repurchase program. As of December 31, 2020, a total of approximately $8.4 billion remained available for future repurchases of our common stock under our July 2018 stock repurchase program. For additional information, see "Note 14—Stock Repurchase Programs" to our consolidated financial statements included in this Form 10-K.

In January 2020, we completed our acquisition of Honey for approximately $3.6 billion in cash and approximately $400 million in assumed restricted stock, restricted stock units, and options, subject to vesting conditions. We believe our acquisition of Honey will enhance our value proposition by allowing us to further simplify and personalize shopping experiences for consumers while driving conversion and increasing consumer engagement and sales for merchants. For additional information, see "Note 4—Business Combinations" in the notes to the consolidated financial statements included in this Form 10-K.

Other Considerations

In the second quarter of 2020, we announced our commitment to invest $530 million to support racial equality. The investments will include: charitable contributions, grants to small businesses, internal investments to support and strengthen diversity and inclusion initiatives, and an economic opportunity fund, which will include bolstering our relationships with community banks and credit unions serving underrepresented minority communities, as well as investing directly into black- and minority-led startups and minority-focused investment funds.

Our liquidity, access to capital, and borrowing costs could be adversely impacted by declines in our credit rating, our financial performance, and global credit market conditions, as well as a broad range of other factors, including those related to the COVID-19 pandemic discussed in this Form 10-K. In addition, our liquidity, access to capital, and borrowing costs could also be negatively impacted by the outcome of any of the legal or regulatory proceedings to which we are a party. See "Item 1A. Risk Factors" and "Note 13—Commitments and Contingencies" to our consolidated financial statements included in this Form 10-K for additional discussion of these and other risks that our business faces.

We believe that our existing cash, cash equivalents, and investments, cash expected to be generated from operations, and our expected access to capital markets, together with potential external funding through third party sources, will be sufficient to fund our operating activities, anticipated capital expenditures, and our credit products for the foreseeable future. Depending on market conditions, we may from time to time issue debt, including in private or public offerings, to fund our operating activities, finance acquisitions, make strategic investments, repurchase shares under our stock repurchase program, or reduce our cost of capital.

Cash Flows

The following table summarizes our consolidated statements of cash flows:

	Year Ended December 31,		
(In millions)	2020	2019	2018
Net cash provided by (used in):			
Operating activities[(1)]	$ 5,854	$ 4,071	$ 5,480
Investing activities[(1)]	(16,218)	(5,742)	821
Financing activities[(1)]	12,492	4,187	(1,240)
Effect of exchange rates on cash, cash equivalents, and restricted cash	169	(6)	(113)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**$ 2,297**	**$ 2,510**	**$ 4,948**

(1) Prior period amounts have been revised to conform to the current period presentation. Refer to "Note 1—Overview and Summary of Significant Accounting Policies" to our consolidated financial statements included in this Form 10-K for additional information.

Operating Activities

Cash flows from operating activities includes net income adjusted for certain non-cash expenses, timing differences between expenses recognized for provision for transaction and credit losses and actual cash transaction losses incurred, and changes in other assets and liabilities. Significant non-cash expenses for the period include depreciation and amortization and stock-based compensation. The cash impact from actual transaction losses incurred during a period is reflected as a negative impact to changes in other assets and liabilities in cash from operating activities. The expenses recognized during the period for provision for credit losses are estimates of current expected credit losses on our merchant and consumer credit products. Actual charge-offs of receivables related to our merchants and consumer credit products have no impact on cash from operating activities.

We generated cash from operating activities of $5.9 billion in 2020 due primarily to operating income of $3.3 billion, as well as adjustments for non-cash expenses including: provision for transaction and credit losses of $1.7 billion, stock-based compensation of $1.4 billion, and depreciation and amortization of $1.2 billion. Net income was also adjusted for net gains on our strategic investments of $1.9 billion in 2020, and changes in other assets and liabilities primarily related to actual cash transaction losses incurred during the period of $1.1 billion and an increase in other assets of $498 million, partially offset by an increase in other liabilities of $1.0 billion.

We generated cash from operating activities of $4.1 billion in 2019 due primarily to operating income of $2.7 billion. During 2019, adjustments for non-cash expenses included provision for transaction and credit losses of $1.4 billion, stock-based compensation of $1.0 billion, and depreciation and amortization of $912 million, partially offset by adjustments related to deferred income taxes of $269 million and net unrealized gains on our strategic investments of $208 million. The cash generated from operating activities was negatively impacted by changes in other assets and liabilities primarily related to actual cash transaction losses incurred during the period of $1.1 billion, an increase in other assets of $566 million and accounts receivable of $120 million, partially offset by an increase in other liabilities of $722 million.

We generated cash from operating activities of $5.5 billion in 2018 due primarily to operating income of $2.2 billion and the positive impact of $1.4 billion of changes in loans and interest receivable, held for sale, net following the sale of our U.S. consumer credit receivables portfolio. During 2018, adjustments for non-cash expenses included provision for transaction and credit losses of $1.3 billion, stock-based compensation of $853 million, depreciation and amortization of $776 million, and cost basis adjustments to loans and interest receivable held for sale of $244 million. The cash generated from operating activities was also impacted by changes in other assets and liabilities, primarily related to actual cash transaction losses incurred during the period of $1.0 billion, partially offset by an increase in other liabilities of $428 million.

Cash paid for income taxes, net in 2020, 2019, and 2018 was $565 million, $665 million, and $328 million, respectively.

Investing Activities

Cash flows from investing activities includes purchases, maturities and sales of investments, cash paid for acquisitions and strategic investments, purchases and sales of property and equipment, changes in principal loans receivable, and funds receivable.

The net cash used in investing activities of $16.2 billion in 2020 was due primarily to purchases of investments of $41.5 billion, acquisitions (net of cash acquired) of $3.6 billion, changes in funds receivable from customers of $1.6 billion, and purchases of property and equipment of $866 million. These cash outflows were partially offset by maturities and sales of investments of $30.9 billion, changes in principal loans receivable, net of $294 million, and proceeds from the sale of property and equipment of $120 million.

The net cash used in investing activities of $5.7 billion in 2019 was due primarily to purchases of investments of $27.9 billion, changes in principal loans receivable, net of $1.6 billion, purchases of property and equipment of $704 million, and changes in funds receivable from customers of $351 million. These cash outflows were partially offset by maturities and sales of investments of $24.9 billion.

We generated cash from investing activities of $821 million in 2018 due primarily to maturities and sales of investments of $21.9 billion, changes in principal loans receivable, net of $3.1 billion, and changes in funds receivable from customers of $1.1 billion. These cash inflows were offset by purchases of investments of $22.4 billion, acquisitions of $2.1 billion (net of cash and restricted cash acquired), and purchases of property and equipment of $823 million.

Financing Activities

Cash flows from financing activities includes proceeds from issuance of common stock, purchases of treasury stock, tax withholdings related to net share settlements of equity awards, borrowings and repayments under financing arrangements, and funds payable and amounts due to customers.

We generated cash from financing activities of $12.5 billion in 2020 due primarily to changes in funds payable and amounts due to customers of $10.6 billion and $7.0 billion of cash proceeds from the issuance of long-term debt in the form of fixed rate notes, as well as proceeds from borrowings under our Credit Agreement. These cash inflows were partially offset by the repayment of outstanding borrowings under our Credit Agreement of $3.0 billion, the repurchase of $1.6 billion of our common stock under our stock repurchase program, and tax withholdings related to net share settlement of equity awards of $521 million.

We generated cash from financing activities of $4.2 billion in 2019 due primarily to $5.5 billion of cash proceeds from the issuance of long-term debt in the form of fixed rate notes as well as borrowings under a previous credit agreement, and changes in funds payable and amounts due to customers of $3.0 billion. These cash inflows were partially offset by repayment of borrowings under a previous credit agreement of $2.5 billion, the repurchase of $1.4 billion of our common stock under our stock repurchase programs, and tax withholdings related to net share settlement of equity awards of $504 million.

The net cash used in financing activities of $1.2 billion in 2018 was due primarily to the repurchase of $3.5 billion of our common stock under our stock repurchase programs, repayments of borrowing under financing arrangements of $1.1 billion, and tax withholdings related to net share settlement of equity awards of $419 million, partially offset by cash inflows from borrowings under financing arrangements of $2.1 billion and changes in funds payable and amounts due to customers of $1.6 billion.

Effect of Exchange Rates on Cash, Cash Equivalents, and Restricted Cash

Foreign currency exchange rates had a positive impact of $169 million, a negative impact of $6 million, and a negative impact of $113 million on cash, cash equivalents, and restricted cash during 2020, 2019, and 2018, respectively. The positive impact in 2020 was due to the weakening of the U.S. dollar against certain foreign currencies, primarily the Australian dollar. The negative impact in 2018 was due to the strengthening of the U.S. dollar against certain foreign currencies, primarily the Australian dollar and to a lesser extent, the Euro.

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, 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.

Future Liquidity and Obligations

As of December 31, 2020, approximately $3.0 billion of unused credit was available to PayPal Credit account holders compared to $3.1 billion of unused credit as of December 31, 2019. Substantially all of the PayPal Credit account holders with unused credit are in the U.K. While this amount represents the total unused credit available, we have not experienced, and do not anticipate, that all our PayPal Credit account holders will access their entire available credit at any given point in time. In addition, the individual lines of credit that make up this unused credit are subject to periodic review and termination based on, among other things, account usage and customer creditworthiness.

We have certain fixed contractual obligations and commitments that include future estimated payments for general operating purposes. Changes in our business needs, contractual cancellation provisions, fluctuating interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of these payments. The following table summarizes our obligations as of December 31, 2020 that are expected to impact liquidity and cash flow in future periods. We believe we will be able to fund these obligations through our existing cash and investment portfolio and cash expected to be generated from operations.

Payments Due During the Year Ending December 31,	Purchase Obligations	Operating Leases	Transition Tax	Long-term Debt	Total
(In millions)					
2021	$ 409	$ 171	$ 114	$ 213	$ 907
2022	239	140	114	1,213	1,706
2023	129	126	212	1,185	1,652
2024	134	116	284	1,428	1,962
2025	60	100	354	1,140	1,654
Thereafter	52	277	—	5,854	6,183
	$ 1,023	**$ 930**	**$ 1,078**	**$ 11,033**	**$ 14,064**

The significant assumptions used in our determination of amounts presented in the above table are as follows:

- Purchase obligation amounts include minimum purchase commitments for advertising, capital expenditures (computer equipment, software applications, engineering development services, and construction contracts), data center and cloud computing services, and other goods and services entered into in the ordinary course of business.
- Operating lease amounts include minimum rental payments under our non-cancelable operating leases (including leases not yet commenced) primarily for office and data center facilities. The amounts presented are consistent with contractual terms and are not expected to differ significantly from actual results under our existing leases, unless a substantial change in our headcount needs requires us to expand our occupied space or exit an office facility early.
- Transition tax represents the one-time mandatory tax on previously deferred foreign earnings under the Tax Cuts and Jobs Act.
- Long-term debt amounts represent the future principal and interest payments (based on contractual interest rates) on our fixed-rate debt. For more information, see "Note 12—Debt" to our consolidated financial statements included in this Form 10-K.

As we are unable to reasonably predict the timing of settlement of liabilities related to unrecognized tax benefits, net, the table above does not include $1.4 billion of such non-current liabilities included in deferred and other tax liabilities recorded on our consolidated balance sheet as of December 31, 2020.

Seasonality

The Company does not experience meaningful seasonality with respect to net revenues. No individual quarter in 2020, 2019, or 2018 accounted for more than 30% of annual net revenue.

Critical Accounting Polices and Estimates

The application of U.S. GAAP requires us to make estimates and assumptions about certain items and future events that directly affect our reported financial condition. We have established detailed policies and control procedures to provide reasonable assurance that the methods used to make estimates and assumptions are well controlled and are applied consistently from period to period. The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to our financial statements. An accounting estimate is considered critical if both (a) the nature of the estimate or assumption is material due to the levels of subjectivity and judgment involved, and (b) the impact within a reasonable range of outcomes of the estimate and assumption is material to our financial condition. Senior management has discussed the development, selection, and disclosure of these estimates with the Audit, Risk, and Compliance Committee of our Board of Directors. Our significant accounting policies, including recent accounting pronouncements, are described in "Note 1—Overview and Summary of Significant Accounting Policies" to the consolidated financial statements included in this Form 10-K.

A quantitative sensitivity analysis is provided where information is available to reasonably estimate the impact, and provides material information to investors. The amounts used to assess sensitivity are included to allow users of this report to understand a general directional cause and effect of changes in the estimates and do not represent management's predictions of variability. For all of these estimates, it should be noted that future events rarely develop exactly as forecasted, and estimates require regular review and adjustment.

Transaction and Credit Losses

Transaction and credit losses include the expense associated with our customer protection programs, fraud, chargebacks, and credit losses associated with our loans receivable balances. Our transaction and credit losses fluctuate depending on many factors, including: total TPV, current and projected macroeconomic conditions, including unemployment rates, merchant insolvency events, changes to and usage of our customer protection programs, the impact of regulatory changes, and the credit quality of loans receivable arising from transactions funded with our credit products, which include our PayPal Credit consumer product and merchant loans and advances arising from our PayPal Working Capital ("PPWC") and PayPal Business Loan ("PPBL") products.

We establish allowances for negative customer balances and estimated transaction losses arising from processing customer transactions, such as chargebacks for unauthorized credit card use and merchant-related chargebacks due to non-delivery or unsatisfactory delivery of purchased items, buyer protection program claims, account takeovers, and Automated Clearing House returns. Additions to the allowance, in the form of provisions, are reflected in transaction and credit losses on our consolidated statements of income. The allowances are based on known facts and circumstances, internal factors including experience with similar cases, historical trends involving collection and write-off patterns, and the mix of transaction and loss types, as well as current and projected macroeconomic factors, as appropriate.

We also establish an allowance for loans and interest receivable, which represents our estimate of current expected credit losses inherent in our portfolio of loans and interest receivable. This evaluation process is subject to numerous estimates and judgments. The allowance is primarily based on expectations of credit losses based on historical lifetime loss data as well as macroeconomic forecasts applied to the portfolio, which is segmented by factors such as geographic region, delinquency, and vintage. Loss curves are generated using historical loss data for each loan portfolio and are applied to segments of each portfolio, categorized by factors such as geographic region, first borrowing versus reuse, delinquency, credit rating and vintage, which vary by portfolio. We then apply macroeconomic factors such as forecasted trends in unemployment and benchmark credit card charge-off rates, which are sourced externally, using a single scenario that we believe is most appropriate to the economic conditions applicable to a particular period. We utilize externally sourced macroeconomic scenario data to supplement our historical information due to the limited period in which our credit product offerings have been in existence. Projected loss rates, inclusive of historical loss data and macroeconomic factors, are applied to the principal amount of our consumer and merchant receivables. We also include qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of our current expected credit losses. Our consumer receivables are primarily revolving in nature and do not have a contractual term; however, the reasonable and supportable forecast period we have included in our projected loss rates based on externally sourced data is approximately seven years. Our merchant receivables vary in contractual term; however, the reasonable and supportable forecast period we have considered for projected loss rates is approximately 2.5 to 3.5 years, depending upon the product. The allowance for credit losses on interest and fees receivable is determined primarily by applying loss curves to each portfolio by geography, delinquency, and period of origination, among other factors.

Determining appropriate current expected credit loss allowances for loans and interest receivable is an inherently uncertain process and ultimate losses may vary from the current estimates. We regularly update our allowance estimates as new facts become known and events occur that may impact the settlement or recovery of losses. The allowances are maintained at a level we deem appropriate to adequately provide for current expected credit losses at the balance sheet date after incorporating the impact of externally sourced macroeconomic forecasts. These forecasts project scenarios such as future unemployment and benchmark credit card charge-off rates. As of December 31, 2020, we utilized externally published projections of the U.S. and U.K. forecasted unemployment rates and credit card charge-off rates over the reasonable and supportable period, indicating a slight increase in the first half of 2021 followed by a gradual decline and ultimate stabilization of these rates, resulting in an overall principal and interest coverage ratio of approximately 23%. The projected gradual decline in unemployment and credit card charge-off rates is reflective of a prolonged recovery period where we expect to experience elevated charge-off rates. A significant change in the forecasted macroeconomic factors could result in a material change in our allowances. Our allowance as of December 31, 2020 has been adjusted to account for the proactive and reactive measures that we have taken that are intended to reduce financial difficulties experienced by our customers, and other limitations in our expected credit loss models that have arisen due to the extreme fluctuations in both the actual and projected macroeconomic conditions during the period. These qualitative adjustments were also made to incorporate varying degrees of merchant performance both in the current environment as well as expected future performance, and to account for payment holidays granted. Our allowance as of December 31, 2020 has not been adjusted to account for the potential impacts of the CARES Act, which are also intended to help mitigate the negative impact the current pandemic may have on the financial condition of our customers. We are unable to predict the ultimate impact of these actions which may result in adjustments to our allowance for loans and interest receivable in future periods. An increase of 1% in the principal and interest coverage ratio would increase our allowances by approximately $36 million based on the loans and interest receivable balance outstanding as of December 31, 2020.

Accounting for Income Taxes

Our annual tax rate is based on our income, statutory tax rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective government taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is significantly affected by the tax rates that apply to our foreign earnings. In addition to local country tax laws and regulations, our income tax rate depends on the extent that our foreign earnings are taxed by the U.S. through provisions such as the GILTI tax and base erosion anti-abuse tax or as a result of our indefinite reinvestment assertion. Indefinite reinvestment is determined by management's judgment about, and intentions concerning, our future operations.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies. These sources of income rely heavily on estimates that are based on a number of factors, including our historical experience and short-range and long-range business forecasts. To the extent deferred tax assets are not expected to be realized, we record a valuation allowance.

We recognize and measure uncertain tax positions in accordance with U.S. GAAP, pursuant to which we only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. U.S. GAAP further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the quarter in which such change occurs. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

We file annual income tax returns in multiple taxing jurisdictions around the world. A number of years may elapse before an uncertain tax position is audited by the relevant tax authorities and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our reserves for income taxes are adequate such that we reflect the benefits more likely than not to be sustained in an examination. We adjust these reserves, as well as the related interest and penalties, where appropriate in light of changing facts and circumstances. Settlement of any particular position could require the use of cash.

Based on our results for the year ended December 31, 2020, a one-percentage point increase in our effective tax rate would have resulted in an increase in our income tax expense of approximately $51 million.

Loss Contingencies

We are currently involved in various claims, regulatory and legal proceedings, and investigations of potential operating violations by regulatory oversight authorities. We regularly review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim, legal proceeding, or potential regulatory violation is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and whether an exposure is reasonably estimable. Our judgments are subjective and are based on the status of the legal or regulatory proceedings, the merits of our defenses, and consultation with in-house and outside legal counsel. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims, litigation, or other violations and may revise our estimates. Due to the inherent uncertainties of the legal and regulatory process in the multiple jurisdictions in which we operate, our judgments may differ materially from the actual outcomes.

Revenue Recognition

Application of the accounting principles in U.S. GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Specifically, the determination of whether we are a principal to a transaction (gross revenue) or an agent (net revenue) can require considerable judgment. Further, we provide incentive payments to consumers and merchants, which require judgment to determine whether the payments should be recorded as a reduction to gross revenue. Changes in judgments with respect to these assumptions and estimates could impact the amount of revenue recognized.

Valuation of Goodwill and Intangibles

The valuation of assets acquired in a business combination and asset impairment reviews require the use of significant estimates and assumptions. The acquisition method of accounting for business combinations requires us to estimate the fair value of assets acquired, liabilities assumed, and any noncontrolling interest in an acquired business to properly allocate purchase price consideration between assets that are depreciated or amortized and goodwill. Impairment testing for assets, other than goodwill and indefinite-lived intangible assets, requires the allocation of cash flows to those assets or group of assets and, if required, an estimate of fair value for the assets or group of assets. Our estimates are based upon assumptions that we believe to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which do not reflect unanticipated events and circumstances that may occur.

We evaluate goodwill and intangible assets for impairment on an annual basis, or sooner if indicators of impairment exist. Under U.S. GAAP, the evaluation of indefinite-lived intangible assets for impairment allows for a qualitative assessment to be performed, which is similar to U.S. GAAP for evaluating goodwill for impairment. In performing these qualitative assessments, we consider relevant events and conditions, including but not limited to: macroeconomic trends, industry and market conditions, overall financial performance, cost factors, company-specific events, legal and regulatory factors, and our market capitalization. If the qualitative assessments indicate that it is more likely than not that the fair value of the reporting unit or indefinite-lived intangible assets are less than their carrying amounts, we must perform a quantitative impairment test.

Under the quantitative impairment test, if the carrying amount of the reporting unit goodwill or indefinite-lived intangible asset exceeds the fair value of the respective reporting unit goodwill or indefinite-lived intangible asset, an impairment loss is recorded in the statement of income. Measurement of the fair value of a reporting unit could be based on one or more of the following fair value measures: amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties, present value techniques of estimated future cash flows, valuation techniques based on multiples of earnings or revenue, or a similar performance measure.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential for economic losses to be incurred on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates, and equity investment risk. Management establishes and oversees the implementation of policies governing our investing, funding, and foreign currency derivative activities in order to mitigate market risks. We monitor risk exposures on an ongoing basis.

Interest Rate Risk

We are exposed to interest rate risk relating to our investment portfolio and from interest-rate sensitive assets underlying the customer balances we hold on our consolidated balance sheets as customer accounts.

As of December 31, 2020 and 2019, approximately 30% and 63%, respectively, of our total cash, cash equivalents, and investment portfolio (excluding restricted cash and strategic investments) was held in cash and cash equivalents. The assets underlying the customer balances which we hold on our consolidated balance sheets as customer accounts are maintained in interest and non-interest bearing bank deposits, time deposits, U.S. and foreign government and agency securities, corporate debt securities, and asset-backed securities. We seek to preserve principal while holding eligible liquid assets, as defined by applicable regulatory requirements and commercial law in certain jurisdictions where we operate, equal to at least 100% of the aggregate amount of all customer balances. We do not pay interest on amounts due to customers.

If interest rates increased by 100 basis points, the fair value of our available-for-sale debt securities investment portfolio would decrease by approximately $173 million and $68 million at December 31, 2020 and 2019, respectively.

We have $9.0 billion in fixed rate debt with varying maturity dates. Since these notes bear interest at fixed rates, they do not result in any financial statement risk associated with changes in interest rates. However, the fair value of these notes fluctuates when interest rates change. We also have a committed revolving credit facility of $5.0 billion available to us. We are obligated to pay interest on borrowings under this facility as well as other customary fees, including an upfront fee and an unused commitment fee based on our debt rating. Borrowings under this facility, if any, bear interest at floating rates. As a result, we are exposed to the risk related to fluctuations in interest rate to the extent of our borrowings. As of December 31, 2020 and 2019, we had no amounts outstanding under this credit facility. For additional information, see "Note 12—Debt" in the notes to the consolidated financial statements included in this Form 10-K.

Interest rates may also adversely impact our customers' spending levels and ability and willingness to pay outstanding amounts owed to us. Higher interest rates often lead to larger payment obligations by customers of our credit products to us, or to 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 allowances for loans and interest receivable, which could have an adverse effect on our net income.

Foreign Currency Exchange Rate Risk

We have significant operations internationally that are denominated in foreign currencies, primarily the British Pound, Euro, Australian Dollar, and Canadian Dollar, subjecting us to foreign currency exchange rate risk, which may adversely impact our financial results. We transact business in various foreign currencies and have significant international revenues and costs. In addition, we charge our international subsidiaries for their use of intellectual property and technology and for certain corporate services. Our cash flows, results of operations, and certain of our intercompany balances that are exposed to foreign currency exchange rate fluctuations may differ materially from expectations, and we may record significant gains or losses due to foreign currency fluctuations and related hedging activities. We are generally a net receiver of foreign currencies and therefore benefit from a weakening of the U.S. dollar, and are adversely affected by a strengthening of the U.S. dollar, relative to foreign currencies.

We have a foreign currency exchange exposure management program designed to identify material foreign currency exposures, manage these exposures, and reduce the potential effects of currency fluctuations on our consolidated cash flows and results of operations through the execution of foreign currency exchange contracts. These foreign currency exchange contracts are accounted for as derivative instruments. For additional details related to our foreign currency exchange contracts, please see "Note 10—Derivative Instruments" to the consolidated financial statements included in this Form 10-K.

We use foreign currency exchange forward contracts to protect our forecasted U.S. dollar-equivalent earnings and our investment in a foreign subsidiary from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign currency exchange rate movements. We designate these contracts as cash flow and net investment hedges for accounting purposes. The derivative's gain or loss is initially reported as a component of accumulated other comprehensive income ("AOCI"). Cash flow hedges are subsequently reclassified into the financial statement line item in which the hedged item is recorded in the same period the forecasted transaction affects earnings. The accumulated gains and losses associated with the net investment hedge will remain in AOCI until the foreign subsidiary is sold or substantially liquidated, at which point they will be reclassified into earnings.

We considered the historical trends in foreign currency exchange rates and determined that it was reasonably possible that changes in exchange rates of 20% for all currencies could be experienced in the near term. If the U.S. dollar weakened by 20% at December 31, 2020 and 2019, the amount recorded in AOCI related to our foreign currency exchange forward contracts, before taxes, would have been approximately $1.1 billion and $900 million lower, respectively. If the U.S. dollar strengthened by 20% at December 31, 2020 and 2019, the amount recorded in AOCI related to our foreign currency exchange forward contracts, before taxes, would have been approximately $1.1 billion and $900 million higher, respectively.

We have an additional foreign currency exchange management program in which we use foreign currency exchange contracts to offset the foreign currency exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. These contracts are not designated as hedging instruments and reduce, but do not entirely eliminate, the impact of currency exchange rate movements on our assets and liabilities. The foreign currency exchange gains and losses on our assets and liabilities are recorded in other income (expense), net, and are offset by the gains and losses on the foreign currency exchange contracts.

Adverse changes in exchange rates of 20% for all currencies would have resulted in an adverse impact on income before income taxes of approximately $353 million and $147 million at December 31, 2020 and 2019, respectively, without considering the offsetting effect of foreign currency exchange contracts. Foreign currency exchange contracts in place as of December 31, 2020 would have positively impacted income before income taxes by approximately $369 million, resulting in a net positive impact of approximately $16 million. Foreign currency exchange contracts in place as of December 31, 2019 would have positively impacted income before income taxes by approximately $153 million, resulting in a net positive impact of approximately $6 million. These reasonably possible adverse changes in exchange rates of 20% were applied to total monetary assets and liabilities denominated in currencies other than the functional currencies of our subsidiaries at the balance sheet dates to compute the adverse impact these changes would have had on our income before income taxes in the near term.

Equity Investment Risk

Our strategic investments are subject to a variety of market-related risks that could substantially reduce or increase the carrying value of the portfolio. As of December 31, 2020 and 2019, our strategic investments totaled $3.2 billion and $1.8 billion, respectively, which represented approximately 17% and 13% of our total cash, cash equivalents, and investment portfolio at each of those respective dates. Our strategic investments include marketable equity securities, which are publicly traded, and non-marketable equity securities, which are investments in privately held companies that are not publicly traded. We are required to record all adjustments to the value of these strategic investments through our consolidated statements of income. As such, we anticipate volatility to our net income in future periods due to changes in fair value related to our investments in marketable equity securities and changes in observable prices related to our non-marketable equity securities accounted for under the Measurement Alternative. These changes could be material based on market conditions. A hypothetical adverse change of 10% in the carrying value of our strategic investments, which could be experienced in the near term, would have resulted in a decrease of approximately $323 million to the carrying value of the portfolio as of December 31, 2020. We review our non-marketable equity investments accounted for under the Measurement Alternative for impairment when events and circumstances indicate a decline in fair value of such assets below carrying value. Our analysis includes a review of recent operating results and trends, recent purchases and sales of securities, and other publicly available data.

Item 8. Financial Statements and Supplementary Data

The audited consolidated financial statements covering the years ended December 31, 2020, 2019, and 2018 and accompanying notes listed in Part IV, Item 15(a)(1) of this Form 10-K are included in this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures. Based on the evaluation of our disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), our principal executive officer and our principal financial officer have concluded that as of December 31, 2020, the end of the period covered by this report, our disclosure controls and procedures were effective.

Management's report on internal control over financial reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15(a) of this Form 10-K.

Changes in internal controls over financial reporting. There were no changes in our internal controls over financial reporting as defined in Exchange Act Rule 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2020.

Item 11. Executive Compensation

Incorporated by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2020.

Item 14. Principal Accounting Fees and Services

Incorporated by reference from our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2020.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of PayPal Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of PayPal Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2020 listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on financial instruments in 2020 and the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loans Receivable

As described in Notes 1 and 11 to the consolidated financial statements, as of December 31, 2020, the Company recorded total loans and interest receivable of $2,769 million, net of an allowance for current expected credit losses of $838 million. The allowance for loans receivable is primarily based on expectations of credit losses based on historical lifetime loss data as well as macroeconomic forecasts applied to the portfolio, which is segmented by factors such as geographic region, delinquency and vintage. Management applies macroeconomic factors such as forecasted trends in unemployment and benchmark credit card charge-off rates, which are sourced externally, using a single scenario to reflect the economic conditions applicable to a particular period. Management also includes qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of current expected credit losses.

The principal considerations for our determination that performing procedures relating to the allowance for loans receivable is a critical audit matter are (i) the significant judgment by management in estimating the allowance for loans receivable, which in turn led to a high level of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's application of macroeconomic forecasts and certain qualitative adjustments to the allowance for loans receivable; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the allowance for loans receivable, including controls over the application of macroeconomic forecasts and qualitative adjustments to the allowance. These procedures also included, among others, the involvement of professionals with specialized skill and knowledge to assist in testing management's process for estimating the allowance for loans receivable. Testing management's process included (i) evaluating the appropriateness of the methodology and models (ii) testing the completeness and accuracy of certain data used in the estimate, and (iii) evaluating the reasonableness of management's application of macroeconomic forecasts and certain qualitative adjustments to the allowance.

/s/ PricewaterhouseCoopers LLP
San Jose, California
February 4, 2021

We have served as the Company's auditor since 2000.

PayPal Holdings, Inc.

Consolidated Balance Sheets

(In millions, except par value)	As of December 31, 2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,794	$ 7,349
Short-term investments	8,289	3,412
Accounts receivable, net	577	435
Loans and interest receivable, net of allowances of $838 and $258 as of December 31, 2020 and 2019, respectively	2,769	3,972
Funds receivable and customer accounts	33,418	22,527
Prepaid expenses and other current assets	1,148	800
Total current assets	50,995	38,495
Long-term investments	6,089	2,863
Property and equipment, net	1,807	1,693
Goodwill	9,135	6,212
Intangible assets, net	1,048	778
Other assets	1,305	1,292
TOTAL ASSETS	**$ 70,379**	**$ 51,333**
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 252	$ 232
Funds payable and amounts due to customers	35,418	24,527
Accrued expenses and other current liabilities	2,648	2,087
Income taxes payable	129	73
Total current liabilities	38,447	26,919
Deferred tax liability and other long-term liabilities	2,930	2,520
Long-term debt	8,939	4,965
Total liabilities	50,316	34,404
Commitments and contingencies (Note 13)		
Equity:		
Common stock, $0.0001 par value; 4,000 shares authorized; 1,172 and 1,173 shares outstanding as of December 31, 2020 and 2019, respectively	—	—
Preferred stock, $0.0001 par value; 100 shares authorized, unissued	—	—
Treasury stock at cost, 117 and 105 shares as of December 31, 2020 and 2019, respectively	(8,507)	(6,872)
Additional paid-in-capital	16,644	15,588
Retained earnings	12,366	8,342
Accumulated other comprehensive income (loss)	(484)	(173)
Total PayPal Stockholders' equity	20,019	16,885
Noncontrolling interest	44	44
Total equity	20,063	16,929
TOTAL LIABILITIES AND EQUITY	**$ 70,379**	**$ 51,333**

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Income

(In millions, except for per share amounts)	Year Ended December 31, 2020	2019	2018
Net revenues	$ 21,454	$ 17,772	$ 15,451
Operating expenses:			
Transaction expense	7,934	6,790	5,581
Transaction and credit losses	1,741	1,380	1,274
Customer support and operations	1,778	1,615	1,407
Sales and marketing	1,861	1,401	1,314
Technology and development	2,642	2,085	1,831
General and administrative	2,070	1,711	1,541
Restructuring and other charges	139	71	309
Total operating expenses	18,165	15,053	13,257
Operating income	3,289	2,719	2,194
Other income (expense), net	1,776	279	182
Income before income taxes	5,065	2,998	2,376
Income tax expense	863	539	319
NET INCOME	**$ 4,202**	**$ 2,459**	**$ 2,057**
Net income per share:			
Basic	$ 3.58	$ 2.09	$ 1.74
Diluted	$ 3.54	$ 2.07	$ 1.71
Weighted average shares:			
Basic	1,173	1,174	1,184
Diluted	1,187	1,188	1,203

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
(In millions)	2020	2019	2018
Net income	$ 4,202	$ 2,459	$ 2,057
Other comprehensive income (loss), net of reclassification adjustments:			
Foreign currency translation adjustments ("CTA")	(48)	(57)	(68)
Net investment hedge CTA gain (loss)	55	(31)	—
Unrealized (losses) gains on cash flow hedges, net	(329)	(176)	293
Tax benefit (expense) on unrealized (losses) gains on cash flow hedges, net	4	3	(5)
Unrealized gains (losses) on investments, net	9	15	(1)
Tax (expense) benefit on unrealized gains (losses) on investments, net	(2)	(5)	1
Other comprehensive income (loss), net of tax	(311)	(251)	220
COMPREHENSIVE INCOME	**$ 3,891**	**$ 2,208**	**$ 2,277**

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Stockholders' Equity

(In millions)	Common Stock Shares	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
BALANCES AT DECEMBER 31, 2017	**1,200**	**$(2,001)**	**$ 14,314**	**$ (142)**	**$ 3,823**	**$ —**	**$15,994**
Net income	—	—	—	—	2,057	—	2,057
Foreign CTA	—	—	—	(68)	—	—	(68)
Unrealized gain on cash flow hedges, net	—	—	—	293	—	—	293
Tax expense on unrealized gains on cash flow hedges, net	—	—	—	(5)	—	—	(5)
Unrealized losses on investments, net	—	—	—	(1)	—	—	(1)
Tax benefit on unrealized losses on investments, net	—	—	—	1	—	—	1
Common stock and stock-based awards issued and assumed, net of shares withheld for employee taxes	18	—	(251)	—	—	—	(251)
Common stock repurchased	(44)	(3,510)	(15)	—	—	—	(3,525)
Stock-based compensation	—	—	891	—	—	—	891
BALANCES AT DECEMBER 31, 2018	**1,174**	**$ (5,511)**	**$ 14,939**	**$ 78**	**$ 5,880**	**$ —**	**$15,386**
Adoption of lease accounting standard					3	—	3
Net income	—	—	—	—	2,459	—	2,459
Foreign CTA	—	—	—	(57)	—	—	(57)
Net investment hedge CTA loss				(31)			(31)
Unrealized losses on cash flow hedges, net	—	—	—	(176)	—	—	(176)
Tax benefit on unrealized losses on cash flow hedges, net	—	—	—	3	—	—	3
Unrealized gains on investments, net	—	—	—	15	—	—	15
Tax expense on unrealized gains on investments, net	—	—	—	(5)	—	—	(5)
Common stock and stock-based awards issued and assumed, net of shares withheld for employee taxes	13	—	(365)	—	—	—	(365)
Common stock repurchased	(14)	(1,361)	(45)	—	—	—	(1,406)
Stock-based compensation	—	—	1,059	—	—	—	1,059
Purchase of noncontrolling interest	—	—	—	—	—	44	44
BALANCES AT DECEMBER 31, 2019	**1,173**	**$(6,872)**	**$ 15,588**	**$ (173)**	**$ 8,342**	**$ 44**	**$16,929**
Adoption of current expected credit loss standard	—	—	—	—	(178)	—	(178)
Net income	—	—	—	—	4,202	—	4,202
Foreign CTA	—	—	—	(48)	—	—	(48)
Net investment hedge CTA gain	—	—	—	55	—	—	55
Unrealized losses on cash flow hedges, net	—	—	—	(329)	—	—	(329)
Tax benefit on unrealized losses on cash flow hedges, net	—	—	—	4	—	—	4
Unrealized gains on investments, net	—	—	—	9	—	—	9
Tax expense on unrealized gains on investments, net	—	—	—	(2)	—	—	(2)
Common stock and stock-based awards issued and assumed, net of shares withheld for employee taxes	11	—	(365)	—	—	—	(365)
Common stock repurchased	(12)	(1,635)	—	—	—	—	(1,635)
Stock-based compensation	—	—	1,421	—	—	—	1,421
BALANCES AT DECEMBER 31, 2020	**1,172**	**$(8,507)**	**$ 16,644**	**$ (484)**	**$12,366**	**$ 44**	**$20,063**

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Cash Flows

(In millions)	Year Ended December 31, 2020	2019	2018
Cash flows from operating activities:			
Net income	$ 4,202	$ 2,459	$ 2,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Transaction and credit losses	1,741	1,380	1,274
Depreciation and amortization	1,189	912	776
Stock-based compensation	1,376	1,021	853
Deferred income taxes	165	(269)	(171)
Cost basis adjustments to loans and interest receivable held for sale	—	—	244
Net gains on strategic investments	(1,914)	(208)	(87)
Other	47	(149)	(85)
Changes in assets and liabilities:			
Accounts receivable	(100)	(120)	(59)
Changes in loans and interest receivable held for sale, net	—	4	1,407
Transaction loss allowance for cash losses, net	(1,120)	(1,079)	(1,046)
Other current assets and non-current assets	(498)	(566)	(93)
Accounts payable	(4)	4	26
Income taxes payable	(230)	(40)	(44)
Other current liabilities and non-current liabilities	1,000	722	428
Net cash provided by operating activities	5,854	4,071	5,480
Cash flows from investing activities:			
Purchases of property and equipment	(866)	(704)	(823)
Proceeds from sales of property and equipment	120	17	3
Changes in principal loans receivable, net	294	(1,631)	3,121
Purchases of investments	(41,513)	(27,881)	(22,381)
Maturities and sales of investments	30,908	24,878	21,898
Acquisitions, net of cash and restricted cash acquired	(3,609)	(70)	(2,124)
Funds receivable	(1,552)	(351)	1,127
Net cash (used in) provided by investing activities	(16,218)	(5,742)	821
Cash flows from financing activities:			
Proceeds from issuance of common stock	137	138	144
Purchases of treasury stock	(1,635)	(1,411)	(3,520)
Tax withholdings related to net share settlements of restricted stock units and restricted stock awards	(521)	(504)	(419)
Borrowings under financing arrangements	6,966	5,471	2,075
Repayments under financing arrangements	(3,000)	(2,516)	(1,115)
Funds payable and amounts due to customers	10,597	3,009	1,595
Other financing activities	(52)	—	—
Net cash provided by (used in) financing activities	12,492	4,187	(1,240)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	169	(6)	(113)
Net change in cash, cash equivalents, and restricted cash	2,297	2,510	4,948
Cash, cash equivalents, and restricted cash at beginning of period	15,743	13,233	8,285
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	**$ 18,040**	**$ 15,743**	**$ 13,233**

(In millions)	Year Ended December 31, 2020	2019	2018
Supplemental cash flow disclosures:			
Cash paid for interest	$ 190	$ 78	$ 69
Cash paid for income taxes, net	$ 565	$ 665	$ 328
The below table reconciles cash, cash equivalents, and restricted cash as reported in the consolidated balance sheets to the total of the same amounts shown in the consolidated statements of cash flows:			
Cash and cash equivalents	$ 4,794	$ 7,349	$ 7,575
Short-term and long-term investments	24	7	16
Funds receivable and customer accounts	13,222	8,387	5,642
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH SHOWN IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS	**$ 18,040**	**$ 15,743**	**$ 13,233**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1—Overview and Summary of Significant Accounting Policies

Overview and Organization

PayPal Holdings, Inc. ("PayPal," the "Company," "we," "us," or "our") 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 merchants and consumers worldwide. PayPal is committed to democratizing financial services to improve the financial health of individuals and to increase economic opportunity for entrepreneurs and business of all sizes around the world. Our goal is to enable our merchants and consumers to manage and move their money anywhere in the world, anytime, on any platform, and using any device when sending payments or getting paid. We also facilitate person-to-person ("P2P") payments through our PayPal, Venmo, and Xoom products and services and simplify and personalize shopping experiences for our consumers through our Honey Platform. Our combined payment solutions, including our core PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle, and Hyperwallet products and services, comprise our proprietary Payments Platform. The terms "we," "our," "us," "the Company," and "PayPal" mean PayPal Holdings, Inc. and, unless otherwise expressly stated or the context requires, its subsidiaries.

We operate globally and in a rapidly evolving regulatory environment characterized by a heightened focus by regulators globally on all aspects of the payments industry, including countering terrorist financing, anti-money laundering, privacy, cybersecurity, and consumer protection. 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. New or changing laws and regulations, including the changes to their interpretation and implementation, as well as increased penalties and enforcement actions related to non-compliance, could have a material adverse impact on our business, results of operations, and financial condition. We monitor these areas closely and are focused on designing compliant solutions for our customers.

Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of PayPal and our wholly- and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Noncontrolling interest reported as a component of equity on our consolidated balance sheets represents the equity interests not owned by PayPal and is recorded for consolidated entities we control and of which we own less than 100%. Noncontrolling interest is not presented separately on our consolidated statements of income as the amount is de minimis.

Investments in entities where we have the ability to exercise significant influence, but not control, over the investee are accounted for using the equity method of accounting. For such investments, our share of the investee's results of operations is included in other income (expense), net on our consolidated statements of income and our investment balance is included in long-term investments on our consolidated balance sheets. Investments in entities where we do not have the ability to exercise significant influence over the investee are accounted for at fair value or cost minus impairment, if any, adjusted for changes resulting from observable price changes, which are included in other income (expense), net on our consolidated statements of income. Our investment balance is included in long-term investments on our consolidated balance sheets.

We determine at the inception of each investment, and re-evaluate if certain events occur, whether an entity in which we have made an investment is considered a variable interest entity ("VIE"). If we determine an investment is a VIE, we then assess if we are the primary beneficiary, which would require consolidation. As of December 31, 2020, none of these VIEs qualified for consolidation as the structures of these entities do not provide us with the ability to direct the activities that would significantly impact their economic performance. The carrying value of our investments that are VIEs was de minimis and included as non-marketable equity securities accounted for using the equity method of accounting in long-term investments on our consolidated balance sheets. Our maximum exposure to loss, including the carrying value of the investments and any future funding commitments, was $105 million as of December 31, 2020.

In the opinion of management, these consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the consolidated financial statements for all periods presented. Certain amounts for prior years have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2020.

Reclassifications

Beginning with the fourth quarter of 2020, we reclassified certain cash flows related to customer balances from cash flows from operating activities to cash flows from investing activities and cash flows from financing activities within the consolidated statements of cash flows. Prior period amounts have been reclassified to conform to the current period presentation. These changes have no impact on our previously reported consolidated net income, financial position, net change in cash, cash equivalents, and restricted cash, or total cash, cash equivalents, and restricted cash as reported on our consolidated statements of cash flows.

The current period presentation classifies all changes in funds receivable and customer accounts and funds payable and amounts due to customers consistently on our consolidated statement of cash flows as cash flows from investing activities and cash flows from financing activities, respectively, regardless of which product the cash flows relate to on our Payments Platform. The current period presentation provides a more meaningful representation of the cash flows related to the movement of customer funds due to the restrictions on and use of those funds.

The following tables present the effects of the changes on the presentation of these cash flows to the previously reported consolidated statements of cash flows:

	Year Ended December 31, 2019		
(In millions)	As Previously Reported(1)	Adjustments	Reclassified
Net cash provided by (used in):			
Operating activities(2)	$ 4,561	$ (490)	$ 4,071
Investing activities(3)	(5,733)	(9)	(5,742)
Financing activities(4)	3,688	499	4,187
Effect of exchange rates on cash, cash equivalents, and restricted cash	(6)	—	(6)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**$ 2,510**	**$ —**	**$ 2,510**

(1) As reported in our 2019 Form 10-K filed with the SEC on February 6, 2020.
(2) Financial statement lines impacted in operating activities were "Funds receivable" and "Funds payable and amounts due to customers," which increased by $9 million and decreased by $499 million, respectively, to arrive at the reclassified amounts.
(3) Financial statement line impacted in investing activities was "Funds receivable."
(4) Financial statement line impacted in financing activities was "Funds payable and amounts due to customers."

	Year Ended December 31, 2018		
(In millions)	As Previously Reported(1)	Adjustments	Reclassified
Net cash provided by (used in):			
Operating activities(2)	$ 5,483	$ (3)	$ 5,480
Investing activities(3)	840	(19)	821
Financing activities(4)	(1,262)	22	(1,240)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(113)	—	(113)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**$ 4,948**	**$ —**	**$ 4,948**

(1) As reported in our 2019 Form 10-K filed with the SEC on February 6, 2020.
(2) Financial statement lines impacted in operating activities were "Funds receivable" and "Funds payable and amounts due to customers," which increased by $19 million and decreased by $22 million, respectively, to arrive at the reclassified amounts.
(3) Financial statement line impacted in investing activities was "Funds receivable."
(4) Financial statement line impacted in financing activities was "Funds payable and amounts due to customers."

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to provisions for transaction and credit losses, loss contingencies, income taxes, revenue recognition, and the valuation of goodwill and intangible assets. We base our estimates on historical experience and various other assumptions which we believe to be reasonable under the circumstances. These estimates may change as new events occur, and as additional information surrounding the continued impact of the novel coronavirus ("COVID-19") pandemic becomes available. Actual results could differ from these estimates and any such differences may be material to our financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less when purchased and are composed of primarily bank deposits, government and agency securities, and commercial paper.

Investments

Short-term investments include time deposits, government and agency securities, and corporate debt securities with original maturities of greater than three months but less than one year when purchased or maturities of less than one year on the reporting date. Long-term investments include time deposits, government and agency securities, corporate debt securities, and asset-backed securities with maturities exceeding one year, and our strategic investments. Government and agency securities, corporate debt securities, and asset-backed securities are classified as available-for-sale and are reported at fair value using the specific identification method. Unrealized gains and losses are reported as a component of other comprehensive income (loss), net of related estimated tax provisions or benefits.

We elect to account for foreign currency denominated available-for-sale investments underlying funds receivable and customer accounts, short-term investments, and long-term investments under the fair value option as further discussed in "Note 9—Fair Value Measurement of Assets and Liabilities." The changes in fair value related to initial measurement and subsequent changes in fair value are included in earnings as a component of other income (expense), net.

Our strategic investments consist of marketable equity securities, which are publicly traded, and non-marketable equity securities, which are investments in privately held companies. Marketable equity securities have readily determinable fair values with changes in fair value recorded in other income (expense), net. Non-marketable equity securities include investments that do not have a readily determinable fair value, as well as equity method investments. The investments that do not have readily determinable fair value are measured at cost minus impairment, if any, adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer (the "Measurement Alternative"). All gains and losses on these investments, realized and unrealized, are recorded in other income (expense), net on our consolidated statements of income. Our investments where we have the ability to exercise significant influence, but not control, over the investee are accounted for as equity method investments and our share of the investee's results of operations is included in other income (expense), net.

We assess whether an impairment loss on our non-marketable equity securities and an other-than-temporary impairment loss on our equity method investments (and available-for-sale debt securities, prior to 2020) has occurred due to declines in fair value or other market conditions. If any impairment is identified for non-marketable equity securities or impairment is considered other-than-temporary for our equity method investments (and available-for-sale debt securities, prior to 2020), we write down the investment to its fair value and record the corresponding charge through other income (expense), net in our consolidated statements of income. With respect to our available-for-sale debt securities, prior to 2020, this assessment took into account the severity and duration of the decline in value, our intent to sell the security, whether it was more likely than not we would be required to sell the security before recovery of its amortized cost basis, and whether we expected to recover the entire amortized cost basis of the security (that is, whether a credit loss existed). Beginning in 2020, our available-for-sale debt securities in an unrealized loss position will be written down to fair value through a charge to other income (expense), net in our consolidated statements of income if we intend to sell the security or it is more likely than not we will be required to sell the security before recovery of its amortized cost basis. For the remaining available-for-sale debt securities in an unrealized loss position, if we identify that the decline in fair value has resulted from credit losses, taking into consideration changes to the rating of the security by rating agencies, implied yields versus benchmark yields, and the extent to which fair value is less than amortized cost, among other factors, we will estimate the present value of cash flows expected to be collected. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Any portion of impairment not related to credit losses is recognized in other comprehensive income.

Loans and Interest Receivable, Net

Loans and interest receivable, net represents merchant receivables originated under our PayPal Working Capital ("PPWC") product and PayPal Business Loan ("PPBL") product and consumer loans originated under our PayPal Credit and installment credit products.

In the U.S., we partner with an independent chartered financial institution that extends credit to merchants using our PPWC product or PPBL product and purchase the related receivables extended by the independent chartered financial institution. For our merchant credit products outside the U.S., we extend working capital advances in the U.K. and loans in Germany through our Luxembourg banking subsidiary, and working capital loans in Australia through an Australian subsidiary. In the U.S., we extend installment loans to consumers through a U.S. subsidiary. For our international consumer credit products, we extend credit through our Luxembourg banking subsidiary.

As part of our arrangement with the independent chartered financial institution in the U.S., we sell back a participation interest in the pool of merchant receivables. The independent chartered financial institution has no recourse against us related to their participation interests for failure of debtors to pay when due. The participation interests held by the chartered financial institution have the same priority to the interests held by us and are subject to the same credit, prepayment, and interest rate risk associated with this pool of merchant receivables. All risks of loss are shared pro rata based on participation interests held among all participating stakeholders. We account for the asset transfer as a sale and derecognize the portion of the participation interests for which control has been surrendered. For this arrangement, gains or losses on the sale of the participation interests are not material as the carrying amount of the participation interest sold approximates the fair value at time of transfer.

In instances where a merchant is able to demonstrate that they are experiencing financial difficulty, there may be a modification of the loans or advances and the related interest receivable for which it is probable that, without modification, we will be unable to collect all amounts due, therefore resulting in a troubled debt restructuring ("TDR"). Refer to "Note 11—Loans and Interest Receivable" for further information related to TDRs.

Loans, advances, and interest and fees receivable are reported at their outstanding balances, net of any participation interests sold and pro rata current expected credit losses, including unamortized deferred origination costs. We maintain the servicing rights for the entire pool of consumer and merchant receivables outstanding and receive a fee approximating the fair value for servicing the assets underlying the participation interest sold.

We offer both revolving and installment credit products to our consumers. The terms of our consumer relationships require us to submit monthly bills to the consumer detailing loan repayment requirements. The terms also allow us to charge the consumer interest and fees in certain circumstances. Due to the relatively small dollar amount of individual loans and interest receivable, we do not require collateral on these balances.

U.S. Consumer Credit Portfolio

In November 2017, we reached an agreement to sell our U.S. consumer credit receivables portfolio to Synchrony Bank ("Synchrony"). Following the closing of this transaction in July 2018, Synchrony became the exclusive issuer of the PayPal Credit online consumer financing program in the U.S. We no longer hold an ownership interest in the receivables generated through the program and thus, no longer record these receivables on our consolidated financial statements. PayPal earns a revenue share on the portfolio of consumer receivables owned by Synchrony, which includes both the sold and newly generated receivables, and it is recorded in revenues from other value added services on our consolidated statements of income.

Through the closing of the transaction with Synchrony, we continued to work with an independent chartered financial institution to extend credit to U.S. consumers using our PayPal Credit product. We purchased the related receivables extended by the independent chartered financial institution until July 2018. As part of the arrangements we had with the independent chartered financial institution in the U.S., we sold back a participation interest in the pool of U.S. consumer receivables outstanding under PayPal Credit consumer accounts. For these arrangements, gains or losses on the sale of the participation interest were not material as the carrying amount of the participation interest sold approximated the fair value at time of transfer.

Allowance for Loans and Interest Receivable

The allowance for loans and interest receivable represents our estimate of current expected credit losses inherent in our portfolio of loans and interest receivables. Increases to the allowance for loans receivable are reflected as a component of transaction and credit losses on our consolidated statements of income. Increases to the allowance for interest and fees receivable are reflected as a reduction of net revenues on our consolidated statements of income, or as a reduction of deferred revenue when interest and fees are billed at the inception of a loan or advance. The evaluation process to assess the adequacy of allowances is subject to numerous estimates and judgments.

Beginning in 2020, the allowance for loans and interest receivable is primarily based on expectations of credit losses based on historical lifetime loss data as well as macroeconomic forecasts applied to the portfolio, which is segmented by factors such as geographic region, delinquency, and vintage. Loss curves are generated using historical loss data for each loan portfolio and are applied to segments of each portfolio, categorized by factors such as geographic region, first borrowing versus reuse, delinquency, credit rating, and vintage, which vary by portfolio. We then apply macroeconomic factors such as forecasted trends in unemployment and benchmark credit card charge-off rates, which are sourced externally, using a single scenario that we believe is most appropriate to the economic conditions applicable to a particular period. Projected loss rates, inclusive of historical loss data and macroeconomic factors, are applied to the principal amount of our consumer and merchant receivables. We also include qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of our current expected credit losses. Our consumer receivables are primarily revolving in nature and do not have a contractual term; however, the reasonable and supportable forecast period we have included in our projected loss rates based on externally sourced data is approximately seven years. Our merchant receivables vary in contractual term; however, the reasonable and supportable forecast period considered for projected loss rates is approximately 2.5 to 3.5 years, depending upon the product. The allowance for credit losses on interest and fees receivable is determined primarily by applying loss curves to each portfolio by geography, delinquency, and period of origination, among other factors.

Prior to 2020, the allowance for our consumer loans receivable was primarily based on forecasted principal balance delinquency rates ("roll rates"). Roll rates are the percentage of balances which we estimate would migrate from one stage of delinquency to the next based on our historical experience, as well as external factors such as estimated bankruptcies and levels of unemployment. Roll rates were applied to the principal amount of our consumer receivables for each stage of delinquency, from current to 179 days past the payment due date, in order to estimate the principal loans which had incurred losses and were probable to be charged off. For merchant loans and advances receivable, the allowance was primarily based on principal balances, forecasted delinquency rates, and recoveries through the use of a vintage-based loss forecasting model. The determination of delinquency, from current to 179 days past due, for principal balances related to merchant receivables outstanding was based on the current expected or contractual repayment period of the loan or advance and interest or fixed fee as compared to the original expected or contractual repayment period. The allowance for loss against interest receivable was primarily determined by applying historical average customer account roll rates to the interest receivable balance in each stage of delinquency to project the value of accounts that had incurred losses and were probable to be charged off. The allowance for fees receivable was primarily based on fee balances, forecasted delinquency rates, and recoveries through the use of a vintage-based loss forecasting model.

In connection with our agreement to sell our U.S. consumer credit receivables to Synchrony and the designation of that portfolio as held for sale, in November 2017, we reversed the corresponding allowances against those loans and interest receivable balances. Such allowances on any newly originated U.S. consumer loans and interest receivables, held for sale were not established. Adjustments to the cost basis of this portfolio until the sale was completed in July 2018, which were primarily driven by charge-offs, were recorded in restructuring and other charges on our consolidated statements of income.

Customer Accounts

We hold all customer balances, both in the U.S. and internationally, as direct claims against us which are reflected on our consolidated balance sheets as a liability classified as amounts due to customers. Certain jurisdictions where PayPal operates require us to hold eligible liquid assets, as defined by applicable regulatory requirements and commercial law in these jurisdictions, equal to at least 100% of the aggregate amount of all customer balances. Therefore, we restrict the use of the assets underlying the customer balances to meet these regulatory requirements and separately classify the assets as customer accounts in our consolidated balance sheets. We classify the assets underlying the customer balances as current based on their purpose and availability to fulfill our direct obligation under amounts due to customers. Customer funds for which PayPal is an agent and custodian on behalf of our customers are not reflected on our consolidated balance sheets. These funds include U.S. dollar funds which are deposited at one or more third-party financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and are eligible for FDIC pass-through insurance (subject to applicable limits). We act as an agent in facilitating cryptocurrency transactions on behalf of our customers. Cryptocurrencies held on behalf of our customers are not PayPal's assets and therefore are not reflected on our consolidated balance sheets.

In June 2018, the Luxembourg Commission de Surveillance du Secteur Financier (the "CSSF") agreed that PayPal's management may designate up to 35% of European customer balances held in our Luxembourg banking subsidiary to be used for European and U.S. credit activities. As of December 31, 2020, the cumulative amount approved by management to be designated for credit activities aggregated to $2.0 billion and represented approximately 21% of European customer balances potentially available for our corporate use at that date, as determined by applying financial regulations maintained by the CSSF. At the time PayPal's management designates the European customer balances held in our Luxembourg banking subsidiary to be used to extend credit, the balances are classified as cash and cash equivalents and no longer classified as customer accounts on our consolidated balance sheets. The remaining assets underlying the customer balances remain separately classified as customer accounts on our consolidated balance sheets. We do not commingle these customer accounts with corporate funds and maintain these assets separately in interest and non-interest bearing bank deposits, time deposits, corporate debt securities, government and agency securities, and asset-backed securities. See "Note 8—Funds Receivable and Customer Accounts and Investments" for additional information related to customer accounts.

We present changes in funds receivable and customer accounts as cash flows from investing activities in our consolidated statements of cash flows based on the nature of the activity underlying our customer accounts.

Funds Receivable and Funds Payable

Funds receivable and funds payable arise due to the time required to initiate collection from and clear transactions through external payment networks. When customers fund their PayPal account using their bank account, credit card, debit card, or withdraw funds from their PayPal account to their bank account or through a debit card transaction, there is a clearing period before the cash is received or settled, usually one to three business days for U.S. transactions and generally up to five business days for international transactions. In addition, a portion of our customers' funds are settled directly to their bank account. These funds are also classified as funds receivable and funds payable and arise due to the time required to initiate collection from and clear transactions through external payment networks.

Property and Equipment

Property and equipment consists primarily of computer equipment, software and website development costs, land and buildings, and leasehold improvements. Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets; generally, one to four years for computer equipment and software, including capitalized software and website development costs, three years for furniture and fixtures, up to 30 years for buildings and building improvements, and the shorter of five years or the non-cancelable term of the lease for leasehold improvements.

Leases

We determine whether an arrangement is a lease for accounting purposes at contract inception. Operating leases are recorded as right-of-use ("ROU") assets, which are included in other assets, and lease liabilities, which are included in accrued expenses and other current liabilities and deferred tax liability and other long-term liabilities on our consolidated balance sheets. For sale-leaseback transactions, we evaluate the sale and the lease arrangement based on our conclusion as to whether control of the underlying asset has been transferred and recognize the sale-leaseback as either a sale transaction or under the financing method. The financing method requires the asset to remain on our consolidated balance sheets throughout the term of the lease and the proceeds to be recognized as a financing obligation. As of December 31, 2020, we had no finance leases.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Our leases do not provide an implicit rate and therefore we use an incremental borrowing rate for specific terms on a collateralized basis based on the information available on the commencement date in determining the present value of lease payments. The ROU asset calculation includes lease payments to be made and excludes lease incentives. The ROU asset and lease liability may include amounts attributed to options to extend or terminate the lease when it is reasonably certain we will exercise that option. When we reach a decision to exercise a lease renewal or termination option, we recognize the associated impact to the ROU asset and lease liability. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

We evaluate ROU assets related to leases for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an ROU asset may not be recoverable. When a decision has been made to exit a lease prior to the contractual term or to sublease that space, we evaluate the asset for impairment and recognize the associated impact to the ROU asset and related expense, if applicable. The evaluation is performed at the asset group level initially and when appropriate, at the lowest level of identifiable cash flows, which is at the individual lease level. Undiscounted cash flows expected to be generated by the related ROU assets are estimated over the ROU assets' useful lives. If the evaluation indicates that the carrying amount of the ROU assets may not be recoverable, any potential impairment is measured based upon the fair value of the related ROU asset or asset group as determined by appropriate valuation techniques.

We have lease agreements with lease and non-lease components. We have elected to apply the practical expedient and account for the lease and non-lease components as a single lease component for all leases, where applicable. In addition, we have elected the practical expedients related to lease classification, hindsight, and land easement. We apply a single portfolio approach to account for the ROU assets and lease liabilities.

The Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842) effective January 1, 2019, using a modified retrospective basis and applied the optional practical expedients related to the transition.

Goodwill and Intangible Assets

Goodwill is tested for impairment, at a minimum, on an annual basis at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The fair value of the reporting unit may be estimated using income and market approaches. The discounted cash flow method, a form of the income approach, uses expected future operating results and a market participant discount rate. The market approach uses comparable company prices and other relevant information generated by market transactions (either publicly traded entities or mergers and acquisitions) to develop pricing metrics to be applied to historical and expected future operating results of the reporting unit. Failure to achieve these expected results, changes in the discount rate, or market pricing metrics, may cause a future impairment of goodwill at the reporting unit level. We conducted our annual impairment test of goodwill as of August 31, 2020 and 2019. We determined that no adjustment to the carrying value of goodwill of our reporting unit was required. As of December 31, 2020, we determined that no events occurred, or circumstances changed from August 31, 2020 through December 31, 2020 that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Intangible assets consist of acquired customer list and user base intangible assets, marketing related intangibles, developed technology, and other intangible assets. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to eight years. No significant residual value is estimated for intangible assets.

Impairment of Long-Lived Assets

We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net discounted cash flow the asset is expected to generate.

Allowance for Transaction Losses

We are exposed to transaction losses due to credit card and other payment misuse as well as nonperformance from sellers who accept payments through PayPal. We establish an allowance for estimated losses arising from completing customer transactions, such as chargebacks for unauthorized credit card use and merchant-related chargebacks due to non-delivery or unsatisfactory delivery of purchased items, buyer protection program claims, and account takeovers. This allowance represents an accumulation of the estimated amounts of probable transaction losses as of the reporting date, including those which we have not yet identified. The allowance is monitored regularly and is updated based on actual data received, including actual claims data reported by our claims processors. The allowance is based on known facts and circumstances, internal factors including experience with similar cases, historical trends involving loss payment patterns, the mix of transaction and loss types, as applicable. Additions to the allowance are reflected as a component of transaction and credit losses on our consolidated statements of income. The allowance for transaction losses was included in accrued expenses and other current liabilities on our consolidated balance sheets.

Allowance for Negative Customer Balances

Negative customer balances occur primarily when there are insufficient funds in a customer's PayPal account to cover charges applied for Automated Clearing House returns, debit card transactions, and merchant-related chargebacks due to non-delivery or unsatisfactory delivery of purchased items, which are generally within the scope of our protection programs. Negative customer balances can be cured by the customer by adding funds to their account, receiving payments, or through back-up funding sources. We also utilize third-party collection agents. For negative customer balances that are not expected to be cured or otherwise collected, we provide an allowance for expected losses. The allowance represents expected losses based on historical trends involving collection and write-off patterns, internal factors including our experience with similar cases, other known facts and circumstances, and reasonable and supportable macroeconomic forecasts, as applicable. Loss rates are derived using historical loss data for each delinquency bucket using a roll rate model that captures the losses and the likelihood that a negative customer balance will be written-off as the delinquency age of such balance increases. The loss rates are then applied to the outstanding negative customer balances. Once the quantitative calculation is performed, we review the adequacy of the allowance and determine if qualitative adjustments need to be considered. We write-off negative customer balances in the month in which the balance becomes outstanding for 120 days. Write-offs that are recovered are recorded as a reduction to our allowance for negative customer balances. Negative customer balances are included in other current assets, net of the allowance on our consolidated balance sheets. Adjustments to the allowance for negative customer balances are recorded as a component of transaction and credit losses on our consolidated statements of income.

Derivative Instruments

See "Note 10—Derivative Instruments" for information related to the derivative instruments.

Fair Value of Financial Instruments

Our financial assets and liabilities are valued using market prices on both active markets (Level 1) and less active markets (Level 2). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from quoted prices for identical instruments in less active markets, readily available pricing sources for comparable instruments, or models using market observable inputs. As of December 31, 2020 and 2019, we did not have any assets or liabilities requiring measurement at fair value without observable market values that would require a high level of judgment to determine fair value (Level 3).

Concentrations of Risk

Our cash, cash equivalents, accounts receivable, loans and interest receivable, funds receivable and customer accounts, and long-term notes receivable are potentially subject to concentration of credit risk. Cash, cash equivalents, and customer accounts are placed with financial institutions that management believes are of high credit quality. In addition, funds receivable are generated primarily with financial institutions which management believes are of high credit quality. We invest our cash, cash equivalents, and customer accounts primarily in highly liquid, highly rated instruments which are uninsured. From time to time, we may also have corporate deposit balances with financial services institutions which exceed the FDIC insurance limit of $250,000. As part of our cash management process, we perform periodic evaluations of the relative credit standing of these financial institutions. Our accounts receivable are derived from revenue earned from customers located in the U.S. and internationally. Our loans and interest receivable are derived from merchant and consumer financing activities for customers located in the U.S. and internationally. Our long-term notes receivable is derived from the non-cash portion of the proceeds associated with the sale of our U.S. Consumer Credit Portfolio to Synchrony in 2018. As of December 31, 2020 and 2019, one customer accounted for 26% and 23% of net accounts receivables, respectively. No customer accounted for more than 10% of net loans receivable as of December 31, 2020 and 2019. At December 31, 2020 and 2019, one partner accounted for our long-term notes receivable balance, which represented 28% of other assets. During the years ended December 31, 2020, 2019, and 2018, no customer accounted for more than 10% of net revenues. During the years ended December 31, 2020, 2019, and 2018, we earned approximately 13%, 14%, and 17% of revenue, respectively, from customers on eBay's Marketplaces platform. No other source of revenue represented more than 10% of our revenue.

Revenue Recognition

See "Note 2—Revenue" for information related to our revenue recognition.

Advertising Expense

We expense the cost of producing advertisements at the time production occurs and expense the cost of communicating advertisements in the period during which the advertising space or airtime is used as sales and marketing expense. Online advertising expenses are recognized based on the terms of the individual agreements, which are generally over the greater of the ratio of the number of impressions delivered over the total number of contracted impressions, on a pay-per-click basis, or on a straight-line basis over the term of the contract. Advertising expense totaled $654 million, $399 million, and $484 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Internal Use Software and Website Development Costs

Direct costs incurred to develop software for internal use and website development costs, including those costs incurred in expanding and enhancing our Payments Platform, are capitalized and amortized generally over an estimated useful life of three years and are recorded as depreciation and amortization within the financial statement captions aligned with the internal organizations that are the primary beneficiaries of such assets. PayPal capitalized $347 million and $314 million of internally developed software and website development costs for the years ended December 31, 2020 and 2019, respectively. Amortization expense for these capitalized costs was $322 million, $298 million, and $262 million for the years ended December 31, 2020, 2019, and 2018, respectively. Costs related to the maintenance of internal use software and website development costs are expensed as incurred.

Defined Contribution Savings Plans

We have a defined contribution savings plan in the U.S. which qualifies under Section 401(k) of the Internal Revenue Code. Our non-U.S. employees are covered by other savings plans. Expenses related to our defined contribution savings plans are recorded when services are rendered by our employees.

Stock-Based Compensation

We determine compensation expense associated with restricted stock units, performance based restricted stock units, and restricted stock awards based on the fair value of our common stock on the date of grant. We determine compensation expense associated with stock options based on the estimated grant date fair value method using the Black-Scholes valuation model. We generally recognize compensation expense using a straight-line amortization method over the respective vesting period for awards that are ultimately expected to vest. Accordingly, stock-based compensation expense for the years ended December 31, 2020, 2019, and 2018 has been reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behavior of our employees as well as trends of actual forfeitures.

Foreign Currency

Many of our foreign subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities of our non-U.S. dollar functional currency subsidiaries are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates. Revenues, costs, and expenses of our non-U.S. dollar functional currency subsidiaries are translated into U.S. dollars using daily exchange rates. Gains and losses resulting from these translations are recorded as a component of accumulated other comprehensive income (loss) ("AOCI"). Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recognized as other income (expense), net in our consolidated statements of income.

Income Taxes

We account for income taxes using an asset and liability approach which requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or tax returns. The measurement of current and deferred tax assets and liabilities is based on provisions of enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. If necessary, the measurement of deferred tax assets is reduced by the amount of any tax benefits that are not expected to be realized based on available evidence. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. We account for Global Intangible Low-Taxed Income ("GILTI") as a current-period expense when incurred.

Other Income (Expense), Net

Other income (expense), net includes: (i) interest income, which consists of interest earned on corporate cash and cash equivalents and short-term and long-term investments, (ii) interest expense, which consists of interest expenses, fees, and amortization of debt discount on our long-term debt and credit facilities, (iii) realized and unrealized gains (losses) on strategic investments, which includes changes in fair value related to our marketable equity securities and observable price changes on our non-marketable equity securities, and (iv) other, which primarily includes foreign currency exchange gains and losses due to remeasurement of certain foreign currency denominated monetary assets and liabilities, and fair value changes on the derivative contracts not designated as hedging instruments.

Recent Accounting Guidance

In 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, *Reference Rate Reform* (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This amended guidance provides transition relief for the accounting impact of reference rate reform. For a limited period, this guidance provides optional expedients and exceptions for applying GAAP to certain contract modifications, hedging relationships, and other transactions affected by a reference rate expected to be discontinued due to reference rate reform. The amended guidance is effective through December 31, 2022. Our exposure to London Interbank Offered Rate ("LIBOR") is primarily limited to an insignificant portion of our available-for-sale debt securities and, accordingly, we do not expect reference rate reform to have a material impact on our consolidated financial statements.

Recently Adopted Accounting Guidance

In 2019, the FASB issued ASU 2019-12, *Income Taxes* (Topic 740): *Simplifying the Accounting for Income Taxes*. This amended guidance simplifies certain aspects of accounting for income taxes. It is intended to remove certain exceptions to the general principles in GAAP, reduce the cost and complexity in accounting for income taxes, and improve financial statement preparers' application of income tax-related guidance. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted. We early adopted this guidance in the first quarter of 2020. Adoption of this guidance did not have a material impact on our consolidated financial statements.

In 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. This update provided new guidance on the measurement of credit losses on financial instruments. Under the new guidance, credit losses on loans, trade and other receivables, held-to-maturity debt securities, and other instruments reflect our current expected credit losses and generally result in the earlier recognition of allowances for credit losses. Credit losses on available-for-sale debt securities with unrealized losses are recognized as allowances for credit losses limited to the amount by which fair value is below amortized cost. Additional disclosures are required, including information used to track credit quality by year of origination for most financing receivables. We were required to apply the provisions of this guidance as a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted with impairment of available-for-sale debt securities applied prospectively after adoption. We adopted the new guidance effective January 1, 2020. For additional information, see "Note 11—Loans and Interest Receivable."

There are other new accounting pronouncements issued by the FASB that we have adopted or will adopt, as applicable. We do not believe any of these accounting pronouncements have had, or will have, a material impact on our consolidated financial statements or disclosures.

Note 2—Revenue

PayPal enables its customers to send and receive payments. We earn revenue primarily by completing payment transactions for our customers on our Payments Platform and from other value added services. Our revenues are classified into two categories: transaction revenues and revenues from other value added services.

Transaction Revenues

We earn transaction revenues primarily from fees charged to merchants and consumers on a transaction basis. These fees may have a fixed and variable component. The variable component is generally a percentage of the value of the payment amount and is known at the time the transaction is processed. For a portion of our transactions, the variable component of the fee is eligible for reimbursement when the underlying transaction is approved for a refund. We estimate the amount of fee refunds that will be processed each quarter and record a provision against our net revenues. The volume of activity processed on our Payments Platform, which results in transaction revenue, is referred to as Total Payment Volume ("TPV"). We earn additional fees on transactions where we perform currency conversion, when we enable cross-border transactions (i.e., transactions where the merchant and consumer are in different countries), to facilitate the instant transfer of funds for our customers from their PayPal or Venmo account to their debit card or bank account, and other miscellaneous fees.

Our contracts with our customers are usually open-ended and can be terminated by either party without a termination penalty after the notice period has lapsed. Therefore, our contracts are defined at the transaction level and do not extend beyond the service already provided. Our contracts generally renew automatically without any significant material rights. Some of our contracts include tiered pricing, based primarily on volume. The fee charged per transaction is adjusted up or down if the volume processed for a specified period is different from prior period defined volumes. We have concluded that this volume-based pricing approach does not constitute a future material right since the discount is within a range typically offered to a class of customers with similar volume. We do not have any capitalized contract costs, and do not carry any material contract balances.

Our primary service comprises a single performance obligation to complete payments on our Payments Platform for our customers. Using our risk assessment tools, we perform a transaction risk assessment on individual transactions to determine whether a transaction should be authorized for completion on our Payments Platform. When we authorize a transaction, we become obligated to our customer to complete the payment transaction.

We recognize fees charged to our customers primarily on a gross basis as transaction revenue when we are the principal in respect of completing a payment transaction. As a principal to the transaction, we control the service of completing payments on our Payments Platform. We bear primary responsibility for the fulfillment of the payment service, contract directly with our customers, control the product specifications, and define the value proposal from our services. Further, we have full discretion in determining the fee charged to our customers, which is independent of the costs we incur in instances where we may utilize payment processors or other financial institutions to perform services on our behalf. We therefore bear full margin risk when completing a payment transaction. These fees paid to payment processors and other financial institutions are recognized as transaction expense. We are also responsible for providing customer support.

We provide merchants and consumers with protection programs for certain transactions completed on our Payments Platform. These programs are intended to 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 the purchased item is not received 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 a purchased item was not received by covering the seller for the full amount of the payment on eligible sales. These protection programs do not provide a separate service to our customers and we estimate and record associated costs in transaction and credit losses during the period the payment transaction is completed.

Revenues From Other Value Added Services

We earn revenues from other value added services, which is comprised primarily of revenue earned through partnerships, referral fees, subscription fees, gateway fees, and other services that we provide to our merchants and consumers. These contracts typically have one performance obligation which is provided and recognized over the term of the contract. The transaction price is generally fixed and known at the end of each reporting period; however, for some agreements, it may be necessary to estimate the transaction price using the expected value method. In our partnership agreement with Synchrony, in addition to the revenue share we earn, we also recognized revenue for transition servicing activities which we performed on their behalf through the second quarter of 2019 using a relative selling price determined through the adjusted market assessment approach. We record revenue earned in revenues from other value added services on a net basis when we are considered the agent with respect to processing transactions.

We also earn revenues from interest and fees earned primarily on our portfolio of loans receivable, and interest earned on certain assets underlying customer balances. Interest and fees earned on the portfolio of loans receivable are computed and recognized based on the effective interest method and are presented net of any required reserves and amortization of deferred origination costs.

Disaggregation of Revenue

We determine operating segments based on how our chief operating decision maker ("CODM") manages the business, makes operating decisions around the allocation of resources, and evaluates operating performance. Our CODM is our Chief Executive Officer, who reviews our operating results on a consolidated basis. We operate as one segment and have one reportable segment. Based on the information provided to and reviewed by our CODM, we believe that the nature, amount, timing, and uncertainty of our revenue and cash flows and how they are affected by economic factors are most appropriately depicted through our primary geographical markets and type of revenue categories (transaction revenues and revenues from other value added services). Revenues recorded within these categories are earned from similar services for which the nature of associated fees and the related revenue recognition models are substantially the same.

The following table presents our revenue disaggregated by primary geographical market and category:

	Year Ended December 31,		
(In millions)	2020	2019	2018
Primary geographical markets			
United States ("U.S.")	$ 11,013	$ 9,417	$ 8,324
United Kingdom ("U.K.")	2,340	1,872	1,658
Other countries[(1)]	8,101	6,483	5,469
TOTAL REVENUES[(2)]	**$ 21,454**	**$ 17,772**	**$ 15,451**
Revenue category			
Transaction revenues	$ 19,918	$ 16,099	$ 13,709
Revenues from other value added services	1,536	1,673	1,742
TOTAL REVENUES[(2)]	**$ 21,454**	**$ 17,772**	**$ 15,451**

(1) No single country included in the other countries category generated more than 10% of total revenue.
(2) Total revenues include $597 million, $1.1 billion and $1.2 billion for the years ended December 31, 2020, 2019, and 2018, respectively, which do not represent revenues recognized in the scope of Accounting Standards Codification Topic 606, *Revenue from contracts with customers*. Such revenues relate to interest, fees, and gains earned on loans and interest receivables, as well as hedging gains or losses and interest earned on certain assets underlying customer balances.

Net revenues are attributed to the country in which the merchant is located, or in the case of a cross-border transaction, may be earned from the country in which the consumer and the merchant respectively reside. Revenues earned from other value added services are typically attributed to the country in which either the customer or partner reside.

Note 3—Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding for the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted net income per share by application of the treasury stock method. The calculation of diluted net income per share excludes all anti-dilutive common shares.

The following table sets forth the computation of basic and diluted net income per share for the periods indicated:

	Year Ended December 31,		
(In millions, except per share amounts)	2020	2019	2018
Numerator:			
Net income	$ 4,202	$ 2,459	$ 2,057
Denominator:			
Weighted average shares of common stock—basic	1,173	1,174	1,184
Dilutive effect of equity incentive awards	14	14	19
WEIGHTED AVERAGE SHARES OF COMMON STOCK—DILUTED	**1,187**	**1,188**	**1,203**
Net income per share:			
Basic	$ 3.58	$ 2.09	$ 1.74
Diluted	$ 3.54	$ 2.07	$ 1.71
Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive	1	2	1

Note 4—Business Combinations

Acquisitions Completed In 2020

During the year ended December 31, 2020, we completed one acquisition reflecting 100% of the equity interests of the acquired company, for a purchase price of $3.6 billion.

Honey Science Corporation

We completed our acquisition of Honey Science Corporation ("Honey") in January 2020 by acquiring all outstanding shares for total consideration of approximately $4.0 billion, consisting of approximately $3.6 billion in cash and approximately $400 million in assumed restricted stock, restricted stock units, and options, subject to vesting conditions. We believe our acquisition of Honey will enhance our value proposition by allowing us to further simplify and personalize shopping experiences for consumers while driving conversion and increasing consumer engagement and sales for merchants.

The following table summarizes the final allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed:

(In millions)	
Goodwill	$ 2,962
Customer lists and user base	115
Marketing related	30
Developed technology	572
Total intangibles	$ 717
Accounts receivable, net	50
Deferred tax liabilities, net	(58)
Other net liabilities	(36)
TOTAL PURCHASE PRICE	**$ 3,635**

The intangible assets acquired consist primarily of customer contracts, trade name/trademarks, and developed technology with estimated useful lives of three years. The excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill, and is attributable to the workforce of Honey and the synergies expected to arise from the acquisition through continued customer acquisition, cross selling initiatives, and product enhancements. Goodwill was not considered deductible for income tax purposes.

In association with the acquisition, we assumed restricted stock, restricted stock units, and options with an approximate grant date fair value of $400 million, which represents post business combination expense. The equity granted is a combination of shares issued to certain former Honey employees subject to a holdback arrangement and assumed Honey employee grants, which vest over a period of up to four years and are subject to continued employment.

We have included the financial results of the acquired business in our consolidated financial statements from the date of acquisition. Revenues and expenses related to the acquisition and pro forma results of operations have not been presented for the year ended December 31, 2020 because the effects of this acquisition were not material to our overall operations.

Acquisitions Completed In 2019

There were no acquisitions accounted for as business combinations or divestitures completed in 2019.

Acquisitions Completed In 2018

During the year ended December 31, 2018, we completed four acquisitions reflecting 100% of the equity interests of the acquired companies, for an aggregate purchase price of $2.7 billion.

Hyperwallet

We completed the acquisition of HWLT Holdings Inc. (“Hyperwallet”) in November 2018 by acquiring all outstanding shares for a total purchase price of approximately $400 million, consisting of cash consideration. We acquired Hyperwallet to enhance our payout capabilities and improve our ability to provide an integrated suite of payment solutions to e-commerce platforms and marketplaces around the world. The allocation of purchase consideration resulted in approximately $100 million of customer-related intangible assets, approximately $30 million of developed technology intangible assets, and approximately $2 million of marketing related intangible assets with estimated useful lives ranging from three to seven years, funds receivable and customer accounts of $412 million, funds payable and amounts due to customers of $412 million, net liabilities of approximately $32 million, and goodwill of approximately $300 million, which is attributable to the workforce of Hyperwallet and the synergies expected to arise from the acquisition. Goodwill was not considered deductible for income tax purposes.

iZettle

We completed the acquisition of iZettle AB (publ) (“iZettle”) in September 2018 by acquiring all outstanding shares for a total purchase price of $2.2 billion, consisting of cash consideration paid of approximately $2.1 billion (net of cash acquired of $103 million) and restricted shares of PayPal with a fair value of approximately $22 million. We acquired iZettle to expand our in-store presence and strengthen our Payments Platform to help small businesses around the world grow and thrive in an omnichannel retail environment.

The following table summarizes the final allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed:

(In millions)

Goodwill	$	1,600
Customer lists and user base		426
Marketing related		102
Developed technology		121
All other		1
Total intangibles	$	650
Cash		103
Funds receivable and customer accounts		47
Funds payable and amounts due to customers		(47)
Deferred tax liabilities, net		(116)
Other net liabilities		(55)
TOTAL PURCHASE PRICE	**$**	**2,182**

The intangible assets acquired consist primarily of merchant relationships, trade name/trademarks, developed technology, and existing acquirer relationships with estimated useful lives ranging from three to seven years. The excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill, which is attributable to the workforce of iZettle and the synergies expected to arise from the acquisition. Goodwill was not considered deductible for income tax purposes.

Simility

We completed the acquisition of Simility, Inc. ("Simility") in July 2018 by acquiring all outstanding shares for a total purchase price of $107 million, consisting of cash consideration. We acquired Simility to enhance our ability to deliver fraud prevention and risk management solutions to merchants globally. The allocation of purchase consideration resulted in approximately $18 million of developed technology intangible assets with an estimated useful life of three years, net assets of approximately $10 million, and goodwill of approximately $79 million, which is attributable to the workforce of Simility and the synergies expected to arise from the acquisition. Goodwill was not considered deductible for income tax purposes.

Other Acquisitions

In May 2018, we completed an acquisition which was accounted for as a business combination. The total purchase price for this acquisition was $16 million, consisting of cash consideration. The allocation of purchase consideration resulted in approximately $13 million of developed technology intangible assets with an estimated useful life of two years, net liabilities of $1 million, and goodwill of approximately $4 million, which is attributable to the workforce of the acquired company and the synergies expected to arise from the acquisition. Goodwill was not considered deductible for income tax purposes.

Note 5—Goodwill and Intangible Assets

Goodwill

The following table presents goodwill balances and adjustments to those balances for the years ended December 31, 2020 and 2019:

(In millions)	December 31, 2018	Goodwill Acquired	Adjustments	December 31, 2019	Goodwill Acquired	Adjustments	December 31, 2020
Total goodwill	$ 6,284	$ —	$ (72)	$ 6,212	$ 2,962	$ (39)	$ 9,135

The goodwill acquired during 2020 was associated with the acquisition of Honey. The adjustments to goodwill during 2020 and 2019 pertained to foreign currency translation adjustments.

Intangible Assets

The components of identifiable intangible assets are as follows:

	December 31, 2020				December 31, 2019			
(In millions, except years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Intangible assets:								
Customer lists and user base	$ 1,206	$ (797)	$ 409	6	$ 1,114	$ (700)	$ 414	7
Marketing related	321	(278)	43	3	294	(239)	55	3
Developed technology	999	(577)	422	3	445	(343)	102	3
All other	449	(275)	174	7	436	(229)	207	7
INTANGIBLE ASSETS, NET	**$ 2,975**	**$ (1,927)**	**$ 1,048**		**$ 2,289**	**$ (1,511)**	**$ 778**	

Amortization expense for intangible assets was $451 million, $211 million, and $149 million for the years ended December 31, 2020, 2019, and 2018, respectively.

In the fourth quarter of 2019, we completed the acquisition of a 70 percent equity interest in Guofubao Information Technology Co. (GoPay), Ltd. ("GoPay"), a holder of payment business licenses in China. This transaction was accounted for as an asset acquisition because substantially all the fair value of the gross assets acquired is concentrated in the form of licenses. We recorded $190 million of other intangible assets with a weighted average useful life of seven years.

Expected future intangible asset amortization as of December 31, 2020 is as follows:

Fiscal years:		(In millions)
2021	$	400
2022		338
2023		100
2024		99
2025		83
Thereafter		28
	$	**1,048**

Note 6—Leases

PayPal enters into various leases, which are primarily real estate operating leases. We use these properties for executive and administrative offices, data centers, product development offices, and customer service and operations centers.

While a majority of lease payments are based on the stated rate in the lease, some lease payments are subject to annual changes based on the Consumer Price Index or another referenced index. In the event of changes to the relevant index, lease liabilities are not remeasured and instead are treated as variable lease payments and recognized in the period in which the obligation for those payments is incurred. All of PayPal's variable lease payments are based on an index or rate.

The short-term lease exemption has been adopted for all leases with a duration of less than 12 months.

PayPal's lease portfolio contains a small number of subleases. A sublease situation can arise when currently leased real estate space is available and is surplus to operational requirements.

The components of lease expense were as follows:

	Year Ended December 31,			
(In millions)	2020		2019	
Lease expense				
Operating lease expense	$	166	$	136
Sublease income		(6)		(6)
TOTAL LEASE EXPENSE	**$**	**160**	**$**	**130**

Supplemental cash flow information related to leases were as follows:

	Year Ended December 31,			
(In millions)	2020		2019	
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$	159	$	131
Right-of-use assets obtained in exchange for operating lease liabilities[1]	$	345	$	598

(1) Includes opening balance additions of $498 million for operating leases as a result of the adoption of the new lease accounting guidance effective January 1, 2019.

Supplemental balance sheet information related to leases was as follows:

(In millions, except weighted-average figures)	As of December 31, 2020	2019
Operating lease right-of-use assets	$ 707	$ 479
Other current lease liabilities	144	104
Operating lease liabilities	642	403
TOTAL OPERATING LEASE LIABILITIES	**$ 786**	**$ 507**
Weighted-average remaining lease term—operating leases	6.9 years	5.8 years
Weighted-average discount rate—operating leases	3%	5%

Future minimum lease payments for our operating leases as of December 31, 2020 were as follows:

Fiscal years:	Operating Leases *(In millions)*
2021	$ 165
2022	132
2023	116
2024	106
2025	94
Thereafter	266
TOTAL	**$ 879**
Less: present value discount	(93)
LEASE LIABILITY	**$ 786**

Operating lease amounts include minimum lease payments under our non-cancelable operating leases primarily for office and data center facilities. The amounts presented are consistent with contractual terms and are not expected to differ significantly from actual results under our existing leases. We recognize rent expense under such agreements on a straight-line basis. Rent expense for the years ended December 31, 2020, 2019, and 2018 totaled $172 million, $130 million, and $94 million, respectively.

In the first quarter of 2020, we entered into a sale-leaseback arrangement as the seller-lessee for a data center as the buyer-lessor obtained control of the facility. We sold the data center and simultaneously entered into an operating lease agreement with the purchaser for the right to use the facility for eight years. The Company received proceeds of approximately $119 million, net of selling costs, which resulted in a de minimis net gain on the sale transaction.

During the year ended December 31, 2020, we incurred asset impairment charges of $30 million within restructuring and other charges on our consolidated statements of income. The impairments included a reduction to our ROU asset in the amount of $23 million, which were attributed to certain leased spaces we are no longer utilizing for our core business operations, a portion of which is being sub-leased.

As of December 31, 2020, we also have additional operating leases that have not yet commenced, primarily for real estate and data centers, with minimum lease payments aggregating to $51 million. These operating leases will commence prior to the end of fiscal year 2021 with lease terms of three to ten years.

NOTE 7—Other Financial Statement Details

Property and Equipment, Net

(In millions)	As of December 31, 2020	2019
Property and equipment, net:		
Computer equipment and software	$ 3,179	$ 2,804
Internal use software and website development costs	2,831	2,471
Land and buildings	307	430
Leasehold improvements	410	460
Furniture and fixtures	199	171
Development in progress and other	83	80
Total property and equipment, gross	7,009	6,416
Accumulated depreciation and amortization	(5,202)	(4,723)
TOTAL PROPERTY AND EQUIPMENT, NET	**$ 1,807**	**$ 1,693**

Depreciation and amortization expense was $738 million in 2020, $701 million in 2019, and $627 million in 2018.

Non-cash investing activities involving property and equipment included in net changes to accounts payable as reflected in the consolidated statements of cash flows was an increase of $17 million in 2020, a decrease of $42 million in 2019, and a decrease of $10 million in 2018.

Geographical Information

The following table summarizes long-lived assets based on geography, which consist of property and equipment, net and operating lease right-of-use assets:

(In millions)	As of December 31, 2020	2019
Long-lived assets:		
U.S.	$ 2,096	$ 1,862
Other countries	418	310
TOTAL LONG-LIVED ASSETS	**$ 2,514**	**$ 2,172**

Long-lived assets attributed to the U.S. and other countries are based upon the country in which the asset is located or owned.

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the year ended December 31, 2020:

(In millions)	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains on Investments	Foreign Currency Translation Adjustment ("CTA")	Net Investment Hedge CTA Gain (Loss)	Estimated Tax Benefit	Total
Beginning balance	$ 6	$ 2	$ (150)	$ (31)	$ —	$ (173)
Other comprehensive income (loss) before reclassifications	(309)	9	(48)	55	2	(291)
Less: Amount of gain reclassified from AOCI	20	—	—	—	—	20
Net current period other comprehensive income (loss)	(329)	9	(48)	55	2	(311)
ENDING BALANCE	**$ (323)**	**$ 11**	**$ (198)**	**$ 24**	**$ 2**	**$ (484)**

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the year ended December 31, 2019:

(In millions)	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Investments	Foreign CTA	Net Investment Hedge CTA Loss	Estimated Tax (Expense) Benefit	Total
Beginning balance	$ 182	$ (13)	$ (93)	$ —	$ 2	$ 78
Other comprehensive income (loss) before reclassifications	62	14	(57)	(31)	(2)	(14)
Less: Amount of gain (loss) reclassified from AOCI	238	(1)	—	—	—	237
Net current period other comprehensive income (loss)	(176)	15	(57)	(31)	(2)	(251)
ENDING BALANCE	**$ 6**	**$ 2**	**$ (150)**	**$ (31)**	**$ —**	**$ (173)**

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the year ended December 31, 2018:

(In millions)	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Losses on Investments	Foreign CTA	Estimated Tax (Expense) Benefit	Total
Beginning balance	$ (111)	$ (12)	$ (25)	$ 6	$ (142)
Other comprehensive income (loss) before reclassifications	263	(1)	(68)	(4)	190
Less: Amount of loss reclassified from AOCI	(30)	—	—	—	(30)
Net current period other comprehensive income (loss)	293	(1)	(68)	(4)	220
ENDING BALANCE	**$ 182**	**$ (13)**	**$ (93)**	**$ 2**	**$ 78**

The following table provides details about reclassifications out of AOCI for the periods presented below:

Details about AOCI Components	Amount of Gains (Losses) Reclassified from AOCI			Affected Line Item in the Statements of Income
	Year Ended December 31,			
(In millions)	2020	2019	2018	
Gains (losses) on cash flow hedges—foreign exchange contracts	$ 20	$ 238	$ (30)	Net revenues
Unrealized losses on investments	—	(1)	—	Other income (expense), net
	$ 20	$ 237	$ (30)	Income before income taxes
	—	—	—	Income tax expense
TOTAL RECLASSIFICATIONS FOR THE PERIOD	**$ 20**	**$ 237**	**$ (30)**	Net income

Other Income (Expense), Net

The following table reconciles the components of other income (expense), net for the periods presented below:

	Year Ended December 31,		
(In millions)	2020	2019	2018
Interest income	$ 88	$ 197	$ 168
Interest expense	(209)	(115)	(77)
Net gains on strategic investments	1,914	208	87
Other	(17)	(11)	4
OTHER INCOME (EXPENSE), NET	**$ 1,776**	**$ 279**	**$ 182**

Refer to "Note 1—Overview and Summary of Significant Accounting Policies" for details on the composition of these balances.

Note 8—Funds Receivable and Customer Accounts and Investments

The following table summarizes the assets underlying our funds receivable and customer accounts, short-term investments, and long-term investments as of December 31, 2020 and 2019:

(In millions)	As of December 31, 2020	2019
Funds receivable and customer accounts:		
Cash and cash equivalents	$ 13,222	$ 8,387
Time deposits	233	514
Available-for-sale debt securities	15,001	10,190
Funds receivable	4,962	3,436
TOTAL FUNDS RECEIVABLE AND CUSTOMER ACCOUNTS	**$ 33,418**	**$ 22,527**
Short-term investments:		
Time deposits	$ 1,519	$ 614
Available-for-sale debt securities	6,689	2,734
Restricted cash	81	64
TOTAL SHORT-TERM INVESTMENTS	**$ 8,289**	**$ 3,412**
Long-term investments:		
Time deposits	$ 31	$ —
Available-for-sale debt securities	2,819	1,025
Restricted cash	7	—
Strategic investments	3,232	1,838
TOTAL LONG-TERM INVESTMENTS	**$ 6,089**	**$ 2,863**

As of December 31, 2020 and 2019, the estimated fair value of our available-for-sale debt securities included within funds receivable and customer accounts, short-term investments, and long-term investments was as follows:

	December 31, 2020[(1)]			
(In millions)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Funds receivable and customer accounts:				
U.S. government and agency securities	$ 8,566	$ 4	$ —	$ 8,570
Foreign government and agency securities	1,504	2	—	1,506
Corporate debt securities	2,011	—	—	2,011
Short-term investments:				
U.S. government and agency securities	1,510	—	—	1,510
Foreign government and agency securities	277	—	—	277
Corporate debt securities	4,900	2	—	4,902
Long-term investments:				
U.S. government and agency securities	28	—	—	28
Foreign government and agency securities	1,305	—	(1)	1,304
Corporate debt securities	1,255	4	—	1,259
Asset-backed securities	228	—	—	228
TOTAL AVAILABLE-FOR-SALE DEBT SECURITIES[(2)]	**$ 21,584**	**$ 12**	**$ (1)**	**$ 21,595**

(1) "—" Denotes gross unrealized gain or unrealized loss of less than $1 million in a given position.
(2) Excludes foreign currency denominated available-for-sale debt securities accounted for under the fair value option. Refer to "Note 9—Fair Value Measurement of Assets and Liabilities."

ANNUAL REPORT

(In millions)	December 31, 2019[(1)] Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Funds receivable and customer accounts:				
U.S. government and agency securities	$ 4,996	$ —	$ —	$ 4,996
Foreign government and agency securities	1,392	—	—	1,392
Corporate debt securities	2,112	—	—	2,112
Short-term investments:				
Foreign government and agency securities	533	—	—	533
Corporate debt securities	1,955	—	—	1,955
Long-term investments:				
U.S. government and agency securities	140	—	—	140
Foreign government and agency securities	207	—	—	207
Corporate debt securities	636	2	—	638
Asset-backed securities	40	—	—	40
TOTAL AVAILABLE-FOR-SALE DEBT SECURITIES[(2)]	**$ 12,011**	**$ 2**	**$ —**	**$ 12,013**

(1) "—" Denotes gross unrealized gain or unrealized loss of less than $1 million in a given position.
(2) Excludes foreign currency denominated available-for-sale debt securities accounted for under the fair value option. Refer to "Note 9—Fair Value Measurement of Assets and Liabilities."

Gross amortized cost and estimated fair value balances exclude accrued interest receivable on available-for-sale debt securities, which totaled $42 million and $54 million at December 31, 2020 and December 31, 2019, respectively, and were included in other current assets on our consolidated balance sheets.

As of December 31, 2020 and 2019, the gross unrealized losses and estimated fair value of our available-for-sale debt securities included within funds receivable and customer accounts, short-term investments, and long-term investments for which an allowance for credit losses has not been deemed necessary in the current period, aggregated by length of time those individual securities have been in a continuous loss position was as follows:

	December 31, 2020[(1)]					
	Less than 12 months		12 months or longer		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Funds receivable and customer accounts:						
U.S. government and agency securities	$ 312	$ —	$ —	$ —	$ 312	$ —
Foreign government and agency securities	353	—	—	—	353	—
Corporate debt securities	641	—	—	—	641	—
Short-term investments:						
U.S. government and agency securities	270	—	—	—	270	—
Foreign government and agency securities	72	—	—	—	72	—
Corporate debt securities	392	—	—	—	392	—
Long-term investments:						
U.S. government and agency securities	28	—	—	—	28	—
Foreign government and agency securities	405	(1)	—	—	405	(1)
Corporate debt securities	97	—	—	—	97	—
Asset-backed securities	15	—	—	—	15	—
TOTAL AVAILABLE-FOR-SALE DEBT SECURITIES	**$ 2,585**	**$ (1)**	**$ —**	**$ —**	**$ 2,585**	**$ (1)**

(1) — Denotes gross unrealized loss or fair value of less than $1 million in a given position.

(in millions)	December 31, 2019[1]									
	Less than 12 months				12 months or longer				Total	
	Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value	Gross Unrealized Losses
Funds receivable and customer accounts:										
U.S. government and agency securities	$	2,452	$	—	$	—	$	—	$ 2,452	$ —
Foreign government and agency securities		563		—		30		—	593	—
Corporate debt securities		825		—		—		—	825	—
Short-term investments:										
Foreign government and agency securities		115		—		—		—	115	—
Corporate debt securities		424		—		—		—	424	—
Long-term investments:										
U.S. government and agency securities		100		—		—		—	100	—
Foreign government and agency securities		75		—		—		—	75	—
Corporate debt securities		1		—		40		—	41	—
Asset-backed securities		26		—		4		—	30	—
TOTAL AVAILABLE-FOR-SALE DEBT SECURITIES	**$**	**4,581**	**$**	**—**	**$**	**74**	**$**	**—**	**$ 4,655**	**$ —**

(1) — Denotes gross unrealized loss or fair value of less than $1 million in a given position.

Unrealized losses have not been recognized into income as we neither intend to sell nor anticipate that it is more likely than not that we will be required to sell, the securities before recovery. The decline in fair value is due primarily to changes in market conditions, rather than credit losses. We will continue to monitor the performance of the investment portfolio and assess whether impairment due to expected credit losses has occurred. Amounts reclassified to earnings from unrealized gains and losses were not material for the year ended December 31, 2020 and 2019.

Our available-for-sale debt securities included within funds receivable and customer accounts, short-term investments, and long-term investments classified by date of contractual maturity were as follows:

	December 31, 2020	
(In millions)	Amortized Cost	Fair Value
One year or less	$ 17,416	$ 17,421
After one year through five years	4,168	4,174
TOTAL	**$ 21,584**	**$ 21,595**

Strategic Investments

Our strategic investments include marketable equity securities, which are publicly traded, and non-marketable equity securities, which are investments in privately held companies. Our marketable equity securities have readily determinable fair values and are recorded as long-term investments on our consolidated balance sheets at fair value with changes in fair value recorded in other income (expense), net on our consolidated statements of income. Marketable equity securities totaled $2.4 billion and $1.3 billion as of December 31, 2020 and 2019, respectively, including the impact of the sale of securities during the year ended December 31, 2020.

Our non-marketable equity securities are recorded in long-term investments on our consolidated balance sheets. As of December 31, 2020 and 2019, we had non-marketable equity securities of $10 million and $27 million, respectively, where we have the ability to exercise significant influence, but not control, over the investee and account for these equity securities using the equity method of accounting. The remaining non-marketable equity securities do not have a readily determinable fair value and we measure these equity investments at cost minus impairment, if any, and adjust for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer. All gains and losses on these investments, realized and unrealized, and our share of earnings or losses from investments accounted for using the equity method are recognized in other income (expense), net on our consolidated statements of income. The carrying value of our non-marketable equity securities totaled $789 million and $524 million as of December 31, 2020 and 2019, respectively.

Measurement Alternative Adjustments

The adjustments to the carrying value of our non-marketable equity securities accounted for under the Measurement Alternative in the years ended December 31, 2020 and 2019 were as follows:

	Year Ended December 31,	
(In millions)	2020	2019
Carrying amount, beginning of period	$ 497	$ 293
Adjustments related to non-marketable equity securities:		
Net additions[(1)]	143	60
Gross unrealized gains	161	144
Gross unrealized losses and impairments	(22)	—
CARRYING AMOUNT, END OF PERIOD	**$ 779**	**$ 497**

(1) Net additions include additions from purchases, reductions due to sales of securities, and reclassifications when Measurement Alternative is subsequently elected or no longer applies.

The following table summarizes the cumulative gross unrealized gains and cumulative gross unrealized losses and impairment related to non-marketable equity securities accounted for under the Measurement Alternative for investments held at December 31, 2020 and 2019:

	As of December 31,	
(In millions)	2020	2019
Cumulative gross unrealized gains	$ 378	$ 230
Cumulative gross unrealized losses and impairment	$ (27)	$ (5)

Unrealized Gains (Losses) on Strategic Investments, Excluding Those Accounted for Using the Equity Method

The following table summarizes the net unrealized gain (losses) on marketable and non-marketable equity securities, excluding those accounted for using the equity method, held at December 31, 2020 and 2019:

	Year Ended December 31,	
(In millions)	2020	2019
Net unrealized gains	$ 1,610	$ 203

Note 9—Fair Value Measurement of Assets and Liabilities

Financial Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The following tables summarize our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

(In millions)	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Cash and cash equivalents[1]	$ 867	$ —	$ 867
Short-term investments[2]:			
U.S. government and agency securities	1,510	—	1,510
Foreign government and agency securities	277	—	277
Corporate debt securities	4,902	—	4,902
Total short-term investments	6,689	—	6,689
Funds receivable and customer accounts[3]:			
Cash and cash equivalents	1,770	—	1,770
U.S. government and agency securities	8,570	—	8,570
Foreign government and agency securities	4,296	—	4,296
Corporate debt securities	2,135	—	2,135
Total funds receivable and customer accounts	16,771	—	16,771
Derivatives	42	—	42
Long-term investments[2], [4]:			
U.S. government and agency securities	28	—	28
Foreign government and agency securities	1,304	—	1,304
Corporate debt securities	1,259	—	1,259
Asset-backed securities	228	—	228
Marketable equity securities	2,443	2,443	—
Total long-term investments	5,262	2,443	2,819
TOTAL FINANCIAL ASSETS	**$ 29,631**	**$ 2,443**	**$ 27,188**
Liabilities:			
DERIVATIVES	**$ 410**	**$ —**	**$ 410**

(1) Excludes cash of $3.9 billion not measured and recorded at fair value.
(2) Excludes restricted cash of $88 million and time deposits of $1.6 billion not measured and recorded at fair value.
(3) Excludes cash, time deposits, and funds receivable of $16.6 billion underlying funds receivable and customer accounts not measured and recorded at fair value.
(4) Excludes non-marketable equity securities of $789 million measured using the Measurement Alternative or equity method accounting.

(In millions)	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Cash and cash equivalents[1]	$ 2,835	$ —	$ 2,835
Short-term investments[2]:			
Foreign government and agency securities	757	—	757
Corporate debt securities	1,977	—	1,977
Total short-term investments	2,734	—	2,734
Funds receivable and customer accounts[3]:			
Cash and cash equivalents	683	—	683
U.S. government and agency securities	4,996	—	4,996
Foreign government and agency securities	2,653	—	2,653
Corporate debt securities	2,541	—	2,541
Total funds receivable and customer accounts	10,873	—	10,873
Derivatives	135	—	135
Long-term investments[4]:			
U.S. government and agency securities	140	—	140
Foreign government and agency securities	207	—	207
Corporate debt securities	638	—	638
Asset-backed securities	40	—	40
Marketable equity securities	1,314	1,314	—
Total long-term investments	2,339	1,314	1,025
TOTAL FINANCIAL ASSETS	**$ 18,916**	**$ 1,314**	**$ 17,602**
Liabilities:			
DERIVATIVES	**$ 122**	**$ —**	**$ 122**

(1) Excludes cash of $4.5 billion not measured and recorded at fair value.
(2) Excludes restricted cash of $64 million and time deposits of $614 million not measured and recorded at fair value.
(3) Excludes cash, time deposits, and funds receivable of $11.7 billion underlying funds receivable and customer accounts not measured and recorded at fair value.
(4) Excludes non-marketable equity securities of $524 million measured using the Measurement Alternative or equity method accounting.

Our marketable equity securities are valued using quoted prices for identical assets in active markets (Level 1). All other financial assets and liabilities are valued using quoted prices for identical instruments in less active markets, readily available pricing sources for comparable instruments, or models using market observable inputs (Level 2).

A majority of our derivative instruments are valued using pricing models that take into account the contract terms as well as multiple inputs where applicable, such as currency rates, interest rate yield curves, option volatility, and equity prices. Our derivative instruments are primarily short-term in nature, generally one month to one year in duration. Certain foreign currency contracts designated as cash flow hedges may have a duration of up to 18 months.

As of December 31, 2020 and 2019, we did not have any assets or liabilities requiring measurement at fair value without observable market values that would require a high level of judgment to determine fair value (Level 3).

We elect to account for foreign currency denominated available-for-sale debt securities under the fair value option. Election of the fair value option allows us to recognize any gains and losses from fair value changes on such investments in other income (expense), net on the consolidated statements of income to significantly reduce the accounting asymmetry that would otherwise arise when recognizing the corresponding foreign exchange gains and losses relating to customer liabilities. The following table summarizes the estimated fair value of our available-for-sale debt securities under the fair value option as of December 31, 2020 and 2019:

	As of December 31,	
(In millions)	2020	2019
Funds receivable and customer accounts	$ 2,914	$ 1,690
Short-term investments	$ —	$ 246

The following table summarizes the gains (losses) from fair value changes recognized in other income (expense), net related to the available-for-sale debt securities under the fair value option for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
(In millions)	2020	2019
Funds receivable and customer accounts	$ 190	$ (43)
Short-term investments	$ (24)	$ (8)

Financial Assets and Liabilities Measured and Recorded at Fair Value on a Non-Recurring Basis

The following tables summarize our financial assets and liabilities held as of December 31, 2020 and 2019 for which a non-recurring fair value measurement was recorded during the year ended December 31, 2020 and 2019, respectively:

(In millions)	December 31, 2020	Significant Other Observable Inputs (Level 2)
Non-marketable equity investments measured using the Measurement Alternative(1)	$ 335	$ 335
Other assets(2)	44	44
TOTAL	**$ 379**	**$ 379**

(1) Excludes non-marketable equity investments of $444 million accounted for under the Measurement Alternative for which no observable price changes occurred during the year ended December 31, 2020.

(2) Consists of ROU lease assets recorded at fair value pursuant to impairment charges recorded in 2020. See "Note 6—Leases" for additional information.

(In millions)	December 31, 2019	Significant Other Observable Inputs (Level 2)
Non-marketable equity investments measured using the Measurement Alternative(1)	$ 303	$ 303

(1) Excludes non-marketable equity investments of $194 million accounted for under the Measurement Alternative for which no observable price changes occurred during the year ended December 31, 2019.

We measure the non-marketable equity investments accounted for under the Measurement Alternative at cost minus impairment, if any, adjusted for observable price changes in orderly transactions for an identical or similar investment in the same issuer. Impairment losses on ROU lease assets related to office operating leases are calculated initially using estimated rental income per square foot derived from observable market data.

Financial Assets and Liabilities Not Measured and Recorded at Fair Value

Our financial instruments, including cash, restricted cash, time deposits, loans and interest receivable, net, certain customer accounts, and notes receivable are carried at amortized cost, which approximates their fair value. Our fixed rate debt had a carrying value of approximately $8.9 billion and fair value of approximately $9.7 billion as of December 31, 2020. Our fixed rate debt had a carrying value and fair value of approximately $5.0 billion as of December 31, 2019. If these financial instruments were measured at fair value in the financial statements, cash would be classified as Level 1; restricted cash, time deposits, certain customer accounts, and long-term debt would be classified as Level 2; and the remaining financial instruments would be classified as Level 3 in the fair value hierarchy.

Note 10—Derivative Instruments

Summary of Derivative Instruments

Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. Our derivatives expose us to credit risk to the extent that our counterparties may be unable to meet the terms of the arrangement. We seek to mitigate such risk by limiting our counterparties to, and by spreading the risk across, major financial institutions and by entering into collateral security arrangements. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. We do not use any derivative instruments for trading or speculative purposes.

Cash Flow Hedges

We have significant international revenues and costs denominated in foreign currencies, which subjects us to foreign currency risk. We have a foreign currency exposure management program in which we designate certain foreign currency exchange contracts, generally with maturities of 18 months or less, to reduce the volatility of cash flows primarily related to forecasted revenues denominated in foreign currencies. The objective of the foreign currency exchange contracts is to help mitigate the risk that the U.S. dollar-equivalent cash flows are adversely affected by changes in the applicable U.S. dollar/foreign currency exchange rate. These derivative instruments are designated as cash flow hedges and accordingly, the derivative's gain or loss is initially reported as a component of AOCI and subsequently reclassified into revenue in the same period the forecasted transaction affects earnings. We evaluate the effectiveness of our foreign currency exchange contracts on a quarterly basis by comparing the critical terms of the derivative instruments with the critical terms of the forecasted cash flows of the hedged item; if the critical terms are the same, we conclude the hedge will be perfectly effective. We did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness. We report cash flows arising from derivative instruments consistent with the classification of cash flows from the underlying hedged items that these derivatives are hedging. Accordingly, the cash flows associated with derivatives designated as cash flow hedges are classified in cash flows from operating activities on our consolidated statements of cash flows.

As of December 31, 2020, we estimate that $287 million of net derivative losses related to our cash flow hedges included in AOCI are expected to be reclassified into earnings within the next 12 months. During the years ended December 31, 2020, 2019, and 2018, we did not discontinue any cash flow hedges because it was probable that the original forecasted transaction would not occur and as such, did not reclassify any gains or losses to earnings prior to the occurrence of the hedged transaction. If we elect to discontinue our cash flow hedges and it is probable that the original forecasted transaction will occur, we continue to report the derivative's gain or loss in AOCI until the forecasted transaction affects earnings, at which point we also reclassify it into earnings. Gains and losses on derivatives held after we discontinue our cash flow hedges and gains and losses on derivative instruments that are not designated as cash flow hedges are recorded in the same financial statement line item to which the derivative relates.

Net Investment Hedge

We used a forward foreign currency exchange contract to reduce the foreign currency exchange risk related to our investment in a foreign subsidiary. This derivative was designated as a net investment hedge and accordingly, the derivative's gain and loss was recorded in AOCI as part of foreign currency translation. During the second quarter of 2020, this derivative matured. The accumulated gains and losses associated with this instrument will remain in AOCI until the foreign subsidiary is sold or substantially liquidated, at which point they will be reclassified into earnings. The cash flow associated with the derivative designated as a net investment hedge is classified in cash flows from investing activities on our consolidated statements of cash flows.

During the year ended December 31, 2020 and 2019, we recognized $55 million in unrealized gain and $31 million in unrealized loss, respectively, on the foreign currency exchange contract designated as a net investment hedge within the foreign currency translation section of other comprehensive income. We have not reclassified any gains or losses from AOCI into earnings during any of the periods presented.

Foreign Currency Exchange Contracts Not Designated As Hedging Instruments

We have a foreign currency exposure management program in which we use foreign currency exchange contracts to offset the foreign currency exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. These contracts are not designated as hedging instruments and reduce, but do not entirely eliminate, the impact of foreign currency exchange rate movements on our assets and liabilities. The gains and losses due to remeasurement of certain foreign currency denominated monetary assets and liabilities are recorded in other income (expense), net, which are offset by the gains and losses on these foreign currency exchange contracts. The cash flows associated with our non-designated derivatives that hedge foreign currency denominated monetary assets and liabilities are classified in cash flows from operating activities on our consolidated statements of cash flows.

Fair Value of Derivative Contracts

The fair value of our outstanding derivative instruments as of December 31, 2020 and 2019 was as follows:

(In millions)	Balance Sheet Location	As of December 31, 2020		2019	
Derivative Assets:					
Foreign currency exchange contracts designated as hedging instruments	Other current assets	$	—	$	45
Foreign currency exchange contracts designated as hedging instruments	Other assets (non-current)		—		1
Foreign currency exchange contracts not designated as hedging instruments	Other current assets		42		89
TOTAL DERIVATIVE ASSETS		**$**	**42**	**$**	**135**
Derivative Liabilities:					
Foreign currency exchange contracts designated as hedging instruments	Other current liabilities	$	287	$	58
Foreign currency exchange contracts designated as hedging instruments	Other long-term liabilities		35		13
Foreign currency exchange contracts not designated as hedging instruments	Other current liabilities		88		51
TOTAL DERIVATIVE LIABILITIES		**$**	**410**	**$**	**122**

Master Netting Agreements - Rights of Setoff

Under master netting agreements with respective counterparties to our foreign currency exchange contracts, subject to applicable requirements, we are allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis on our consolidated balance sheets. Rights of set off associated with our foreign currency exchange contracts represented a potential offset to both assets and liabilities by $34 million as of December 31, 2020 and $92 million as of December 31, 2019. We have entered into collateral security arrangements that provide for collateral to be received or posted when the net fair value of certain financial instruments fluctuates from contractually established thresholds. The following table provides the collateral exchanged:

(In millions)	As of December 31, 2020		2019	
Cash collateral posted[(1)]	$	340	$	12
Cash collateral received[(2)]	$	1	$	39

(1) Right to reclaim cash collateral related to our derivative liabilities recognized in other current assets on our consolidated balance sheets.
(2) Obligation to return counterparty cash collateral related to our derivative assets recognized in other current liabilities on our consolidated balance sheets.

Effect of Derivative Contracts on Consolidated Statements of Income

The following table provides the location in the consolidated statements of income and amount of recognized gains or losses related to our derivative instruments designated as hedging instruments:

(In millions)	Year Ended December 31, 2020		2019		2018	
Net revenues						
Total amounts presented in the consolidated statements of income in which the effects of cash flow hedges are recorded	$	21,454	$	17,772	$	15,451
Gains (losses) on foreign exchange contracts designated as cash flow hedges reclassified from AOCI	$	20	$	238	$	(30)

The following table provides the location in the consolidated statements of income and amount of recognized gains or losses related to our derivative instruments not designated as hedging instruments:

	Year Ended December 31,		
(In millions)	2020	2019	2018
(Losses) gains on foreign exchange contracts recognized in other income (expense), net	$ (110)	$ 24	$ 38
Gains on foreign exchange contracts recognized in net revenues	—	—	7
Losses on equity derivative contracts recognized in other income (expense), net[(1)]	(64)	—	—
TOTAL (LOSSES) GAINS RECOGNIZED FROM CONTRACTS NOT DESIGNATED AS HEDGING INSTRUMENTS	**$ (174)**	**$ 24**	**$ 45**

(1) During the year ended December 31, 2020, equity derivative contracts were entered into and matured which related to the sale of a portion of a strategic investment. The cash flows associated with the equity derivative contracts are classified in cash flows from investing activities on our consolidated statements of cash flows.

Notional Amounts of Derivative Contracts

Derivative transactions are measured in terms of the notional amount; however, this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the derivative instruments. The notional amount is generally not exchanged, but is used only as the underlying basis on which the value of foreign currency exchange payments under these contracts is determined. The following table provides the notional amounts of our outstanding derivatives:

	Year Ended December 31,	
(In millions)	2020	2019
Foreign exchange contracts designated as hedging instruments	$ 5,335	$ 4,550
Foreign exchange contracts not designated as hedging instruments	16,098	17,131
TOTAL	**$ 21,433**	**$ 21,681**

Note 11—Loans And Interest Receivable

We offer credit products to consumers and certain small and medium-sized merchants. We purchase receivables related to credit extended to U.S. merchants by an independent chartered financial institution and are responsible for servicing functions related to that portfolio. During the year ended December 31, 2020 and 2019, we purchased approximately $1.8 billion and $4.7 billion in credit receivables, respectively.

Consumer Receivables

We offer revolving and installment credit products to consumers at checkout. The majority of these installment loans allow consumers to pay for a product over periods of 12 months or less. As of December 31, 2020 and 2019, the outstanding balance of consumer receivables, which consisted of revolving and installment loans and interest receivable, was $2.2 billion and $1.3 billion, respectively.

We closely monitor the credit quality of our consumer receivables to evaluate and manage our related exposure to credit risk. Credit risk management begins with initial underwriting and continues through to full repayment of a loan. To assess a consumer who requests a loan, we use, among other indicators, internally developed risk models using detailed information from external sources, such as credit bureaus where available, and internal historical experience, including the consumer's prior repayment history with our credit products where available. We use delinquency status and trends to assist in making new and ongoing credit decisions, to adjust our models, to plan our collection practices and strategies, and in determining our allowance for consumer loans and interest receivable.

Consumer Receivables Delinquency and Allowance

The following table presents the delinquency status of consumer loans and interest receivable at December 31, 2020 and 2019. Since our consumer loans are primarily revolving in nature, they are disclosed in the aggregate and not by year of origination. The amounts are based on the number of days past the billing date. The "current" category represents balances that are within 29 days of the billing date.

	December 31, 2020		December 31, 2019	
(In millions, except percentages)	Amortized Cost Basis Revolving	Percent	Amortized Cost Basis Revolving	Percent
Current	$ 2,124	97.9%	$ 1,279	96.7%
30-59 days	15	0.7%	15	1.1%
60-89 days	11	0.5%	9	0.7%
90-179 days	19	0.9%	19	1.5%
TOTAL CONSUMER LOANS AND INTEREST RECEIVABLE(1), (2), (3)	**$ 2,169**	**100.0%**	**$ 1,322**	**100.0%**

(1) Excludes receivables from other consumer credit products of $56 million and $92 million at December 31, 2020 and December 31, 2019, respectively.
(2) Includes installment loans of $556 million and $80 million at December 31, 2020 and December 31, 2019, respectively, substantially all of which were current and originated within the past 12 months.
(3) Balances at December 31, 2020 include the impact of payment holidays provided primarily in the second quarter of 2020 by the Company to some consumers as a part of our COVID-19 payment relief initiatives.

The following table summarizes the activity in the allowance for consumer loans and interest receivable for the years ended December 31, 2020 and 2019:

	December 31, 2020			December 31, 2019		
(In millions)	Consumer Loans Receivable	Interest Receivable	Total Allowance(1)	Consumer Loans Receivable	Interest Receivable	Total Allowance(1)
Beginning balance	$ 49	$ 8	$ 57	$ 27	$ 3	$ 30
Adjustment for adoption of credit losses accounting standard	24	4	28	—	—	—
Provisions	245	50	295	34	11	45
Charge-offs	(69)	(12)	(81)	(44)	(6)	(50)
Recoveries(2)	27	—	27	31	—	31
Other(3)	23	3	26	1	—	1
ENDING BALANCE	**$ 299**	**$ 53**	**$ 352**	**$ 49**	**$ 8**	**$ 57**

(1) Excludes allowances from other consumer credit products of $3 million and $10 million at December 31, 2020 and December 31, 2019, respectively.
(2) The recoveries were primarily related to fully charged-off U.S. consumer credit receivables not subject to the sale to Synchrony.
(3) Includes amounts related to foreign currency remeasurement.

Provisions for the year ended December 31, 2020 were primarily attributable to changes in current and projected macroeconomic conditions, including the impact of qualitative adjustments primarily related to the impact of payment holidays provided as part of our COVID-19 payment relief initiatives, and the overall growth in our portfolio. The increase in charge-offs for the year ended December 31, 2020 was primarily attributable to the overall growth in our portfolio.

The provision for current expected credit losses relating to our consumer loans receivable portfolio is recognized in transaction and credit losses on our consolidated statements of income. The provision for interest receivable due to interest earned on our consumer loans receivable portfolio is recognized in revenues from other value added services as a reduction to revenue. Loans receivable past the payment due date continue to accrue interest until they are charged off.

We charge off consumer receivable balances in the month in which a customer's balance becomes 180 days past the billing date. Bankrupt accounts are charged off within 60 days after receipt of notification of bankruptcy. Charge-offs that are recovered are recorded as a reduction to our allowance for loans and interest receivable.

Merchant Receivables

We offer access to credit products for certain small and medium-sized merchants through our PPWC and PPBL products, which we collectively refer to as our merchant lending offerings. As of December 31, 2020 and 2019, the total outstanding balance in our pool of merchant loans, advances, and interest and fees receivable was $1.4 billion and $2.8 billion, respectively, net of the participation interest sold to an independent chartered financial institution of $59 million and $124 million, respectively. See "Note 1—Overview and Summary of Significant Accounting Policies" for additional information on this participation arrangement.

Through our PPWC product, merchants can borrow a certain percentage of their annual payment volume processed by PayPal and are charged a fixed fee for the loan or advance based on the overall credit assessment of the merchant. Loans and advances are repaid through a fixed percentage of the merchant's future payment volume that PayPal processes. Through our PPBL product, we provide merchants with access to short-term business financing for a fixed fee based on an evaluation of the applying business as well as the business owner. PPBL repayments are collected through periodic payments until the balance has been satisfied.

The interest or fee is fixed at the time the loan or advance is extended and is recognized as deferred revenues included in accrued expenses and other current liabilities on our consolidated balance sheets. The fixed interest or fee is amortized to revenues from other value added services based on the amount repaid over the repayment period. We estimate the repayment period for PPWC based on the merchant's payment processing history with PayPal, where available. For PPWC, there is a general requirement that at least 10% of the original amount of the loan or advance plus the fixed fee must be repaid every 90 days. We calculate the repayment rate of the merchant's future payment volume so that repayment of the loan or advance and fixed fee is expected to generally occur within 9 to 12 months from the date of the loan or advance. On a monthly basis, we recalculate the repayment period based on the repayment activity on the receivable. As such, actual repayment periods are dependent on actual merchant payment processing volumes. For PPBL, we receive fixed periodic payments over the contractual term of the loan which generally ranges from 3 to 12 months.

We actively monitor receivables with repayment periods greater than the original expected or contractual repayment period, as well as the credit quality of our merchant loans and advances that we extend or purchase so that we can evaluate, quantify, and manage our credit risk exposure. To assess a merchant seeking a business financing loan or advance, we use, among other indicators, risk models developed internally which utilize information obtained from multiple internal and external data sources to predict the likelihood of timely and satisfactory repayment by the merchant of the loan or advance amount and the related interest or fee. Primary drivers of the models include the merchant's annual payment volume, payment processing history with PayPal, and prior repayment history with PayPal's credit products where available, information sourced from consumer and business credit bureau reports, and other information obtained during the application process. We use delinquency status and trends to assist in making (or, in the U.S., to assist the independent chartered financial institution in making) ongoing credit decisions, to adjust our internal models, to plan our collection strategies, and in determining our allowance for these loans and advances.

Merchant Receivables Delinquency and Allowance

The following table presents the delinquency status of the principal amount of merchant loans, advances, and interest and fees receivable by year of origination. The amounts are based on the number of days past the expected or contractual repayment date for amounts outstanding. The "current" category represents balances that are within 29 days of the contractual repayment dates, or within 29 days of the expected repayment date.

	December 31, 2020 *(In millions, except percentages)*						
	2020	2019	2018	2017	2016	Total	Percent
Current	$ 884	$ 154	$ 4	$ —	$ —	$ 1,042	75.4%
30 - 59 Days	56	46	3	—	—	105	7.6%
60 - 89 Days	29	30	3	—	—	62	4.5%
90 - 179 Days	58	77	7	—	—	142	10.3%
180+ Days	6	20	5	—	—	31	2.2%
TOTAL(1)	**$ 1,033**	**$ 327**	**$ 22**	**$ —**	**$ —**	**$ 1,382**	**100%**

(1) Balances include the impact of payment holidays provided primarily during the second quarter of 2020 and modification programs offered by the Company as a part of our COVID-19 payment relief initiatives (as discussed further below).

The following table presents our estimate of the principal amount of merchant loans, advances, and interest and fees receivable past their original expected or contractual repayment period as of December 31, 2019, prior to the adoption of the new credit losses accounting guidance as described in "Note 1—Overview and Summary of Significant Accounting Policies."

	December 31, 2019 *(In millions, except percentages)*						
	Within Original Expected or Contractual Repayment Period	30 - 59 Days Greater	60 - 89 Days Greater	90 - 179 Days Greater	180 + Days	Total Past Original Expected or Contractual Repayment Period	Total
	$ 2,523	$ 115	$ 61	$ 100	$ 17	$ 293	$ 2,816
	89.6%	4.1%	2.1%	3.6%	0.6%	10.4%	100%

The following table summarizes the activity in the allowance for merchant loans, advances, and interest and fees receivable, for the years ended December 31, 2020 and 2019:

	December 31, 2020			December 31, 2019		
(In millions)	Merchant Loans and Advances	Interest and Fees Receivable	Total Allowance	Merchant Loans and Advances	Interest and Fees Receivable	Total Allowance
Beginning balance	$ 171	$ 20	$ 191	$ 115	$ 15	$ 130
Adjustment for adoption of credit losses accounting standard	165	17	182	—	—	—
Provisions	358	33	391	240	26	266
Charge-offs	(274)	(27)	(301)	(201)	(21)	(222)
Recoveries	20	—	20	17	—	17
ENDING BALANCE	**$ 440**	**$ 43**	**$ 483**	**$ 171**	**$ 20**	**$ 191**

Provisions for the year ended December 31, 2020 were primarily attributable to changes in current and projected macroeconomic conditions as well as originations occurring primarily in the first quarter of 2020. The provisions associated with changes in current and projected macroeconomic conditions included the impact of qualitative adjustments to account for limitations in our current expected credit loss models that have arisen due to the extreme fluctuations in both the actual and projected macroeconomic conditions during the period and to incorporate varying degrees of merchant performance in the current environment and expected performance in future periods. The increase in charge-offs for the year ended December 31, 2020 was primarily attributable to a significant expansion of the portfolio in 2019.

For merchant loans and advances, the determination of delinquency is based on the current expected or contractual repayment period of the loan or advance and fixed interest or fee payment as compared to the original expected or contractual repayment period. We charge off the receivables outstanding under our PPBL product when the repayments are 180 days past the contractual repayment date. We charge off the receivables outstanding under our PPWC product when the repayments are 180 days past our expectation of repayments and the merchant has not made a payment in the last 60 days, or when the repayments are 360 days past due regardless of whether the merchant has made a payment within the last 60 days. Bankrupt accounts are charged off within 60 days of receiving notification of bankruptcy. The provision for credit losses on merchant loans and advances is recognized in transaction and credit losses, and the provision for interest and fees receivable is recognized as a reduction of deferred revenues included in accrued expenses and other current liabilities on our consolidated balance sheets. Charge-offs that are recovered are recorded as a reduction to our allowance for loans and interest receivable.

Troubled Debt Restructurings

In instances where a merchant is able to demonstrate that they are experiencing financial difficulty, there may be a modification of the loans or advances and the related interest receivable for which it is probable that without modification we will be unable to collect all amounts due. These modifications are intended to provide merchants with financial relief, and to help enable us to mitigate losses.

These modifications include an increase in term by 1 to 5.5 years while moving the delinquency status to current. The fee on some of these loans or advances remains unchanged over the extended term. Alternatively, certain loans and advances have been modified to replace the initial fixed fee structure at the time the loan or advance was extended with a fixed annual percentage rate applied over the amended remaining term, which will continue to accrue interest at the fixed rate until the earlier of maturity or charge-off. These modifications had a de minimis impact on our consolidated statements of income in the year ended December 31, 2020.

Allowances for TDRs are assessed separately from other loans within our portfolio and are determined by estimating current expected credit losses utilizing the modified term and interest rate assumptions. Historical loss estimates are utilized in addition to macroeconomic assumptions to determine expected credit loss rates. Further, we include qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of our current expected credit losses.

The following table shows the merchant loans and interest receivables which have been modified as TDRs in the year ended December 31, 2020:

	Number of Accounts *(In thousands)*	Outstanding Balances[1] *(In millions)*	Weighted Average Payment Term Extensions *(In months)*
Loans and interest receivable	13	$ 354	37

(1) Balances are as of modification date.

A merchant is considered in payment default after a modification when the merchant's payment becomes 60 days past their expected or contractual repayment date. For loans that have defaulted after being modified, the increased estimate of current expected credit loss is factored into overall expected credit losses. As of December 31, 2020, the amount of merchant loans and interest receivables classified as TDRs that have subsequently defaulted on payments were de minimis.

Note 12—Debt

Fixed Rate Notes

On May 18, 2020, we issued fixed rate notes with varying maturity dates for an aggregate principal amount of $4.0 billion. Interest on these notes is payable on June 1 and December 1 of each year, beginning on December 1, 2020.

On September 26, 2019, we issued fixed rate notes with varying maturity dates for an aggregate principal amount of $5.0 billion. Interest on these notes is payable in arrears semiannually (payable March 26 and September 26 for the notes due in 2022 and payable April 1 and October 1 for the remaining notes).

The notes issued from the May 2020 and September 2019 debt issuances are senior unsecured obligations and are collectively referred to as the "Notes." We may redeem these Notes in whole, at any time, or in part, from time to time, prior to maturity, at their redemption prices. Upon the occurrence of both a change of control of the Company and a downgrade of the Notes below an investment grade rating, we will be required to offer to repurchase each series of Notes at a price equal to 101% of the then outstanding principal amounts, plus accrued and unpaid interest. The Notes are subject to covenants including limitations on our ability to create liens on our assets, enter into sale and leaseback transactions, and merge or consolidate with another entity, in each case subject to certain exceptions, limitations, and qualifications. Proceeds from the issuance of these Notes may be used for general corporate purposes, which may include funding the repayment or redemption of outstanding debt, share repurchases, ongoing operations, capital expenditures, and possible acquisitions of businesses, assets, or strategic investments.

As of December 31, 2020 and 2019, we had an outstanding aggregate principal amount of $9.0 billion and $5.0 billion, respectively, related to the Notes. The following table summarizes the Notes:

			As of December 31,	
(In millions)	Maturities	Effective Interest Rate	2020	2019
September 2019 debt issuance of $5.0 billion:				
Fixed-rate 2.200% notes	9/26/2022	2.39%	$ 1,000	$ 1,000
Fixed-rate 2.400% notes	10/1/2024	2.52%	1,250	1,250
Fixed-rate 2.650% notes	10/1/2026	2.78%	1,250	1,250
Fixed-rate 2.850% notes	10/1/2029	2.96%	1,500	1,500
May 2020 debt issuance of $4 billion:				
Fixed-rate 1.350% notes	6/1/2023	1.55%	$ 1,000	$ —
Fixed-rate 1.650% notes	6/1/2025	1.78%	1,000	—
Fixed-rate 2.300% notes	6/1/2030	2.39%	1,000	—
Fixed-rate 3.250% notes	6/1/2050	3.33%	1,000	—
Total term debt			9,000	5,000
Unamortized premium (discount) and issuance costs, net			(61)	(35)
TOTAL CARRYING AMOUNT OF TERM DEBT			**$ 8,939**	**$ 4,965**

The effective interest rates for the Notes include interest on the Notes, amortization of debt issuance costs, and amortization of the debt discount. The interest expense recorded for the Notes, including amortization of the debt discount and debt issuance costs, was $190 million and $35 million for the year ended December 31, 2020 and 2019, respectively.

Credit Facilities

Five-Year Revolving Credit Facility

In September 2019, we entered into a credit agreement (the "Credit Agreement") that provides for an unsecured $5.0 billion, five-year revolving credit facility that includes a $150 million letter of credit sub-facility and a $500 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. Loans borrowed under the Credit Agreement are available in U.S. dollar, Euro, British Pound, Canadian dollar, and Australian dollar, and in each case subject to the sub-limits and other limitations provided in the Credit Agreement. We may also, subject to the agreement of the applicable lenders and satisfaction of specified conditions, increase the commitments under the revolving credit facility by up to $2.0 billion. Subject to specific conditions, we may designate one or more of our subsidiaries as additional borrowers under the Credit Agreement, provided PayPal Holdings, Inc. guarantees the portion of borrowings made available and other obligations of any such subsidiaries under the Credit Agreement. As of December 31, 2020, certain subsidiaries were designated as additional borrowers. Funds borrowed under the Credit Agreement may be used for working capital, capital expenditures, acquisitions, and other purposes not in contravention with the Credit Agreement.

We are obligated to pay interest on loans under the Credit Agreement and other customary fees for a credit facility of this size and type, including an upfront fee and an unused commitment fee based on our debt rating. Loans under the Credit Agreement bear interest at either (i) the applicable eurocurrency rate plus a margin (based on our public debt ratings) ranging from 0.875 percent to 1.375 percent, (ii) the applicable overnight rate plus a margin (based on our public debt ratings) ranging from 0.875 percent to 1.375 percent, or (iii) a formula based on the prime rate, the federal funds effective rate, or LIBOR plus a margin (based on our public debt ratings) ranging from zero to 0.375 percent. The Credit Agreement will terminate and all amounts owed thereunder will be due and payable in September 2024, unless the commitments are terminated earlier. The Credit Agreement contains customary representations, warranties, affirmative and negative covenants, including a financial covenant, events of default, and indemnification provisions in favor of the lenders. The negative covenants include restrictions regarding the incurrence of liens and the incurrence of subsidiary indebtedness, in each case subject to certain exceptions. The financial covenant requires us to meet a quarterly financial test with respect to a maximum consolidated leverage ratio.

In March 2020, we drew down $3.0 billion under the Credit Agreement. In May 2020, we repaid the $3.0 billion using proceeds from the May 2020 debt issuance. As of December 31, 2020, no borrowings or letters of credit were outstanding under the Credit Agreement. Accordingly, at December 31, 2020, $5.0 billion of borrowing capacity was available for the purposes permitted by the Credit Agreement, subject to customary conditions to borrowing. The total interest expense and fees we recorded related to the Credit Agreement was approximately $16 million for the year ended December 31, 2020.

364-Day Revolving Credit Facility

In September 2019, we entered into a 364-Day credit agreement that provided for an unsecured $1.0 billion 364-Day revolving credit facility, which terminated in September 2020.

Amended Credit Agreement

In the fourth quarter of 2018, we entered into an amended credit agreement ("Amended Credit Agreement"), which amended and restated in its entirety the previous agreement entered into in 2017. The Amended Credit Agreement provided for an unsecured $5.0 billion, 364-day delayed-draw term loan credit facility, which was available in up to four separate borrowings until April 6, 2019. As of December 31, 2018, $2.0 billion was outstanding under the Amended Credit Agreement. On April 5, 2019, the Company drew down an additional $500 million under the Amended Credit Agreement. On September 26, 2019, the Amended Credit Agreement was terminated and we repaid $2.5 billion of borrowings outstanding under that agreement. The total interest expense and fees we recorded related to the Amended Credit Agreement were $69 million and $72 million for the year ended December 31, 2019 and 2018, respectively.

Other Available Facilities

We also maintain an uncommitted credit facility with a borrowing capacity of approximately $30 million, where we can withdraw and utilize the funds at our discretion for general corporate purposes. The interest rate term for this facility reflects prevailing market rates for companies with strong credit ratings. As of December 31, 2020, the majority of the borrowing capacity under this credit facility was available, subject to customary conditions to borrowing.

Future Principal Payments

As of December 31, 2020, the future principal payments associated with our long term debt were as follows (in millions):

2021	$ —
2022	1,000
2023	1,000
2024	1,250
2025	1,000
Thereafter	4,750
TOTAL	**$ 9,000**

Note 13—Commitments and Contingencies

Commitments

As of December 31, 2020 and 2019, approximately $3.0 billion and $3.1 billion, respectively, of unused credit was available to PayPal Credit account holders. Substantially all of the PayPal Credit account holders with unused credit are in the U.K. While this amount represents the total unused credit available, we have not experienced, and do not anticipate, that all our PayPal Credit account holders will access their entire available credit at any given point in time. In addition, the individual lines of credit that make up this unused credit are subject to periodic review and termination based on, among other things, account usage and customer creditworthiness.

Litigation and Regulatory Matters

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 at that time. 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 Note 13, 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 and reasonably estimable were not material for the year ended December 31, 2020. Except as otherwise noted for the proceedings described in this Note 13, 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. Determining legal reserves or possible losses from such matters involves judgment and may not reflect the full range of uncertainties and unpredictable outcomes. We may be exposed to losses in excess of the amount recorded, and such amounts could be material. If any of our estimates and assumptions change or prove to have been incorrect, it could have a material adverse effect on our business, financial position, results of operations, or cash flows.

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"). 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 that were inadvertently processed but subsequently identified 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.

PayPal Australia Pty Limited ("PPAU") self-reported a potential violation to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") on May 22, 2019. This self-reported matter relates to PPAU incorrectly filing required international funds transfer instructions over a period of time under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("AML/CTF Act"). On September 23, 2019, PPAU received a notice from AUSTRAC requiring that PPAU appoint an external auditor (a partner of a firm which is not our independent auditor) to review certain aspects of PPAU's compliance with its obligations under the AML/CTF Act. The external auditor was appointed on November 1, 2019. As required under the terms of AUSTRAC's notice, as amended, PPAU issued to AUSTRAC the external auditor's interim reports on December 31, 2019, March 13, 2020, May 6, 2020 and July 7, 2020 and a final report on August 31, 2020.

AUSTRAC has notified PPAU that its enforcement team is investigating the matters reported upon by the external auditor in its August 31, 2020 final report. PPAU is continuing to cooperate with AUSTRAC in all respects, including remediation activities, ongoing regular engagement with AUSTRAC, responding to requests for information and documents, and reporting to AUSTRAC of international funds transfer instructions based on the operation of the AML/CTF Act. We cannot estimate the potential impact, if any, on our business or financial statements at this time. In the event an adverse outcome arises from any associated enforcement, proceeding, or other further matter initiated by AUSTRAC, this could result in enforceable undertakings, 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 January 21, 2021, we received a Civil Investigative Demand ("CID") from the Consumer Financial Protection Bureau ("CFPB") related to Venmo's unauthorized funds transfers and collections processes, and related matters. The CID requests the production of documents and answers to written questions. We are cooperating with the CFPB in connection with this CID.

Legal Proceedings

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 and the potential compromise of personally identifiable information for approximately 1.6 million TIO customers. We have received a number of governmental inquiries, and we may be subject to additional inquiries in the future. In addition, on December 6, 2017, a putative class action lawsuit was filed in the U.S. District Court for the Northern District of California (the "Court") against the Company, its Chief Executive Officer, its Chief Financial Officer and Hamed Shahbazi, the former chief executive officer of TIO alleging violations of federal securities laws. The plaintiffs filed their operative, second amended complaint (the "SAC") on July 13, 2018. The SAC names TIO Networks ULC, TIO Networks USA, Inc., and John Kunze (at that time, the Company's Vice President, Global Consumer Products and Xoom) as additional defendants, but no longer names Hamed Shabazi as a defendant. The SAC is purportedly brought on behalf of all persons other than the defendants who acquired the Company's securities between November 10, 2017 and December 1, 2017, and alleges that the Company's November 2017 announcement was false and misleading because it only disclosed security vulnerabilities on TIO's platform, rather than an actual security breach affecting millions of TIO users that defendants were allegedly aware of at the time of the announcement. Defendants filed their motion to dismiss the SAC on March 15, 2019, and the Court granted the defendants' motion with prejudice on September 18, 2019. Plaintiffs appealed the dismissal to the U.S. Court of Appeals for the Ninth Circuit, and on December 17, 2020, the Ninth Circuit issued a memorandum decision affirming the dismissal. We may be subject to additional litigation relating to TIO's data security platform or the suspension of TIO's operations in the future.

General Matters

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

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 may 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 our business has grown and expanded in scale and scope, including the number of active accounts and payments transactions on our platforms, the range and increasing complexity of the products and services that we offer, and our geographical operations. 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.

Indemnification Provisions

Our agreements with eBay governing our separation from eBay provide for specific indemnity and liability obligations for both eBay and us. Disputes between eBay and us have arisen and others may arise in the future, and an adverse outcome in such matters could materially and adversely impact our business, results of operations, and financial condition. In addition, the indemnity rights we have against eBay under the agreements may not be sufficient to protect us, and our indemnity obligations to eBay may be significant.

In the ordinary course of business, we include limited indemnification provisions in certain of our agreements with parties with whom we have commercial relationships. Under these contracts, we generally indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by any third party with respect to our domain names, trademarks, logos, and other branding elements to the extent that such marks are related to the subject agreement. We have provided an indemnity for other types of third-party claims, which are indemnities related primarily to intellectual property rights, confidentiality, willful misconduct, data privacy obligations, and certain breach of contract claims. We have also provided an indemnity to our payments processors in the event of card association fines against the processor arising out of conduct by us or our customers. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular situation.

PayPal has participated in the U.S. Government's Paycheck Protection Program administered by the U.S. Small Business Administration. Loans made under this program are funded by an independent chartered financial institution that we partner with. We receive a fee for providing origination services and loan servicing for these loans and retain operational risk related to those activities. We have agreed, under certain circumstances, to indemnify the chartered financial institution in connection with the services provided for loans made under this program.

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, 2020 and 2019, 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 for certain transactions completed on our Payments Platform. These programs are intended to protect both merchants and consumers from loss primarily due to fraud and counterparty performance. Our buyer protection program provides protection to consumers for qualifying purchases by reimbursing the consumer for the full amount of the purchase if a purchased item does not arrive or does not match the seller's description. Our seller protection programs provide protection to merchants against claims that a transaction was not authorized by the buyer or claims that an item was not received by covering the seller for the full amount of the payment on eligible sales. These protection programs are considered assurance-type warranties for which we estimate and record associated costs in transaction and credit losses during the period the payment transaction is completed.

At December 31, 2020 and 2019, the allowance for transaction losses totaled $144 million and $136 million, respectively. The allowance for negative customer balances was $270 million and $263 million at December 31, 2020 and 2019, respectively. The following table shows changes in the allowance for transaction losses and negative customer balances related to our protection programs for the year end December 31, 2020 and 2019:

	As of December 31,	
(In millions)	2020	2019
Beginning balance	$ 399	$ 344
Provision	1,135	1,092
Realized losses	(1,208)	(1,098)
Recoveries	88	61
ENDING BALANCE	**$ 414**	**$ 399**

Note 14—Stock Repurchase Programs

In April 2017, our Board of Directors authorized a stock repurchase program that provided for the repurchase of up to $5 billion of our common stock, with no expiration from the date of authorization. In July 2018, our Board of Directors authorized an additional stock repurchase program that provides for the repurchase of up to $10 billion of our common stock, with no expiration from the date of authorization. This program became effective in the first quarter of 2020 upon completion of the April 2017 stock repurchase program. Our stock repurchase programs are intended to offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, may also be used to make opportunistic repurchases of our common stock to reduce outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions, including accelerated share repurchase agreements, or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Moreover, any stock repurchases are subject to market conditions and other uncertainties, and we cannot predict if or when any stock repurchases will be made. We may terminate our stock repurchase programs at any time without prior notice.

During the year ended December 31, 2020, we repurchased approximately 12 million shares of our common stock for approximately $1.6 billion at an average cost of $136.19. These shares were purchased in the open market under our stock repurchase programs authorized in April 2017 and July 2018. As of December 31, 2020, a total of approximately $8.4 billion remained available for future repurchases of our common stock under our July 2018 stock repurchase program.

During the year ended December 31, 2019, we repurchased approximately 14 million shares of our common stock for approximately $1.4 billion, including approximately $656 million in the open market and approximately $750 million pursuant to an Accelerated Share Repurchase ("ASR") agreement under our April 2017 stock repurchase program.

During the year ended December 31, 2018, we repurchased approximately 44 million shares of our common stock for approximately $3.5 billion, including approximately $2.5 billion in the open market and approximately $1.0 billion pursuant to an ASR agreement under our April 2017 stock repurchase program.

Shares of common stock repurchased for the periods presented were recorded as treasury stock for the purposes of calculating earnings per share and were accounted for under the cost method. No repurchased shares of common stock have been retired.

Note 15—Stock-Based and Employee Savings Plans

Equity Incentive Plan

Under the terms of the Amended and Restated PayPal Holdings, Inc. 2015 Equity Incentive Award Plan (the "Plan"), equity awards, including stock options, restricted stock units ("RSUs"), restricted stock awards ("RSAs"), performance based restricted stock units ("PBRSUs"), deferred stock units ("DSUs"), and stock payments, may be granted to our directors, officers, and employees. At December 31, 2020, 70 million shares were authorized under the Plan and 49 million shares were available for future grant. Shares issued as a result of stock option exercises and the release of stock awards were funded primarily with the issuance of new shares of common stock.

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

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

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

Employee Stock Purchase Plan

Under the terms of the Employee Stock Purchase Plan ("ESPP"), shares of our common stock 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 business day of each six-month purchase period within the offering period. Employees may contribute between 2% and 10% of their gross compensation during an offering period to purchase shares, but not more than the statutory limitation of $25,000 per year. All company stock purchased through the ESPP is considered outstanding and is included in the weighted-average outstanding shares for purposes of computing basic and diluted earnings per share. For the years ended December 31, 2020, 2019, and 2018, our employees purchased 1.7 million, 1.8 million, and 2.4 million shares under the ESPP at an average per share price of $80.36, $66.36, and $43.09, respectively. As of December 31, 2020, approximately 50 million shares were reserved for future issuance under the ESPP.

Stock Option Activity

The following table summarizes stock option activity of our employees under the Plan for the year ended December 31, 2020:

(In thousands, except per share amounts and years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2020	476	$ 25.18		
Assumed	574	$ 1.88		
Exercised	(441)	$ 10.23		
Forfeited/expired/canceled	(18)	$ 3.51		
OUTSTANDING AT DECEMBER 31, 2020	**591**	**$ 14.37**	**4.89**	**$ 128,143**
Expected to vest	244	$ 4.48	6.92	$ 55,345
Options exercisable	329	$ 22.25	3.26	$ 68,780

The weighted average grant date fair value of options assumed from acquisitions during the year ended December 31, 2020 and 2018 was $108.61 and $72.02, respectively. No options were granted or assumed in 2019. The aggregate intrinsic value was calculated as the difference between the exercise price of the underlying options and the quoted price of our common stock at December 31, 2020. During the years ended December 31, 2020, 2019, and 2018, the aggregate intrinsic value of options exercised under the Plan was $66 million, $51 million, and $71 million, respectively, determined as of the date of option exercise. At December 31, 2020, all outstanding options were in-the-money.

RSU, PBRSU, And Restricted Stock Activity

The following table summarizes the RSUs, PBRSUs, and restricted stock activity under the Plan as of December 31, 2020 and changes during the year ended December 31, 2020:

(In thousands, except per share amounts)	Units		Weighted Average Grant-Date Fair Value (per share)
Outstanding at January 1, 2020	23,009	$	83.61
Awarded and assumed[(1),(2)]	16,592	$	113.63
Vested[(1)]	(14,170)	$	77.50
Forfeited	(2,267)	$	101.44
OUTSTANDING AT DECEMBER 31, 2020	**23,164**	**$**	**107.13**
Expected to vest	20,767		

(1) Includes approximately 1.4 million of additional PBRSUs issued during 2020 due to the achievement of company performance metrics on awards granted in previous years.
(2) Includes approximately 0.6 million in RSUs assumed from our Honey acquisition in 2020.

During the years ended December 31, 2020, 2019, and 2018, the aggregate intrinsic value of RSUs and PBRSUs vested under the Plan was $1.7 billion, $1.6 billion, and $1.4 billion, respectively.

In the year ended December 31, 2020, the Company granted 1.4 million PBRSUs with a one-year performance period (fiscal 2020), which will become fully vested following the completion of the performance period in February 2021 (one year from the annual incentive award cycle grant date), and 0.7 million PBRSUs with a three-year performance period.

In the year ended December 31, 2019, the Company granted 1.5 million PBRSUs with a one-year performance period (fiscal 2019), which became fully vested following the completion of the performance period in February 2020 (one year from the annual incentive award cycle grant date), and 0.9 million PBRSUs with a three-year performance period.

Stock-Based Compensation Expense

We record stock-based compensation expense for the Plan in accordance with U.S. GAAP, which requires the measurement and recognition of compensation expense based on estimated fair values.

The impact on our results of operations of recording stock-based compensation expense under the Plan for the years ended December 31, 2020, 2019, and 2018 was as follows:

	Year Ended December 31,					
(In millions)		2020		2019		2018
Customer support and operations	$	250	$	198	$	174
Sales and marketing		172		127		125
Technology and development		529		420		303
General and administrative		460		305		269
TOTAL STOCK-BASED COMPENSATION EXPENSE	**$**	**1,411**	**$**	**1,050**	**$**	**871**
Capitalized as part of internal use software and website development costs	$	48	$	38	$	38
Income tax benefit recognized for stock-based compensation arrangements	$	239	$	176	$	154

As of December 31, 2020, there was approximately $1.4 billion of unearned stock-based compensation estimated to be expensed primarily from 2021 through 2022. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase, or cancel all or a portion of the remaining unearned stock-based compensation expense. Future unearned stock-based compensation will increase to the extent we grant additional equity awards, change the mix of equity awards we grant, or assume unvested equity awards in connection with acquisitions.

Employee Savings Plans

Under the terms of the PayPal Holdings, Inc. Deferred Compensation Plan, which also qualifies under Section 401(k) of the Code, participating U.S. employees may contribute up to 50% of their eligible compensation, but not more than statutory limits. Under the PayPal plan, eligible employees received one dollar for each dollar contributed, up to 4% of each employee's eligible salary, subject to a maximum employer contribution per employee of $11,600 in 2020 and $11,200 in both 2019 and 2018. Our non-U.S. employees are covered by other savings plans. For the years ended December 31, 2020, 2019, and 2018, the matching contribution expense for our U.S. and international savings plans was approximately $72 million, $59 million, and $51 million, respectively.

Note 16—Income Taxes

The components of income (loss) before income taxes are as follows:

	Year Ended December 31,		
(In millions)	2020	2019	2018
United States	$ 1,504	$ 8	$ (474)
International	3,561	2,990	2,850
INCOME BEFORE INCOME TAXES	**$ 5,065**	**$ 2,998**	**$ 2,376**

The income tax expense is composed of the following:

	Year Ended December 31,		
(In millions)	2020	2019	2018
Current:			
Federal	$ 310	$ 132	$ 180
State and local	143	47	32
Foreign	245	629	278
Total current portion of income tax expense	$ 698	$ 808	$ 490
Deferred:			
Federal	$ 259	$ (107)	$ (115)
State and local	(32)	(39)	(35)
Foreign	(62)	(123)	(21)
Total deferred portion of income tax expense	165	(269)	(171)
INCOME TAX EXPENSE	**$ 863**	**$ 539**	**$ 319**

The following is a reconciliation of the difference between the effective income tax rate and the federal statutory rate:

	Year Ended December 31,		
	2020	2019	2018
Federal statutory rate	21.0%	21.0%	21.0%
State taxes, net of federal benefit	2.2%	0.3%	(0.1)%
Foreign income taxed at different rates	(7.4)%	(5.0)%	(3.9)%
Stock-based compensation expense	(1.2)%	(3.9)%	(4.1)%
Tax credits	(2.0)%	(2.4)%	(2.1)%
Change in valuation allowances	0.1%	0.1%	—%
Intra-group transfer of intellectual property	4.1%	7.6%	0.7%
Other	0.2%	0.3%	1.9%
EFFECTIVE INCOME TAX RATE	**17.0%**	**18.0%**	**13.4%**

For the year ended December 31, 2020, the difference between the effective income tax rate and the U.S. federal statutory rate of 21% to income before income taxes is primarily the result of foreign income taxed at different rates, partially offset by tax expense related to the intra-group transfer of intellectual property. For the year ended December 31, 2019, the difference between the effective income tax rate and the federal statutory rate of 21% to income before income taxes is primarily the result of foreign income taxed at different rates and stock-based compensation deductions, partially offset by tax expense related to the intra-group transfer of intellectual property. For the year ended December 31, 2018, the difference between the effective income tax rate and the federal statutory rate of 21% to income before income taxes is primarily the result of foreign income taxed at different rates and stock-based compensation deductions.

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using enacted tax rates in effect for the year in which the differences are expected to reverse. Significant deferred tax assets and liabilities consist of the following:

(In millions)	As of December 31, 2020	2019
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 201	$ 182
Accruals and allowances	413	235
Lease liability	188	120
Partnership investment	6	8
Stock-based compensation	196	160
Net unrealized losses	4	5
Fixed assets and other intangibles	11	88
TOTAL DEFERRED TAX ASSETS	**1,019**	**798**
Valuation allowance	(166)	(184)
NET DEFERRED TAX ASSETS	**$ 853**	**$ 614**
Deferred tax liabilities:		
Unremitted foreign earnings	$ (21)	$ (17)
Acquired intangibles	(153)	(103)
Lease asset	(172)	(116)
Net unrealized gains	(440)	(71)
TOTAL DEFERRED TAX LIABILITIES	**(786)**	**(307)**
NET DEFERRED TAX ASSETS	**$ 67**	**$ 307**

The following table shows the deferred tax assets and liabilities within our consolidated balance sheets:

(In millions)	Balance Sheet Location	As of December 31, 2020	2019
Total deferred tax assets (non-current)	Other assets	$ 142	$ 396
Total deferred tax liabilities (non-current)	Deferred tax liability and other long-term liabilities	(75)	(89)
TOTAL NET DEFERRED TAX ASSETS		**$ 67**	**$ 307**

As of December 31, 2020, our federal, state, and foreign net operating loss carryforwards for income tax purposes were approximately $14 million, $336 million, and $316 million, respectively. The federal and state net operating loss carryforwards are subject to various limitations under Section 382 of the Code. If not utilized, the federal net operating loss carryforwards will begin to expire in 2022, and the state net operating loss carryforwards will begin to expire in 2021. Approximately $4 million of the foreign net operating loss carryforwards will begin to expire in 2021, $46 million will begin to expire in 2024, $70 million will begin to expire in 2034, and $196 million has no expiration date and may be carried forward indefinitely. As of December 31, 2020, our federal and state tax credit carryforwards for income tax purposes were approximately $16 million and $244 million, respectively. If not utilized, the federal tax credits will begin to expire in 2029. Approximately $13 million of the state tax credits will begin to expire in 2021, $22 million will begin to expire in 2028, $8 million will begin to expire in 2035, and $201 million may be carried forward indefinitely.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. We have elected the tax law ordering approach to assess the realizability of our net operating losses. During the year ended December 31, 2020, we decreased our valuation allowance by $18 million and during the years ended December 31, 2019 and 2018, we increased our valuation allowance by $52 million and $39 million, respectively. At December 31, 2020, 2019, and 2018, we maintained a valuation allowance with respect to certain of our deferred tax assets relating to operating losses in certain states and foreign jurisdictions and tax credits in certain states that we believe are not likely to be realized.

At December 31, 2020, none of our unremitted foreign earnings of approximately $7.2 billion are considered to be indefinitely reinvested. We have accrued $21 million of deferred U.S. state and foreign withholding taxes on the $7.2 billion of undistributed foreign earnings.

We benefit from agreements concluded in certain jurisdictions, most significantly Singapore and, through 2019, Luxembourg. In December 2019, a new agreement was concluded in Singapore. The new agreement took effect January 1, 2021 and will be in effect from 2021 through 2030. In December 2019, the Luxembourg government passed legislation confirming that tax agreements granted before January 1, 2015 will no longer be binding after December 31, 2019. These agreements result in significantly lower rates of taxation on certain classes of income and require various thresholds of investment and employment in those jurisdictions. We review our compliance on an annual basis to ensure we continue to meet our obligations under these agreements. These agreements resulted in tax savings of approximately $596 million, $472 million, and $465 million in 2020, 2019, and 2018, respectively. The benefit of these agreements on our net income per share (diluted) was approximately $0.50, $0.40, and $0.39 in 2020, 2019, and 2018, respectively.

The following table reflects changes in unrecognized tax benefits for the periods presented below:

	Year Ended December 31,		
(In millions)	2020	2019	2018
Gross amounts of unrecognized tax benefits as of the beginning of the period	$ 1,141	$ 800	$ 424
Increases related to prior period tax positions	92	97	120
Decreases related to prior period tax positions	(78)	(28)	(6)
Increases related to current period tax positions	360	336	287
Settlements	(34)	(63)	(20)
Statute of limitation expirations	(2)	(1)	(5)
GROSS AMOUNTS OF UNRECOGNIZED TAX BENEFITS AS OF THE END OF THE PERIOD	**$ 1,479**	**$ 1,141**	**$ 800**

If the remaining balance of unrecognized tax benefits were realized in a future period, it would result in a tax benefit of $1.1 billion.

In December 31, 2020, 2019, and 2018, we recognized net interest and penalties of $40 million, $63 million, and $57 million, respectively, related to uncertain tax positions in income tax expense. The amount of interest and penalties accrued as of December 31, 2020 and 2019 was approximately $211 million and $171 million, respectively.

We are subject to taxation in the U.S. and various state and foreign jurisdictions. We are currently under examination by certain tax authorities for the 2008 to 2019 tax years. The material jurisdictions in which we are subject to examination by tax authorities for tax years after 2007 primarily include the U.S. (Federal and California), Germany, India, Israel, and Singapore. During 2020, we settled income tax audits in various jurisdictions including France, Germany, and California. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from our open examinations.

Although the timing of the resolution of these audits is uncertain, we do not expect the total amount of unrecognized tax benefits as of December 31, 2020 will materially change in the next 12 months. However, given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

In June 2019, the U.S. Court of Appeals for the Ninth Circuit reversed a lower court decision in Altera Corp. v. Commissioner and held that a Treasury Regulation requiring stock-based compensation to be included in a qualified intercompany cost sharing arrangement was valid. In June 2020, the U.S. Supreme Court denied Altera's petition for certiorari. We have reviewed this decision and determined that no adjustment to our consolidated financial statements is required as a result of this development.

In connection with our separation from eBay in 2015, we entered into various agreements that govern the relationship between the parties going forward, including a tax matters agreement. Under the tax matters agreement, eBay is generally responsible for all additional taxes (and will be entitled to all related refunds of taxes) imposed on eBay and its subsidiaries (including subsidiaries that were transferred to PayPal pursuant to the separation) arising after the separation date with respect to the taxable periods (or portions thereof) ended on or prior to July 17, 2015, except for those taxes for which PayPal has reflected an unrecognized tax benefit in its financial statements on the separation date.

Note 17—Restructuring and Other Charges

In the first quarter of the years ended December 31, 2020, 2019, and 2018, management approved strategic reductions of the existing global workforce, which resulted in restructuring charges of $109 million, $78 million, and $25 million, respectively.

The approved strategic reduction in 2020 is part of a multiphase process to reorganize our workforce concurrently with the redesign of our operating structure, which spanned multiple quarters. We primarily incurred employee severance and benefits costs, as well as other associated consulting costs under the 2020 strategic reduction. We experienced delays, primarily as a result of COVID-19, in the execution of these restructuring actions, which are now expected to be completed by the end of the first quarter of 2021.

The following table summarizes the restructuring reserve activity during the year ended December 31, 2020:

(In millions)	Employee Severance and Benefits and Other Associated Costs
Accrued liability as of January 1, 2020	$ 9
Charges	109
Payments	(63)
ACCRUED LIABILITY AS OF DECEMBER 31, 2020	**$ 55**

Additionally, in 2020, we incurred asset impairment charges of $30 million due to the write-off of certain ROU lease assets and related leasehold improvements in conjunction with exiting certain leased properties. See “Note 6—Leases” for additional information.

The approved strategic reductions for 2019 were intended to better align our teams to support key business priorities and included the transfer of certain operational functions between geographies, as well as the impact of the transition servicing activities provided to Synchrony, which ended in the second quarter of 2019. We primarily incurred employee severance and benefits expenses under the 2019 strategic reductions, which were substantially completed by the end of the first quarter of 2020.

The strategic reduction approved in the first quarter of 2018 included restructuring charges related to the decision to wind down TIO’s operations. We incurred employee and severance benefits expenses under the 2018 strategic reductions, which were substantially completed by the end of 2018.

Supplementary Data — Quarterly Unaudited Financial Data

The following tables present certain unaudited consolidated quarterly financial information for the years ended December 31, 2020 and 2019.

	2020 Quarter Ended			
(Unaudited, in millions, except per share amounts)	March 31	June 30	September 30	December 31
Net revenues	$ 4,618	$ 5,261	$ 5,459	$ 6,116
Net income	$ 84	$ 1,530	$ 1,021	$ 1,567
Net income per share - basic	$ 0.07	$ 1.30	$ 0.87	$ 1.34
Net income per share - diluted	$ 0.07	$ 1.29	$ 0.86	$ 1.32
Weighted average shares:				
Basic	1,173	1,173	1,172	1,172
Diluted	1,185	1,184	1,190	1,191

	2019 Quarter Ended			
(Unaudited, in millions, except per share amounts)	March 31	June 30	September 30	December 31
Net revenues	$ 4,128	$ 4,305	$ 4,378	$ 4,961
Net income	$ 667	$ 823	$ 462	$ 507
Net income per share - basic	$ 0.57	$ 0.70	$ 0.39	$ 0.43
Net income per share - diluted	$ 0.56	$ 0.69	$ 0.39	$ 0.43
Weighted average shares:				
Basic	1,171	1,175	1,175	1,174
Diluted	1,188	1,187	1,188	1,187

Financial Statement Schedule

The Financial Statement Schedule II—VALUATION AND QUALIFYING ACCOUNTS is filed as part of this Annual Report on Form 10-K.

(In millions)	Balance at Beginning of Period	Charged/ (Credited) to Net Income	Charged to Other Accounts[(1)]	Charges Utilized/ (Write-offs)	Balance at End of Period
Allowance for Transaction Losses and Negative Customer Balances					
Year Ended December 31, 2018	$ 266	$ 1,059	$ —	$ (981)	$ 344
Year Ended December 31, 2019	$ 344	$ 1,092	$ —	$ (1,037)	$ 399
Year Ended December 31, 2020	$ 399	$ 1,135	$ —	$ (1,120)	$ 414
Allowance for Loans and Interest Receivable					
Year Ended December 31, 2018	$ 129	$ 243	$ —	$ (200)	$ 172
Year Ended December 31, 2019	$ 172	$ 325	$ —	$ (239)	$ 258
Year Ended December 31, 2020	$ 258	$ 689	$ 210	$ (319)	$ 838

(1) The amount is related to the impact of the adjustment recorded for adoption of the credit losses accounting standard.

Exhibit Index

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference: Form	Incorporated by Reference: Date Filed
2.01	Separation and Distribution Agreement by and between eBay Inc. and PayPal Holdings, Inc.		10-12B/A	6/26/2015
2.02	Purchase and Sale Agreement, dated as of November 10, 2017, by and between Synchrony Bank and Bill Me Later, Inc.		8-K	11/16/2017
2.03	Purchase and Sale Agreement, dated as of November 10, 2017, by and between Synchrony Bank and PayPal (Europe) S.à r.l. et Cie. S.C.A.		8-K	11/16/2017
2.04	Amendment No. 1 to the Purchase and Sale Agreement, dated as of April 12, 2018, by and between Synchrony Bank and Bill Me Later, Inc.		10-Q	7/26/2018
2.05	Amendment No. 1 to the Purchase and Sale Agreement, dated as of April 12, 2018, by and between Synchrony Bank and PayPal (Europe) S.à r.l. et Cie. S.C.A.		10-Q	7/26/2018
3.01	PayPal Holdings, Inc. Restated Certificate of Incorporation		10-Q	7/27/2017
3.02	PayPal Holdings, Inc. Amended and Restated Bylaws effective January 17, 2019		8-K	1/18/2019
4.01	Description of Securities		10-K	2/6/2020
4.02	Indenture, dated as of September 26, 2019, by and between PayPal Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee		8-K	9/26/2019
4.03	Officer's Certificate, dated as of September 26, 2019, pursuant to the Indenture, dated as of September 26, 2019, by and between PayPal Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee		8-K	9/26/2019
4.04	Form of 2022 Note (included in Exhibit 4.03)		8-K	9/26/2019
4.05	Form of 2024 Note (included in Exhibit 4.03)		8-K	9/26/2019
4.06	Form of 2026 Note (included in Exhibit 4.03)		8-K	9/26/2019
4.07	Form of 2029 Note (included in Exhibit 4.03)		8-K	9/26/2019
4.08	Officer's Certificate, dated as of May 18, 2020, pursuant to the Indenture, dated as of September 26, 2019, by and between PayPal Holdings, Inc. and Wells Fargo Bank, National Association, as Trustee		8-K	5/18/2020
4.09	Form of 2023 Note (included in Exhibit 4.08)		8-K	5/18/2020
4.10	Form of 2025 Note (included in Exhibit 4.08)		8-K	5/18/2020
4.11	Form of 2030 Note (included in Exhibit 4.08)		8-K	5/18/2020

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference Form	Incorporated by Reference Date Filed
4.12	Form of 2050 Note (included in Exhibit 4.08)		8-K	5/18/2020
10.01	Operating Agreement by and among eBay Inc., eBay International AG, PayPal Holdings, Inc., PayPal, Inc., PayPal Pte. Ltd. and PayPal Payments Pte. Holdings S.C.S., dated July 17, 2015		8-K	7/20/2015
10.02	Amendment, dated June 30, 2016, to the Operating Agreement by and among eBay Inc., eBay International AG, PayPal Holdings, Inc., PayPal, Inc., PayPal Pte. Ltd. and PayPal Payments Pte. Holdings S.C.S, dated July 17, 2015		10-Q	7/26/2016
10.03	Tax Matters Agreement by and between eBay Inc. and PayPal Holdings, Inc., dated July 17, 2015		8-K	7/20/2015
10.04	Employee Matters Agreement by and between eBay Inc. and PayPal Holdings, Inc., dated July 17, 2015		8-K	7/20/2015
10.05	Intellectual Property Matters Agreement by and among eBay Inc., eBay International AG, PayPal Holdings, Inc., PayPal, Inc., PayPal Pte. Ltd. and PayPal Payments Pte. Holdings S.C.S., dated July 17, 2015		8-K	7/20/2015
10.06	Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Designated Borrowers party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., J.P. Morgan Securities Australia Limited, JPMorgan Chase Bank, N.A., Toronto Branch, and J.P. Morgan Europe Limited, as the Administrative Agents		8-K	9/12/2019
10.07	364-Day Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent		8-K	9/12/2019
10.08+	PayPal Employee Incentive Plan, as amended and restated.		DEF 14A	4/14/2016
10.09+	PayPal Holdings, Inc. Amended and Restated 2015 Equity Incentive Award Plan		8-K	5/25/2018
10.10+	PayPal Holdings, Inc. Amended and Restated Deferred Compensation Plan effective November 6, 2018		10-K	2/7/2019
10.11+	PayPal Holdings, Inc. Executive Change in Control and Severance Plan		8-K	12/30/2019
10.12+	Form of Indemnity Agreement between PayPal Holdings, Inc. and individual directors and officers		10-12B/A	5/14/2015
10.13+	Form of Global Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan		10-12B/A	5/14/2015
10.14+	Form of Global Performance Based Restricted Stock Unit Award Grant Notice and Performance Based Restricted Stock Unit Award Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan, as amended and restated		10-Q	4/27/2017
10.15+	Form of Global Notice of Grant of Stock Option and Stock Option Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan		10-12B/A	5/14/2015
10.16+	Form of Director Annual Award Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan		10-12B/A	5/14/2015
10.17+	Form of Electing Director Quarterly Award Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan		10-12B/A	5/14/2015
10.18+	PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan		8-K	5/25/2018
10.19+	Offer Letter dated September 29, 2014 between eBay Inc. and Daniel Schulman		10-12B/A	5/14/2015
10.20+	Amendment dated December 31, 2014 to Offer Letter between eBay Inc. and Daniel Schulman		10-12B/A	5/14/2015
10.21+	Letter dated April 7, 2015 from eBay Inc. to Louise Pentland		10-K	2/11/2016
10.22+	Letter dated April 13, 2015 from eBay Inc. to Jonathan Auerbach		10-K	2/11/2016
10.23+	Letter Agreement dated July 29, 2015 between John Rainey and PayPal Holdings, Inc.		10-Q	10/29/2015

			Incorporated by Reference	
Exhibit Number	Exhibit Description	Filed with this Form 10-K	Form	Date Filed
10.24+	Letter Agreement, dated April 17, 2016, between Aaron Karczmer and PayPal Holdings, Inc.		10-Q	4/27/2017
10.25+	Letter Agreement effective February 20, 2019 between Mark Britto and PayPal Holdings, Inc.		10-Q	4/25/2019
10.26+	Letter Agreement dated December 22, 2018 between Allison Johnson and PayPal Holdings, Inc.		10-Q	4/25/2019
10.27+	Independent Director Compensation Policy	X		
10.29	First Amendment, dated as of March 23, 2020, to the Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Designated Borrowers party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., J.P. Morgan Securities Australia Limited, JPMorgan Chase Bank, N.A., Toronto Branch, and J.P. Morgan Europe Limited, as the Administrative Agents		10-Q	5/7/2020
10.30	First Amendment, dated as of March 23, 2020, to the 364-Day Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as the Administrative Agent		10-Q	5/7/2020
10.31	Joinder Agreement, dated as of March 25, 2020, among PayPal International Treasury Centre S.à r.l., PayPal Holdings, Inc., and J.P. Morgan Securities Australia Limited, JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, and JPMorgan Chase Bank, N.A., Toronto Branch, as the Administrative Agents, to the Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Designated Borrowers party thereto, the Lenders party thereto and the Administrative Agents		10-Q	5/7/2020
10.32	Joinder Agreement, dated as of March 25, 2020, among PayPal (Europe) S.à r.l. et Cie, S.C.A., PayPal Holdings, Inc., and J.P. Morgan Securities Australia Limited, JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, and JPMorgan Chase Bank, N.A., Toronto Branch, as the Administrative Agents, to the Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Designated Borrowers party thereto, the Lenders party thereto and the Administrative Agents		10-Q	5/7/2020
10.33	Joinder Agreement, dated as of March 27, 2020, among PayPal Pte. Ltd., PayPal Holdings, Inc., and J.P. Morgan Securities Australia Limited, JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, and JPMorgan Chase Bank, N.A., Toronto Branch, as the Administrative Agents, to the Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Designated Borrowers party thereto, the Lenders party thereto and the Administrative Agents		10-Q	5/7/2020
10.34	Joinder Agreement, dated as of March 31, 2020, among PayPal Australia Pty Limited, PayPal Holdings, Inc., and J.P. Morgan Securities Australia Limited, JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, and JPMorgan Chase Bank, N.A., Toronto Branch, as the Administrative Agents, to the Credit Agreement, dated as of September 11, 2019, among PayPal Holdings, Inc., the Designated Borrowers party thereto, the Lenders party thereto and the Administrative Agents		10-Q	5/7/2020
21.01	List of Subsidiaries	X		
22.01	PricewaterhouseCoopers LLP consent	X		
23.01	Power of Attorney (see signature page)	X		
31.01	Certification of PayPal Holdings, Inc.'s Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	X		
31.02	Certification of PayPal Holdings, Inc.'s Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	X		
32.01	Certification of PayPal Holdings, Inc.'s Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002	X		
32.02	Certification of PayPal Holdings, Inc.'s Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002	X		

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference	
			Form	Date Filed
101	The following financial information related to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows; and (vi) the related Notes to Consolidated Financial Statements	X		
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101	X		

+ Indicates a management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 4, 2021.

PayPal Holdings, Inc.

By: */s/ Daniel H. Schulman*

Name: Daniel H. Schulman
Title: President, Chief Executive Officer and Director

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel H. Schulman, John D. Rainey, A. Louise Pentland, Brian Y. Yamasaki and Jeffrey W. Karbowski, and each or any one of them, each with the power of substitution, his or her attorney-in-fact, to sign any amendments to this report, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 4, 2021.

Principal Executive Officer:

By: */s/ Daniel H. Schulman*

Daniel H. Schulman
President, Chief Executive Officer and Director

Principal Financial Officer:

By: */s/ John D. Rainey*

John D. Rainey
Chief Financial Officer and Executive Vice President, Global Customer Operations

Principal Accounting Officer:

By: */s/ Jeffrey W. Karbowski*

Jeffrey W. Karbowski
Vice President, Chief Accounting Officer

Additional Directors

By: */s/ Rodney C. Adkins*

Rodney C. Adkins
Director

By: */s/ Jonathan Christodoro*

Jonathan Christodoro
Director

By: */s/ John J. Donahoe*

John J. Donahoe
Director

By: */s/ David W. Dorman*

David W. Dorman
Director

By: */s/ Belinda Johnson*

Belinda Johnson
Director

By: */s/ Gail J. McGovern*

Gail J. McGovern
Director

By: */s/ Deborah M. Messemer*

Deborah M. Messemer
Director

By: */s/ David M. Moffett*

David M. Moffett
Director

By: */s/ Ann M. Sarnoff*

Ann M. Sarnoff
Director

By: */s/ Frank D. Yeary*

Frank D. Yeary
Director

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission (the "SEC") for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933.

The graph below shows the cumulative total stockholder return of an investment of $100 in our common stock during the period beginning December 31, 2015 through December 31, 2020, compared to the Nasdaq Composite Index, the S&P 500 Index, and the S&P 500 Information Technology Index. These indices are included only for comparative purposes as required by SEC rules and do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of our common stock. Stockholder returns over the indicated periods should not be considered indicative of future stock price or stockholder returns.