2022 Notice of Annual Meeting of Stockholders and Proxy Statement

2021 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

Offer access to seamless credit solutions to enable growth

Help identify fraud and improve risk management

Offer tools and insights to attract new customers and increase sales



Provide solutions to help people manage and move money both domestically and internationally

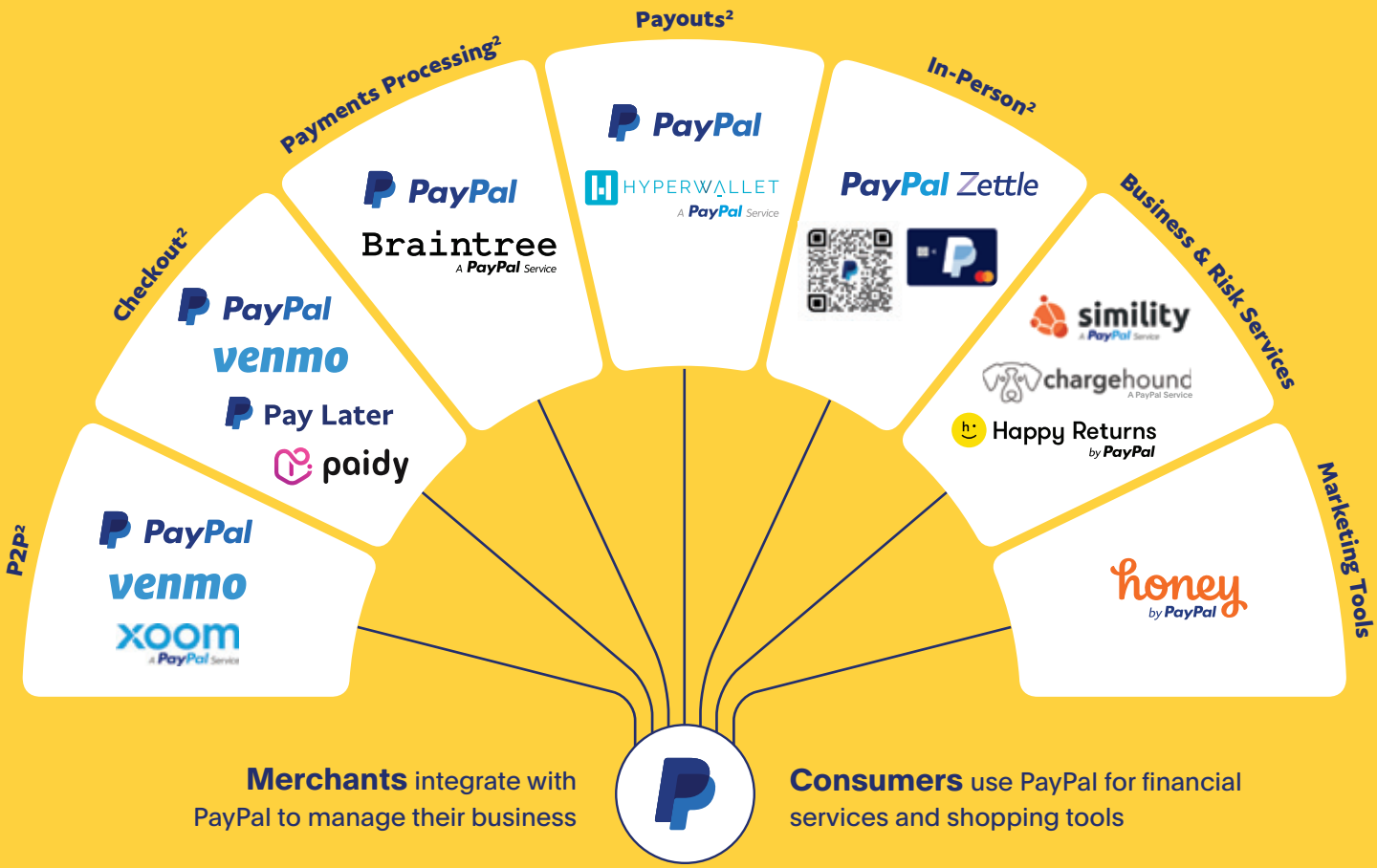
Offer credit services that are accessible and cost effective

Facilitate simple, secure payments across devices

Deliver flexibility with payment options globally, across platforms and merchants

PayPal's Payment Solutions

Collectively connect to **426 Million** Active Accounts[1]



Merchants integrate with PayPal to manage their business

Consumers use PayPal for financial services and shopping tools

[1] As of December 31, 2021

[2] Our combined payment solutions comprise our proprietary payment platform.

Message from Our President and CEO

Dear Colleagues, Customers, Partners and Stockholders:

2021 was yet another year of disruption, change and opportunity for growth. Leveraging the scale of our two-sided network and the strong foundation of trust PayPal has built with key stakeholders around the world, we launched more products and experiences than in any other year in our history. We undertook a significant redesign of our PayPal and Venmo digital wallets, expanded our global pay later footprint, introduced the ability to checkout with crypto and launched Zettle in the United States, among many other innovations.

We are in a much stronger competitive position than we were two years ago at the start of the pandemic. The investments we have made in our business drove 11% growth in our transactions per active account at the end of 2021. This increased engagement helped us surpass $1 trillion in annual total payment volume for the first time in our history. While the sustainability of elevated new account growth and activity driven by the pandemic proved difficult to forecast, the fundamentals of our business remain strong–and the diversification of our platform, new products and services and our innovative spirit have generated tremendous resilience.

Above all, we know we must continue to build and preserve trust with our key stakeholders. Trust is our greatest asset. To provide our customers with safe and secure products and services, we are committed to responsible, customer-centric innovation and continued investment in cybersecurity as a business priority. Trust is also built and maintained through delivering on our commitments in a manner aligned with our mission and values. This trust allows us to lead through ongoing, dynamic change and to deliver impact at scale.

We are proud of the ways we lived our values, both inside and outside PayPal, over the past year. We continued to prioritize our employees' health and wellness through the pandemic. We organized vaccine drives and gave employees additional time off to help make vaccinations more accessible. As India dealt with a devasting COVID-19 surge last spring, we provided access to on-the-ground services to our employees and their families, while our employees donated more than $200,000 to our India COVID-19 relief fundraiser, a milestone in employee giving.

We advanced our employee financial wellness initiative designed to strengthen the financial security of our workforce through financial education and coaching, early access to earned wages, targeted wellness grants and quarterly vesting after one year for certain future equity grants. We are proud to have completed the allocation of funding from our $535 million commitment to racial equity and social justice, and we established the Maggie Lena Walker Award to recognize underrepresented women who are economically empowering their communities. We also announced a new $108 million multi-year commitment to advance the financial inclusion and economic empowerment of women and girls around the world.

We believe that delivering on our mission and strategy requires us to effectively manage our environmental, social and governance ("ESG") risks and opportunities. We made significant progress across our four key pillars–social innovation, employees and culture, environmental sustainability and responsible business practices. We are particularly proud to have achieved our goal of matching 100% of energy use from our data center operations with renewable generation, putting us two years ahead of our initial target of 2023. Our Global Impact Report, launching later this month, will provide additional information on our priorities and progress.

The past year proved challenging in many ways–from new COVID-19 variants to slowing ecommerce growth and disruptions in the global supply chain. While it is impossible to predict the future, we are fortunate to have several fundamental advantages that we believe will continue to put us in a strong position for growth. These include the scope and scale of our two-sided network, the financial strength of our business, the trust we have built with regulators and customers, a passionate employee population and a deep commitment to our mission and purpose.

Coming into 2022, we are prioritizing and investing in key aspects of our business to position PayPal for the next stage of growth. To seize the opportunities in front of us, we are mobilizing around the following strategic priorities that will enable us to drive greater customer impact.

- **Accelerate our Leadership in Checkout**
  We are already making it faster and easier to checkout with some of the highest authorization rates in our industry. We are now enhancing our focus on delivering a world-class checkout experience for our customers. Today, more than 70% of the top North American and European retailers, including more than 80% of the top U.S. retailers, accept PayPal or Venmo at checkout. We are also focused on continuing to grow our leadership position in branded payments.

- **Become the World's Leading Digital Wallet**
  We are continuing to strengthen our digital wallet to be the most engaging app at the center of our consumers' daily commercial and financial lives by providing access to a wide array of services, including consumer financial services, crypto and digital currencies, bill pay, shopping offers, returns and more.

- **Bring the PayPal Value Proposition to In-Person Commerce**
  The distinction between physical and digital is disappearing. We are focused on extending the PayPal wallet into all contexts, enabling customers to pay online or in person. To do this, we are building our capabilities and working with our merchants to blend digital and physical commerce to create seamless customer experiences.

- **Strengthen our Merchant Platform and Enhance our Commerce Enablement Capabilities**
  We must further strengthen the foundation of payments processing and provide a comprehensive, unified platform for merchants to navigate the digital economy. We are focused on simplifying our integrations and unifying around common platforms.

- **Invest in Key Enablers**
  We are focused on investing in our foundational capabilities, such as identity, data insights and our shared tools and platforms to create better and more meaningful experiences for our customers as we work to bring new capabilities to the market. These investments will bolster our reliability and availability, helping to ensure that we are best in class at the basics. In addition, we plan to expand our offerings in the rapidly growing markets of China, Japan and Mexico.

I want to close with an acknowledgement that the Russian military aggression in Ukraine continues to have a devastating impact on the Ukrainian people. Our hearts are with the Ukrainian people as they experience terrible loss and suffering. Throughout this terrible humanitarian crisis, our teams have stepped up to enable our employees and customers to support urgent Ukrainian relief efforts. Our teams have worked around the clock to expand access to PayPal services for Ukrainian people to receive financial support quickly and securely from family and loved ones. Additionally, PayPal and our charity partners have helped raise more than $420 million to support humanitarian relief in Ukraine. This remarkable outpouring of concern and generosity demonstrates the strength of the PayPal community and platform.

We believe that we have never had more opportunity to drive lasting impact for the customers and communities we serve. We are shaping the future of the digital economy by transforming financial services and commerce so that more people, businesses and communities can thrive. We remain confident that PayPal is well-positioned to lead. Driven by passion and commitment from our employees, and with values at our core, we will further strengthen the company as we enter our next stage of growth. Thank you for joining us on this journey and I am excited for what we will achieve in the year ahead.

Thank you.



Dan Schulman
President and CEO
PayPal Holdings, Inc.

Message from Our Independent Board Chair

Dear PayPal Stockholders,

2021 was a year of ongoing challenges and opportunities as we continued to navigate the global pandemic and address the resulting uncertainties. Throughout 2021, our Board worked closely with management to maintain consistency with PayPal's overall mission. We also continued to strengthen diversity at the Board level and in our workforce, advance our environmental, social and governance ("ESG") programs and initiatives and proactively engage with our stakeholders.

Commitment to Diversity and Inclusion

Board Composition and Diversity. We continue to broaden the diversity of our Board. Today, 50% of our Board members standing for election are women or from diverse ethnic groups, up from 45% last year. Our focus on diversity, inclusion, equity and belonging ("DIE&B") extends to our executive officers, 43% of whom are women and/or from diverse ethnic groups. Our Board's balanced mix of diversity, skills and experience enables it to effectively perform its oversight responsibilities, and we continually review and assess the skills and experience of our Board members.

People. We recognize the fundamental importance of attracting, developing and retaining top global talent and remain committed to fostering a diverse workforce and inclusive culture. Across our workforce, we reached 56% overall diverse workforce representation, including 44% global gender diversity and 52% U.S. ethnic diversity, as of December 31, 2021. Our Board is updated regularly on PayPal's strategy, programs and actions relating to our human capital (global talent) management strategy. Beginning in 2021, we have incorporated DIE&B considerations into the individual performance component of our annual incentive plan for our executive officers.

Environmental, Social and Governance

Our Board's oversight responsibilities extend to PayPal's ESG strategy and related risks and opportunities. Our Corporate Governance and Nominating Committee is responsible for oversight of our overall ESG strategy. Consistent with the scope of its oversight responsibilities, our Audit, Risk and Compliance Committee oversees PayPal's risk and compliance framework, including key risks related to cybersecurity, information security and privacy, and our Compensation Committee oversees risks related to our employees. As a Board, we stay informed on priority ESG matters and emerging trends through quarterly briefings.

Stakeholder Engagement

Proactive engagement with all of our stakeholders is an essential part of our Board's commitment to robust governance and effective oversight. We regularly engage with our stockholders, customers, employees, regulators and communities through a variety of channels to ensure that we understand and thoughtfully consider their perspectives and priorities. Throughout 2021, we conducted an extensive stockholder engagement program. We reached out to investors representing approximately 58% of our common stock, and holders of approximately 38% of our common stock responded and engaged with us on issues including our operating performance, strategic initiatives, our ongoing response to COVID-19, key governance and compensation topics and vital ESG matters. Our Board is grateful for the valuable perspectives, insights and feedback received through these engagements and we look forward to our continued dialogue with our stockholders and other stakeholders going forward.

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

Sincerely yours,





John J. Donahoe
Independent Board Chair
April 19, 2022

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Notice of 2022 Annual Meeting of Stockholders

Thursday, June 2, 2022

8:00 a.m. Pacific Time

Online at: www.virtualshareholdermeeting.com/PYPL2022
There is no physical location for the 2022 Annual Meeting.

ITEMS OF BUSINESS

1. Election of the 12 director nominees named in this proxy statement.
2. Advisory vote to approve named executive officer compensation.
3. Advisory vote on the frequency of the stockholder advisory vote to approve named executive officer compensation.
4. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2022.
5. Consideration of one stockholder proposal, if properly presented at the Annual Meeting.
6. Such other business as may properly come before the Annual Meeting.

RECORD DATE

Tuesday, April 5, 2022 (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 ANNUAL MEETING

We are pleased to invite you to participate in our Annual Meeting, which will be conducted exclusively online at www.virtualshareholdermeeting.com/PYPL2022. 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 86 of this proxy statement.

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

INTERNET
Visit the website on your proxy card

BY TELEPHONE
Call the telephone number on your proxy card

BY MAIL
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 19, 2022

This notice of Annual Meeting and proxy statement and form of proxy are being distributed and made available on or about April 19, 2022.

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on June 2, 2022

This proxy statement and PayPal Holdings, Inc.'s 2021 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 2022 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/PYPL2022**. 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, reduces our environmental impact, protects the health and safety of attendees and saves the Company's and stockholders' time and money.

Participating in the Virtual Annual Meeting

- Instructions on how to attend the virtual Annual Meeting are posted at www.virtualshareholdermeeting.com/PYPL2022.
- You may log in to the meeting platform beginning at 7:45 a.m. Pacific Time on June 2, 2022. 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/PYPL2022.
- Stockholders of record and beneficial owners as of the April 5, 2022 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 encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call 1-844-986-0822 (U.S.) 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 June 1, 2022, or during the live meeting at www.virtualshareholdermeeting.com/PYPL2022.
- During the meeting's live Q&A session, members of our executive 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, in each case 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 2022 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.

2022 Annual Meeting Information

TIME AND DATE
8:00 a.m. Pacific Time
on June 2, 2022

PLACE
Online at www.virtualshareholdermeeting.com/PYPL2022.
There is no physical location for the Annual Meeting.

RECORD DATE
April 5, 2022

Proposals to be Voted on and Board Voting Recommendations

Proposal		Recommendation of the Board	Page
1	Election of 12 Director Nominees Named in this Proxy Statement	**FOR** each of the nominees	12
2	Advisory Vote to Approve Named Executive Officer Compensation	**FOR**	48
3	Advisory Vote on the Frequency of the Stockholder Advisory Vote to Approve Named Executive Officer Compensation	**FOR** "EVERY YEAR"	49
4	Ratification of the Appointment of PricewaterhouseCoopers LLP as Our Independent Auditor for 2022	**FOR**	78
5	Vote on Stockholder Proposal – Special Shareholder Meeting Improvement	**AGAINST**	81

Our 2021 Key Highlights

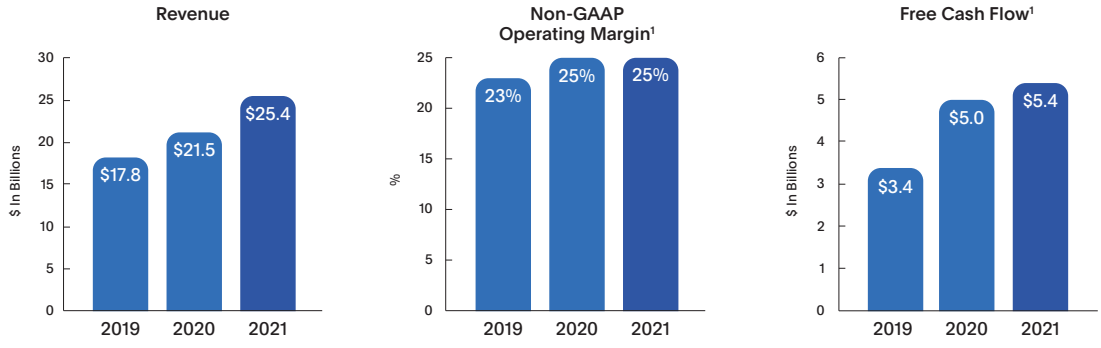
2021 presented unique challenges and opportunities as the world navigated the second year of the COVID-19 pandemic. Consumer behavior and expectations continued to evolve amidst an ever-changing landscape. As one of the world's most recognized and trusted brands, we continued to expand and transform our offerings to give consumers and merchants the digital payments, financial services and commerce tools they need to join and thrive in today's increasingly digital economy.

Strong Financial and Operational Performance

In 2021, we delivered strong financial and operational performance across our key performance metrics following the prior year's record setting results. Our revenue increased to $25.4 billion. We added approximately 48.9 million net new active accounts, ending the year with 426 million active consumer and merchant accounts. Our total payment volume increased to $1.25 trillion and customer engagement grew to an average of 45.4 transactions per active account as we continued to scale our acceptance worldwide and advance our leadership in digital payments.

In addition, we continued to innovate at scale as we launched a record number of products and experiences in 2021. We integrated Honey into the new PayPal app to help consumers shop and discover deals and new brands. We expanded our checkout capabilities to help consumers pay on their own terms, whether in-store with QR codes, over time with our global pay later offerings or with emerging funding sources like cryptocurrencies or reward points. We also acquired Happy Returns to anchor our post-purchase process and make returns easier and more affordable.

Performance Highlights



Creating value for our stockholders:

17%

Revenue Growth on an FX-Neutral Basis

Expanding our base:

426M

Active Accounts
(Up 13% from 2020)

Gaining share:

$1.25T

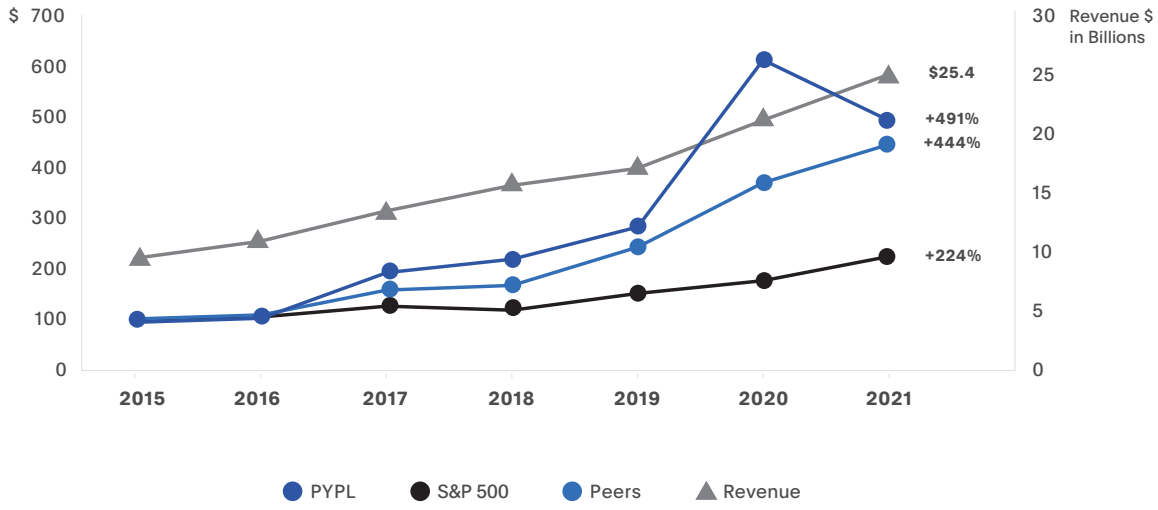
Total Payment Volume
(Up 33% from 2020)

[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.

Sustainable Stockholder Value Creation

PayPal's approach to stockholder value creation under Mr. Schulman's leadership is evident in our emphasis on long-term financially sustainable returns to our stockholders. Our three-year total stockholder return* was 124%, and our one-year total stockholder return** was -19%.

Total Stockholder Return ("TSR") as an Independent Public Company***



* Measured from December 31, 2018 to December 31, 2021
** Measured from December 31, 2020 to December 31, 2021
*** Assumes $100 was invested in 2015

To learn more about how our 2021 performance relates to our executive compensation program, see the Compensation Discussion and Analysis beginning on page 50 of this proxy statement.

Progress Toward Addressing Racial and Economic Inequality

Launched in 2020, our $535 million commitment to advance racial equity, sustain and strengthen underrepresented businesses and communities and help address the economic underpinnings of racial injustice has driven meaningful impacts. We have grown our community of partners, deepened our understanding of the racial wealth gap and the solutions to help close it and strengthened our own culture. We have allocated the full $535 million and are continuing to identify new opportunities to expand our impact and cultivate positive change. In 2021, we launched the Maggie Lena Walker Award to recognize underrepresented women who are economically empowering their communities.

Our Ongoing Response to COVID-19

The unique challenges of the COVID-19 pandemic have in many ways only reinforced our commitment to our values and our stakeholders. Our products and services are perhaps more important and more relevant than ever before. We remain steadfast in our mission and we are committed to using our business to address the hardships facing our employees, customers and communities.

- **Customers:** By leveraging the scale and strength of our platform, we introduced new ways to make accessing critical funds more convenient and seamless, including Cash a Check with Venmo, which allowed individuals to cash their stimulus checks at no charge, as well as continued to enable access to an additional $1 billion in loans for U.S.-based small businesses through the Paycheck Protection Program.
- **Communities:** We partnered with Uber and Walgreens to introduce the Vaccine Access Fund, through which we collectively donated $11 million to help connect people without transportation to COVID-19 vaccination sites, particularly those in underserved communities. PayPal employees around the world mobilized to support their communities during the crisis, including contributing a collective $200,000 to our India COVID-19 relief fundraiser.
- **Employees:** We organized vaccine drives and gave employees additional time off to help make vaccinations more accessible, provided additional mental health resources to manage stress and offered tools necessary to navigate a new hybrid work environment.

2022 Director Nominees

The following tables provide summary information about our director nominees. All our 2022 director nominees are independent except Mr. Schulman, PayPal's President and CEO. Directors are elected annually by a majority of votes cast. The Board of Directors recommends that you vote "FOR" the election of each of the 12 nominees. Please see page 12 of this proxy statement for this proposal.

Directors	Occupation	Diversity	Age	Director Since	Independent	Other Public Company Boards	Committee Memberships		
							ARC	COMP	GOV
 Rodney C. Adkins	President, 3RAM Group LLC	D	63	2017	●	3	●		●
 Jonathan Christodoro	Partner, Patriot Global Management, LP		46	2015	●	1		●	●
 John J. Donahoe ☆	President and CEO, Nike, Inc.		61	2015	●	1			
 David W. Dorman	Non-Executive Board Chair of CVS Health Corporation		68	2015	●	2		★	●
 Belinda J. Johnson	Former Chief Operating Officer, Airbnb, Inc.	W	55	2017	●	1	●		
 Enrique Lores	President and CEO, HP Inc.	D	56	2021	●	1	●		
 Gail J. McGovern	President and CEO, American Red Cross	W	70	2015	●	1		●	★
 Deborah M. Messemer	Former Major Market Managing Partner, KPMG (retired)	W	64	2019	●	2	●		
 David M. Moffett	Former CEO, Federal Home Loan Mortgage Corp. (retired)		70	2015	●	1	★		

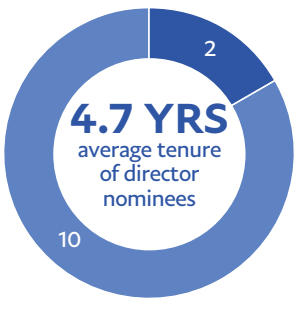
Directors		Occupation	Diversity	Age	Director Since	Independent	Other Public Company Boards	Committee Memberships ARC	COMP	GOV
	Ann M. Sarnoff	Board Chair and CEO, WarnerMedia Studios & Networks Group	W	60	2017	●	0	●		
	Daniel H. Schulman	President and CEO, PayPal Holdings, Inc.		64	2015		1			
	Frank D. Yeary	Managing Member, Darwin Capital Advisors, LLC		58	2015	●	1	●		

☆ Independent Board Chair ★ Committee Chair
ARC = Audit, Risk and Compliance Committee ("ARC Committee")
COMP = Compensation Committee
GOV = Corporate Governance and Nominating Committee
W = Woman
D = Diverse Ethnic Group

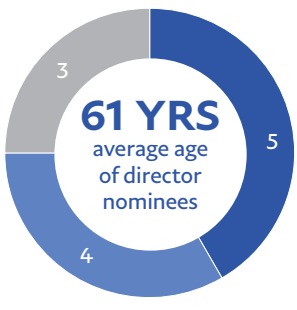
Board Diversity Matrix (As of April 19, 2022)			
Total Number of Directors	12		
Part I: Gender Identity			
	Female	Male	Did Not Disclose
Directors	4	6	2
Part II: Demographic Background			
African American or Black	-	1	-
White	4	4	-
Two or More Races or Ethnicities	-	1	-
Did Not Disclose Demographic Background	-	-	2

The Board and the Corporate Governance and Nominating Committee (the "Governance Committee") are committed to ensuring that the Board 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 14 of this proxy statement.

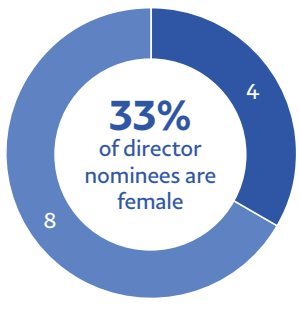
TENURE[1]



AGE



GENDER



ETHNIC DIVERSITY



[1] PayPal became an independent public company in July 2015.

Nominee Skills & Experiences



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.

- 11 of 12 director nominees are independent
- Independent Board Chair with significant responsibilities
- All directors stand for annual election
- Simple majority vote standard for charter/bylaw amendments and mergers/business combinations
- Diverse Board in which 6 of 12 director nominees are women or from a diverse ethnic group; a diverse director (Enrique Lores) was elected in 2021
- Diverse characteristics considered in assessing Board composition include sexual orientation, ethnicity, nationality and cultural background
- Committed to actively seeking highly-qualified women and individuals from underrepresented communities to include in the initial pool from which director nominees are chosen
- Annual performance self-evaluations by the full Board and each committee
- Regular review of Board and executive succession planning
- Strong stockholder engagement practices
- Director service limited to no more than four public company boards, including the PayPal Board
- Majority vote standard for uncontested director elections
- Stockholder right to call a special meeting
- Proxy access for qualifying stockholders
- Strong stock ownership requirements for our executives and directors
- Prohibition on hedging and pledging transactions by executive officers and directors
- Annual Global Impact Report disclosing our performance, progress and strategy on key ESG topics

To learn more about our corporate governance practices and policies, see page 22 of this proxy statement.

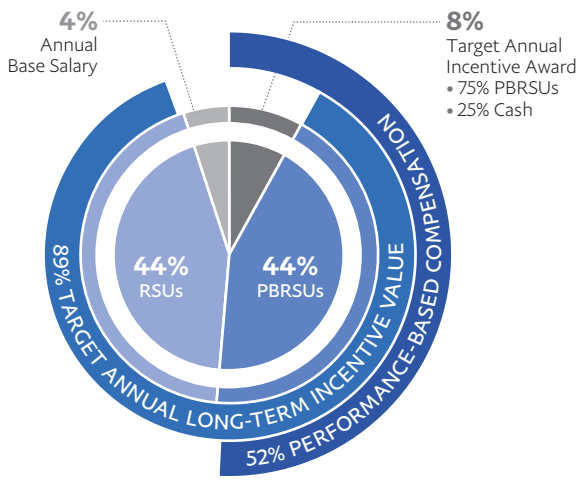
Executive Compensation Highlights

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 a significant portion of our named executive officers' ("NEOs") Target Total Direct Compensation opportunity because such awards help align pay and performance and the interests of our executives with those of our stockholders.

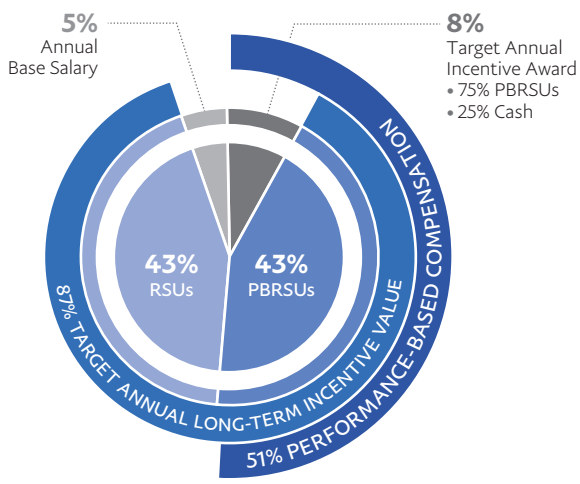
The following charts show the 2021 Target Total Direct Compensation mix for our CEO, Mr. Schulman, and the average 2021 Target Total Direct Compensation mix for our other NEOs. To learn more about our executive compensation program, see the Compensation Discussion and Analysis beginning on page 50 of this proxy statement.

2021 Total Target Direct Compensation Mix*

CEO



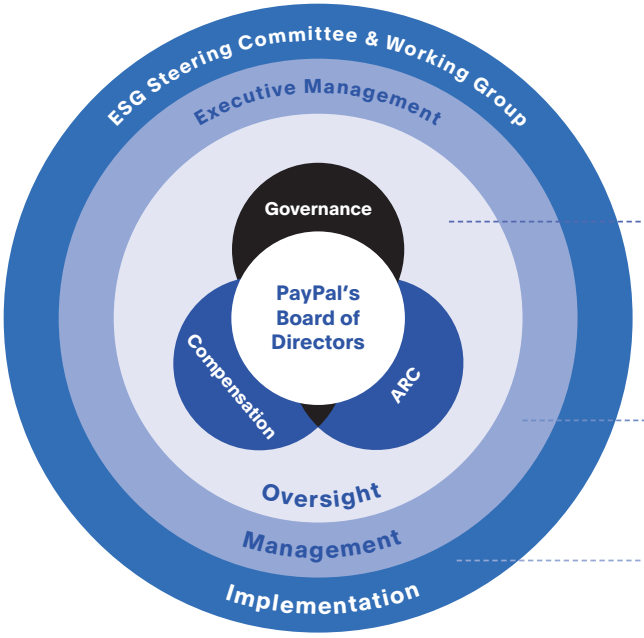
Other NEOs



* Target Total Direct Compensation is the sum of (i) 2021 base salary, (ii) target 2021 annual incentive award (based on the grant date fair value for the portion of the award delivered as performance-based restricted stock units "PBRSUs") and (iii) target annual long-term incentive award (based on the grant date fair value). Percentages may not add up to 100% due to rounding.

ESG Governance Structure

Our governance framework drives sound company oversight, ensures Board and management accountability and demonstrates PayPal's commitment to transparency, independence and diversity. We take a decentralized approach to management of ESG within the organization, led by oversight from our Board and strategy-setting from senior leadership. The entire Board engages on ESG matters that impact business strategy, while Board committees are tasked with oversight of specific matters. Management briefs Board committees and executive management on ESG topics on a quarterly basis and meets with a subcommittee of the Enterprise Risk Management ("ERM") Committee at least annually to review current and emerging ESG-related risk topics.



Oversight

Our Board of Directors is actively engaged on ESG matters that impact business strategy.

- **Governance Committee:** Oversight of PayPal's management of ESG, including overall ESG strategy, risk and opportunities, stakeholder engagement and programs and initiatives in social innovation and environmental sustainability
- **ARC Committee:** Oversight of the Company's risk framework and enterprise-wide compliance program, including privacy and cybersecurity matters
- **Compensation Committee:** Oversight of the Company's strategies and responsibilities related to human capital (global talent) management, including diversity and inclusion, pay equity efforts and corporate culture

Management

Our executive management directs and manages the execution of our enterprise-wide ESG strategy to ensure ESG risks and opportunities are integrated into the Company's long-term strategy

Implementation

An ESG steering committee and cross-functional working groups with representatives from more than 20 functions are responsible for overall program implementation

ESG Highlights

PayPal recognizes the importance of operating our business in a responsible and sustainable manner that is aligned with our mission to build a more financially inclusive and interconnected global economy. The effective management of key non-financial risks and opportunities is essential to our strategy and long-term performance. To that end, our ESG strategy is centered on four primary focus areas in which we continued to demonstrate progress in 2021.

Employees and Culture

We listen to our employees and collaborate across teams to create an inclusive culture and experience throughout the employee lifecycle—from first interview to offboarding—and enable opportunities for our employees to engage with each other and their communities.

- **83** employee engagement score, continuing above our peer benchmark
- Achieved annual employee turnover rate of **15.8%**, which falls below U.S. Bureau of Labor Statistics trends for financial and tech sectors
- Overall workforce diversity reached **56%**, including **44%** global gender diversity and **52%** U.S. ethnic diversity

Social Innovation

We are committed to using the strength and scale of our platform to expand economic opportunity and improve the financial health of businesses, individuals and nonprofits around the world.

- Facilitated **$3.6 billion** in access to capital to small- and medium-sized businesses ("SMBs")
- Allocated **100%** of our **$535 million** commitment to help address economic inequality
- Enabled over **285 million** donations through the PayPal Giving Platform, totaling well over **$19 billion**
- Attained an average international remittance rate of **2.80%** in 2021, in alignment with U.N. Sustainable Development Goals ("SDGs")
- Made a five-year, **$108 million** commitment to empower women and girls globally

Environmental Sustainability

We manage our environmental impact and advance global environmental progress for the benefit of all, especially the financially underserved.

- Met our goal to achieve **100%** renewable energy across our data centers
- Demonstrated progress on our goal to reach net-zero greenhouse gas ("GHG") emissions across our value chain by 2040
- **28%** of vendors by spend have a science-based target ("SBT"), demonstrating progress toward our goal of encouraging **75%** of vendors by spend to set an SBT by 2025

Responsible Business Practices

We establish policies and practices to safeguard trust, ensure ethical and compliant business operations and secure and protect customer information.

- Achieved a record low transaction loss rate of **0.09%**
- Sustained our **100%** annual compliance and ethics training completion rate
- Formally integrated ESG topics into our enterprise risk taxonomy

For more information on our ESG strategy and program, see "ESG Oversight and Highlights" beginning on page 37 of this proxy statement, and our most recent Global Impact Report, which is available on our website at https://investor.pypl.com/esg-strategy.

PROPOSAL 1: Election of Directors

Based upon a review of their skills, qualifications, expertise and characteristics, the Board has nominated all our current directors for election at the Annual Meeting, to serve until our 2023 Annual Meeting of Stockholders and until their successors are elected and qualified. Each director nominee is independent except Mr. Schulman, our President and CEO.

Except for Mr. Lores, each of our current directors has been previously elected by our stockholders. Based upon the recommendation of the Governance Committee, the Board appointed Mr. Lores as a director in June 2021. Mr. Lores was initially identified as a potential candidate by an executive search firm.

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 current 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 86 of this proxy statement.) 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 Governance Committee or a committee composed solely of independent directors that does not include the director who was not re-elected will 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 the Governance Guidelines for the Board of Directors ("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, talent (human capital) management and/or ESG matters;
- 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 regularly oversees and plans for director succession and Board refreshment. The Board values succession and refreshment over time as critical components to maintaining an appropriate balance of tenure, diversity, skills and experience needed to promote and support the Company's long-term strategy. Having a mix of experienced directors with a deep understanding of the Company and newer directors who bring fresh perspectives and innovative ideas provides significant benefits to the Company in driving its strategy and operations and managing key risks. The Board does not believe in a specific limit for the overall length of time a director may serve. Directors who have served on the Board for an extended period can provide valuable insight into the operations and future of the Company based on their experience with, and understanding of, the Company's history, policies and objectives.

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 12 director nominees include four people who identify as women, one person who identifies as African American or Black and one person who identifies as Hispanic or Latinx and White.

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 2017, we have added five diverse directors to the Board, each of whom possess a strong mix of skills, qualifications, backgrounds and experience, and has significantly contributed to and enhanced the overall effectiveness of the Board.

Director Experience, Expertise and Attributes

The 2022 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 16 of this proxy statement.

BOARD SKILLS MATRIX

Experience, Expertise and Attributes	Adkins	Christodoro	Donahoe	Dorman	Johnson	Lores	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.	●	●	●	●	●	●	●	●		●	●	
ESG An understanding of effective management and disclosure of environmental, social and/or governance ("ESG") risks and opportunities is essential to ensure appropriate oversight of ESG at PayPal and create long-term value for our stakeholders.	●	●	●	●	●	●	●	●	●		●	●
Talent 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



RODNEY C. ADKINS
President of 3RAM Group LLC

Age 63

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)

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
- Cybersecurity and Information Security
- Finance
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent 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.



JONATHAN CHRISTODORO
Partner at Patriot Global Management, LP

Age 45

Director since:
July 2015

INDEPENDENT

Board Committees:
- Compensation
- Governance

Other Public Company Boards:
- Pioneer Merger Corp.

Former Public Company Boards:
- Sandridge Energy, Inc. (June 2018 to May 2021)
- Xerox Corporation (June 2016 to May 2021)
- Herbalife Ltd. (April 2013 to January 2021)
- Lyft, Inc. (May 2015 to March 2019)

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 mergers and acquisitions 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
- Finance
- Consumer, Sales, Marketing and Brand Management
- ESG
- Other Public Company Board Service

Biography:
- Partner at Patriot Global Management, LP, 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 61

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 and Information Security
- Finance
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent 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 68

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, mergers and acquisitions 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
- Cybersecurity and Information Security
- Finance and Accounting
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent 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 to January 2006.
- Board Chair and Chief Executive Officer of AT&T Corporation, from November 2002 to 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 55

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:
- 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
- Significant strategic and operational experience with a global, consumer-facing, technology company growing at scale

Key Qualifications and Experience:
- Payments
- Technology and Innovation
- Global Business
- Senior Leadership
- Business Development and Strategy
- Legal and Regulatory
- Finance
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent 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, when she served as Senior Vice President and Deputy General Counsel.



Age 56

Director since:
June 2021

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance

Other Public Company Boards:
- HP Inc.

ENRIQUE LORES
President and CEO, HP Inc.

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Deep experience at the highest levels of the information and technology industry with product and operational expertise
- Proven leader with extensive international business and leadership experience and global perspective

Key Qualifications and Experience:
- Technology and Innovation
- Global Business
- Senior Leadership
- Business Development and Strategy
- Finance
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent Management
- Other Public Company Board Service

Biography:
- President and Chief Executive Officer of HP Inc., an information technology company, since November 2019.
- President, Imaging and Printing Solutions, HP Inc., from November 2015 to October 2019.
- Spent over 30 years at The Hewlett-Packard Company in several positions of increasing responsibility ranging from Vice President, Imaging & Printing Group, EMEA to Senior Vice President & General Manager, Business Personal Systems and then Separation Leader, from 1989 to 2015.



GAIL J. MCGOVERN

President and Chief Executive Officer of the American Red Cross

Age 70

Director since:
June 2015

INDEPENDENT

Board Committees:
- Compensation
- Governance (Chair)

Other Public Company Boards:
- DTE Energy Company

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
- Finance
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent 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.



DEBORAH M. MESSEMER

Former Major Market Managing Partner at KPMG

Age 64

Director since:
January 2019

INDEPENDENT

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

Other Public Company Boards:
- Allogene Therapeutics, Inc.
- TPG, Inc.

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- More than 30 years of experience in finance, strategy, market development, regulation, governance and operations
- 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
- 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

Key Qualifications and Experience:
- Financial Services
- Technology and Innovation
- Global Business
- Senior Leadership
- Business Development and Strategy
- Regulatory
- Finance and Accounting
- Consumer Sales, Marketing and Brand Management
- ESG
- Talent 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., a privately held company.



DAVID M. MOFFETT

Former Chief Executive Officer of Federal Home Loan Mortgage Corp.

Age 70

Director since:
June 2015

INDEPENDENT

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

Other Public Company Boards:
- CSX Corporation

Former Public Company Boards:
- Genworth Financial, Inc. (December 2021 to May 2021)
- Freddie Mac (December 2008 to March 2009)
- eBay Inc. (July 2007 to July 2015)

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- 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
- More than 30 years of strategic finance, mergers and acquisitions, risk management and operational experience in banking and payment processing

Key Qualifications and Experience:
- Payments
- Global Business
- CEO Experience
- Business Development and Strategy
- Regulatory and Governmental
- Finance and Accounting
- ESG
- Talent Management
- Other Public Company Board Service

Biography:
- Lead Independent Director of PayPal, from July 2015 to 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, he 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.
- Serves as a Trustee for Columbia Atlantic Mutual Funds and University of Oklahoma Foundation and as a consultant to various financial services companies.



ANN M. SARNOFF

Board Chair and Chief Executive Officer of WarnerMedia Studios & Networks Group

Age 60

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)

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- More than 30 years of diversified business and media experience through 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
- Talent 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 2017.
- Serves as a member of the board of directors of Georgetown University and the vice chair of the McDonough School of Business at Georgetown.



DANIEL H. SCHULMAN

President and Chief Executive Officer of PayPal

Age 64

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)

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 and Information Security
- Finance and Accounting
- Consumer, Sales, Marketing and Brand Management
- ESG
- Talent 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 to 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 to August 2010, when Sprint Nextel acquired Virgin Mobile, USA.



FRANK D. YEARY

Managing Member at Darwin Capital Advisors, LLC

Age 58

Director since:
July 2015

INDEPENDENT

Board Committees:
- Audit, Risk and Compliance

Other Public Company Boards:
- Intel Corporation

Experience, Skills and Qualifications of Particular Relevance to PayPal:
- Extensive career in investment banking and finance with financial strategy and global mergers and acquisitions expertise, including expertise in financial reporting, 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
- Regulatory and Governmental
- Finance and Accounting
- ESG
- Talent 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 to 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 director 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 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 the 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 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 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 the Governance Guidelines and has no relationship that would interfere with their individual exercise of independent judgment.

Our Governance Guidelines prohibit Company directors from serving as a director or as an officer of another company that may cause a significant conflict of interest. Our 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 each case including changes that may affect the continued appropriateness of Board or committee membership. 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



CHAIR:
David M. Moffett

Management's proactive engagement with the Committee and the Board on current and emerging risks and opportunities helps us to effectively guide and shape the Company's business strategy to fulfill its core business objectives and mission. I believe we have a responsibility to safeguard our trusted global brand and protect our customers who entrust PayPal to enable their financial lives.

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

Committee Meetings in 2021:
9

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.

Compensation Committee



CHAIR:
David W. Dorman

Building a diverse and inclusive culture is essential to PayPal's mission to democratize financial services. PayPal's recent work to embed DIE&B considerations into its executive compensation program is the latest example of how the Company is working to drive accountability for both financial and nonfinancial goals.

Other Members:
Jonathan Christodoro
Gail J. McGovern

Committee Meetings in 2021:
6

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 DIE&B, 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 information 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



CHAIR:
Gail J. McGovern

By promoting diverse perspectives and thoughtfully enhancing ESG oversight responsibilities across Board committees, we've nurtured more in-depth conversations among Board members and with management. I believe the way in which PayPal has directly incorporated ESG-related considerations into its strategy and operations will serve the company and its stakeholders well over the long-term.

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

Committee Meetings in 2021:
4

Primary Responsibilities

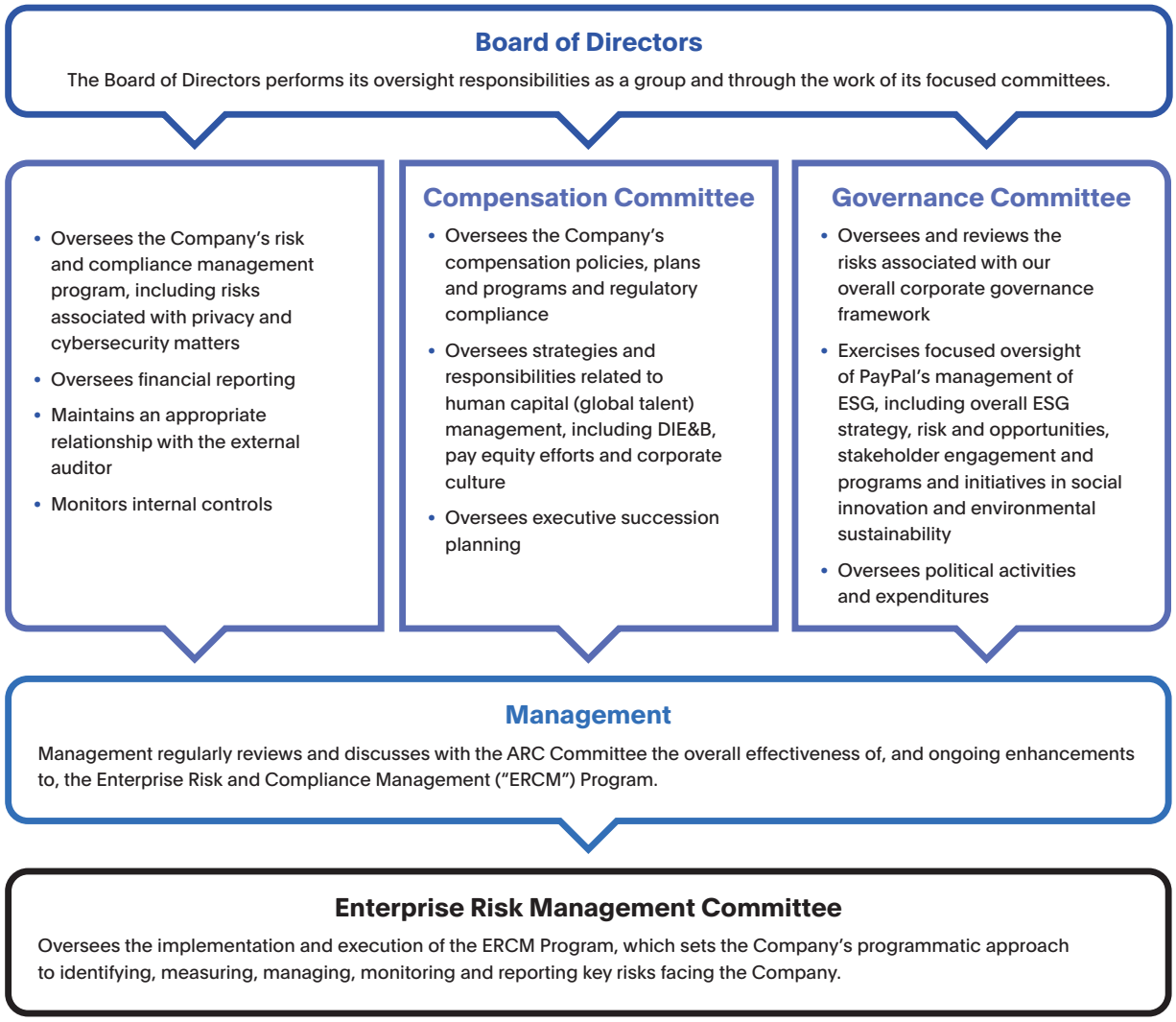
- Make recommendations to the Board as to the appropriate size of the Board or any Board committee;
- Identify individuals believed to be qualified to become Board members;
- Make recommendations to the Board on potential Board and Board committee members, whether as a result of any vacancy or as part of the annual election cycle, taking into consideration the criteria set forth in the "Board Member Criteria" and "Guiding Principles for Board Development and Succession" sections of the 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;
- Exercise general oversight of the Company's management of topics related to ESG matters, including overall ESG strategy, risk and opportunities stakeholder engagement and reporting programs and initiatives in social innovation and environmental sustainability and the Company's Global Impact Report; and
- Review and discuss with management, at least annually, PayPal's overall approach to, and guidelines and policies for, political activities and expenditures to ensure consistency with PayPal's business objectives and public policy priorities.

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 executive management to support the long-term interests of the Company and its stockholders.



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 executive management provide detailed business and strategy updates to the Board, and at least annually, the Board conducts an in-depth review of the Company's overall strategy. In these meetings, the Board engages with executive management and other business leaders regarding

- business objectives;
- the Company's budget, capital allocation plan and financial and operating performance;
- the competitive landscape;
- product and technology updates;
- potential acquisitions, investments and partnerships;
- risk management and compliance reviews;
- information security and data privacy; and
- other special topics (e.g., cryptocurrencies and digital currencies).

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 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 2021, the Board and its committees regularly reviewed and discussed with management the continued impact of the COVID-19 pandemic on our employees, customers and communities. As part of these reviews, the Board considered management's ongoing strategies and initiatives to respond to and mitigate the adverse effects 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 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, among others, 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; and
- meets with the management team on a quarterly basis and on an as-needed basis to discuss key areas of enterprise risk and execution of risk management.

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

Legal and Regulatory: Our General Counsel and Chief Risk and 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 talent management, including the recruitment and retention of key talent, pay equity, corporate culture, DIE&B and other key human capital management programs and initiatives; and
- oversees executive 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, risks and opportunities, stakeholder engagement and reporting, programs and initiatives in social innovation and environmental sustainability and the Company's annual Global Impact Report; and
- oversees political activities and expenditures.

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

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 **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 and Compliance Officer** and **Executive Vice President, Risk, Platform Services and Legal**, and reviews periodic reports from management regarding assessment of the effectiveness of the ERCM Program.
- The ERCM Program's objectives are to identify, measure, manage, monitor and report key risk factors facing our Company including:
  - — Financial crime and regulatory compliance risk
  - — Operational, portfolio and capital risk
  - — Technology, cybersecurity and privacy risk
  - — Strategic, reputational and third-party risk
- 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: Management, Notice & Transparency, Choice & Consent, Security, Data Lifecycle Management, Data Quality, Stewardship and Standardization.

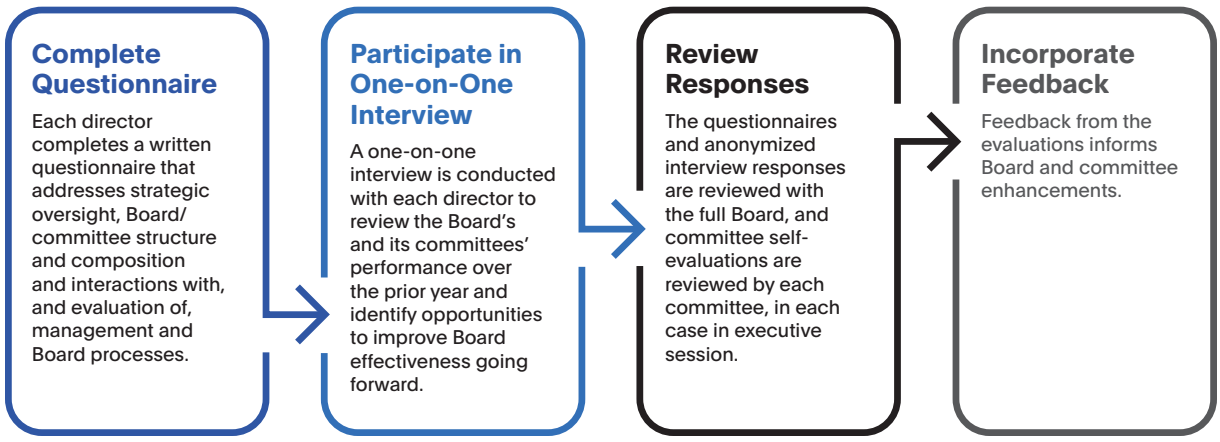
- — Our Global Privacy and Data Management Team, led by our Chief Privacy Officer and Global Head of Data Management, collaborates with dedicated teams integrated throughout our business to foster a "Data Hygiene by Default" and "Privacy by Design" culture throughout the Company.
- — This includes mandatory employee and contractor training and education, issue management and privacy risk assessments.

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 cybersecurity threats.

- — The risk-driven program, led by our Chief Information Security Officer, is ISO 27001 certified and aligned with other industry frameworks and best practices.
- — We institute 24/7 monitoring and measurement through our PayPal Command Center and PayPal Cyber Defense Center, require employee and contractor training and promote regular cybersecurity awareness and educational programs for our employees, customers and broader ecosystem.

Board and Committee Evaluations

Our Board is committed to continuous corporate governance improvement, and the Board and committee self-evaluations play a critical role in ensuring the overall effectiveness of our Board and each committee. The Board and its principal committees perform an annual self-evaluation to assess their performance and effectiveness and to identify opportunities to improve. As appropriate, the self-evaluations result in updates or changes to our practices as well as commitments to continue existing practices that our directors believe contribute positively to the effective functioning of our Board and its committees. The Governance Committee annually reviews the self-evaluation process to ensure it is operating effectively.



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 Board meeting, a member of each principal Board committee reports on any significant matters addressed by the committee since the last regular 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 11 times during 2021. Each director nominee who served in 2021 attended at least 75% of all our Board meetings and meetings of the Board committees on which they served, with the exception of Mr. Lores, who joined the Board in June 2021.

All directors are encouraged to attend the Annual Meeting. Last year, all directors serving at the time of our 2021 Annual Meeting of Stockholders attended that meeting.

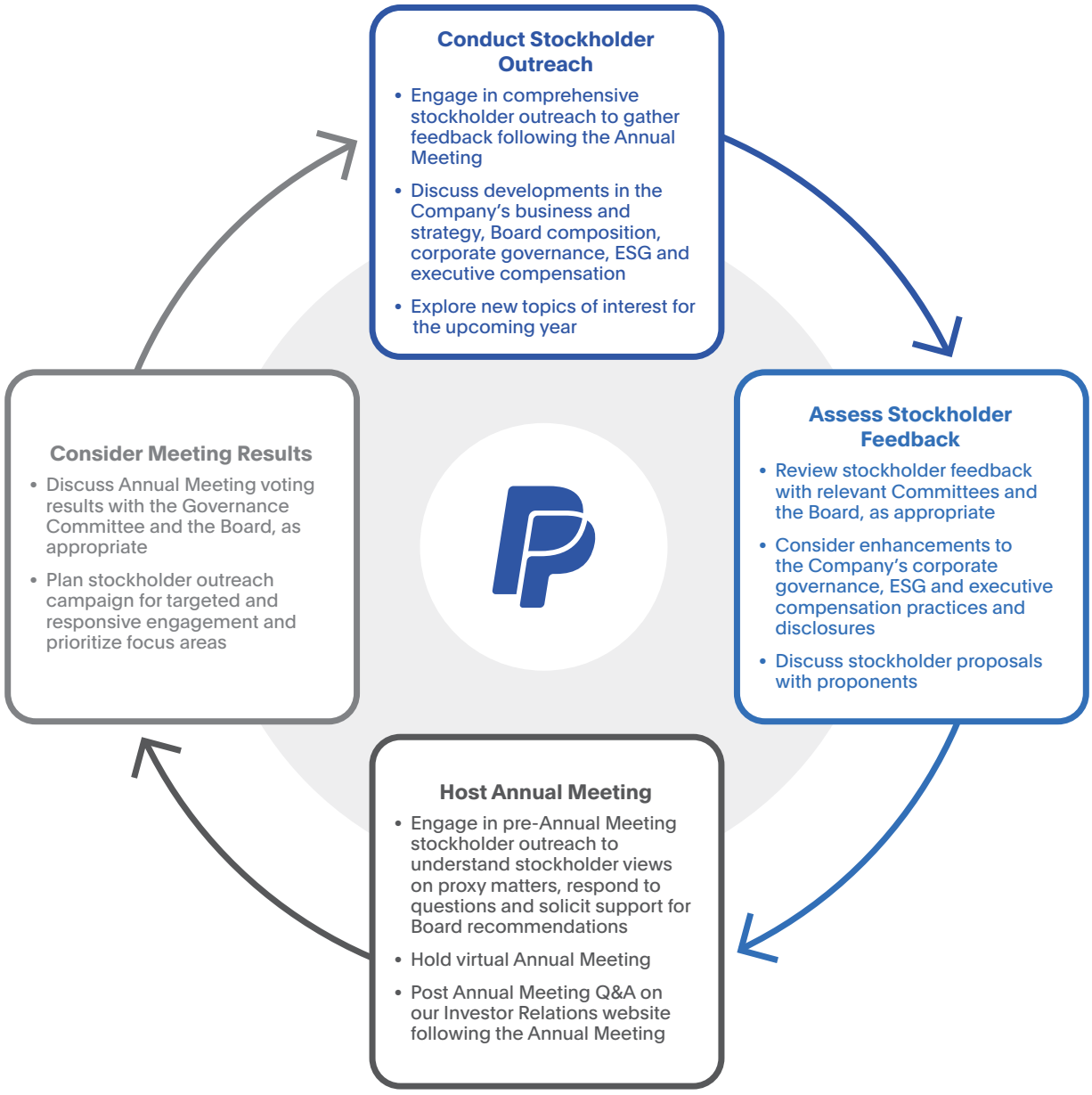
Stockholder Engagement

Reached out to holders of **58%** of our common stock

Engaged with holders of **38%** of our 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 2021 Annual Meeting of Stockholders, we also reached out to our investors to solicit feedback following that meeting. In 2021, we contacted investors representing approximately 58% of our common stock, and holders of approximately 38% of our common stock responded and engaged with us. We also launched PayPal's ESG Principles in Practice discussion series, which is aimed at sharing updates from company executives on our overall ESG program and how our business strategy is connected directly to our priority ESG topics.



The table below provides an overview of the key topics, areas of stockholder focus and management's responses covered during our 2021 stockholder outreach meetings.

Key Topic	Area of Stockholder Focus	How We Responded
ESG Matters	• Board oversight of ESG strategy; climate change strategy and reporting under established frameworks; employee wellness; global talent and DIE&B strategies; and progress on commitment to racial and social justice	• We committed to reaching net-zero GHG emissions by 2040 and set medium-term SBTs to reduce our GHG emissions 25% by 2025 (from a 2019 baseline) and promote GHG reductions across our supply chain, as well as supporting global efforts to promote climate resiliency. • We continue to enhance our non-financial reporting efforts and have aligned our ESG disclosures with established frameworks, including Value Reporting Foundation's Sustainability Accounting Standards Board ("SASB") standards and Taskforce for Climate-Related Financial Disclosures ("TCFD") recommendations. • Ongoing development and consideration of employee total wellness initiatives and intersections of our global talent and DIE&B strategies, including ongoing global wellness days, inclusive hiring practices, expanded talent pipelines and enterprise-wide learning opportunities.

Key Topic	Area of Stockholder Focus	How We Responded
Board Composition	• Board diversity, skills and refreshment; oversight of key risks; and overboarding considerations	• Since 2017, we have added five diverse directors to the Board, each of whom possess a strong mix of skills, qualifications, backgrounds and experience and has contributed to and enhanced the overall effectiveness of the Board. • In June 2021, the Board appointed Mr. Lores, a proven leader in the technology industry. • The Board is committed to robust and effective oversight of our ERCM Program. Each of the Board committees has oversight responsibility for clearly defined risks outlined in each of their respective committee charters. The ARC Committee oversees and reviews our overall risk management framework. • Under our Governance Guidelines, Board members who are not chief executive officers of public companies may serve on up to four public company boards, including our Board, and Board members who are chief executive officers of public companies may serve on up to three public company boards, including the board of the company on which they serve as chief executive officer.
Cybersecurity and Data Privacy	• Board and ARC Committee oversight, governance structure and program management	• Managing key risks, including cybersecurity and data privacy, is a vital component of our enterprise-wide ERCM Program and includes oversight and management by our Chief Information Security Officer and Chief Privacy Officer. • We integrate appropriate data management and security controls across our business, conduct privacy impact assessments, certify our information security management system to ISO 27001 and require mandatory employee and contractor training. • The ARC Committee is kept apprised of risks associated with cybersecurity and data privacy throughout the year, working with management to ensure that proper mitigation mechanisms are in place. • The ARC Committee reports to the full Board on risk matters, including cybersecurity and data privacy, on a regular basis.
Executive Compensation	• Incorporation of ESG considerations, including DIE&B considerations, into executive compensation	• In 2021, we began our multi-year journey to incorporate DIE&B considerations in our executive compensation program, including individual evaluations focused on a demonstrable commitment to our foundational DIE&B strategies and goals. In doing so, our intention is to build the foundation for a more inclusive and diverse culture through actions we expect our leaders to take, and over time, measurable outcomes we expect those actions to drive.

Director Orientation and Continuing Education

Upon joining the Board, directors participate in a robust orientation program to ensure that they have the tools, resources and knowledge to provide effective oversight of the Company and management. Our director orientation program familiarizes new directors with the Company's business, strategy, operations and culture, among other areas, and assists them in developing the skills and knowledge required to serve on the Board and any assigned Board committees. New directors meet with members of our executive leadership team and other key leaders to gain a deeper understanding of the Company's business and operations. Directors regularly engage, formally and informally, with other directors and senior leaders to share ideas, build stronger working relationships, gain broader perspectives and strengthen their working knowledge of the Company's business and strategies. 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, directors are encouraged to attend accredited director education programs at the Company's expense.

Executive 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 executive 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 Board committee 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, executive 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 an individual's 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 our Code of Conduct and related policies to ensure that they provide clear guidance. Additionally, to foster a strong culture of compliance and ethics, we conduct annual compliance and ethics training for all employees and contractors, which covers areas such as our Code of Conduct, anti-money laundering, information protection awareness, data privacy, safety and security and sexual harassment prevention. In addition, upon joining PayPal and annually thereafter, our employees must certify that they understand and will comply with our Code of Conduct. PayPal has continued to meet 100% completion for the annual compliance and ethics training.

Concerns about accounting or auditing matters or possible violations of our Code of Conduct should be reported under the procedures outlined in our Code of Conduct. We also provide a global Integrity Hotline, which is available 24 hours a day, seven days a week in multiple languages. Reports to the Integrity Hotline are confidential and can be made anonymously.

Governance Guidelines of the Board of Directors

The Board has adopted Governance Guidelines to serve as a framework to aid the Board in effectively conducting its business. The Governance Guidelines cover many of the policies and practices discussed in this proxy statement, including the composition and leadership of the Board, expectations for meeting attendance and the roles of the Board's standing committees. The Governance Committee reviews the Governance Guidelines each year and recommends changes to the Board for consideration and approval as necessary or appropriate in response to changing regulatory requirements, evolving best practices and other considerations.

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 on the governance section of our Investor Relations website at https://investor.pypl.com/governance/governance-overview/.

Related Person Transactions

The 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 ARC 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, General Counsel and Corporate Secretary of the proposed transaction, who 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 it is determined 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 General Counsel deems 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 ARC Committee charter 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 2021, 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, 2021, we believe that all applicable Section 16(a) reports were timely filed except for a Form 4 filed on behalf of Mr. Donahoe to reflect the purchase of shares and a Form 5 filed on behalf of Ms. Pentland to reflect a donation of shares, which were filed late due to administrative errors.

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.

2021 Director Compensation

In late 2020, the Compensation Committee, after consultation with its independent compensation consultant, approved certain adjustments to the 2021 director compensation program based on market practices. Effective January 1, 2021, the Non-Executive Board Chair's (1) additional annual retainer was increased by $25,000 (from $50,000 to $75,000) and (2) additional annual equity award grant date value was increased by $25,000 (from $50,000 to $75,000), in each case to bring the Non-Executive Board Chair's overall director compensation more in line with the Company's compensation peer group.

Each non-employee director of the Company received the following annual retainers on the first trading day after January 1, 2021:

2021 Annual Retainers:	
All Non-Employee Directors	$80,000/year
Non-Executive Board Chair	$ 75,000/year
Lead Independent Director	$ 75,000/year
ARC Committee Chair	$40,000/year
Compensation Committee Chair	$20,000/year
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 served as the Non-Executive Board Chair and/or as the chair of a committee was entitled to receive the Non-Executive Board Chair annual retainer and/or committee chair annual retainer in addition to the non-employee director annual retainer; however, Board 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, following the annual retainer payment date, 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 for which they were not a member or chair prior to such appointment), 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 that year.

2021 Equity Awards

In addition to the annual retainers, all non-employee directors received the following fully vested awards of PayPal common stock following the 2021 Annual Meeting of Stockholders.

2021 Equity Awards:	
All Non-Employee Directors	$275,000 in PayPal common stock
Non-Executive Board Chair	Additional $75,000 in PayPal common stock

The number of shares of PayPal common stock subject to the equity 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 2021, if a non-employee director was appointed or elected at any time other than at the 2021 Annual Meeting of Stockholders, 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 meeting of stockholders, 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 on the Board 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 two 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 retainer for all non-employee directors within five years of joining the Board and is expected to continuously own sufficient shares to meet the stock ownership guidelines. Each non-employee director currently meets the stock ownership guidelines.

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

- shares owned outright by the director or immediate family members residing in the same household and any shares allocated to a former spouse of the director in connection with a divorce settlement;
- shares held in trust for the benefit of the director or immediate family members; and
- deferred shares and vested deferred stock units ("DSUs"), deferred restricted stock units ("RSUs"), or deferred PBRSUs that may only be settled in shares of our common stock.

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

2021 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, 2021.

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2] ($)	Option Awards ($)	All Other Compensation ($)	Total ($)[3]
Rodney C. Adkins	110,000	275,223	—	—	385,223
Jonathan Christodoro	108,075	275,223	—	—	383,298
John J. Donahoe	155,154	350,236	—	—	505,390
David W. Dorman	110,162	275,223	—	—	385,385
Belinda J. Johnson	100,000	275,223	—	—	375,232
Enrique Lores[4]	48,000	249,432			297,432
Gail J. McGovern	118,000	275,223	—	—	393,223
Deborah M. Messemer	100,000	275,223	—	—	375,223
David M. Moffett	120,135	275,223	—	—	395,358
Ann M. Sarnoff	100,189	275,223	—	—	375,412
Frank D. Yeary	100,000	275,223	—	—	375,223

1 The amounts reported in the Fees Earned or Paid in Cash column reflect the annual cash retainer amounts earned by each non-employee director in 2021, which includes annual retainer amounts for which the following directors elected to receive fully vested shares of PayPal common stock in lieu of cash:

Name	Fees Forgone ($)	Shares Received (#)
Jonathan Christodoro	108,000	466
John J. Donahoe	155,000	669
David W. Dorman	110,000	475
David M. Moffett	120,000	518
Ann M. Sarnoff	100,000	432

2 Amounts shown represent the grant date fair value of the equity awards granted on May 26, 2021 to our non-employee directors following our 2021 Annual Meeting of Stockholders, as computed in accordance with FASB ASC Topic 718. As of December 31, 2021, our non-employee directors held the following DSUs.

Name	Total DSUs Held(#)	Total Options Held (#)
Jonathan Christodoro	5,353	—
John J. Donahoe	2,464	—
David W. Dorman	9,488	—
Gail J. McGovern	3,711	—
David M. Moffett	49,001	—
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. Lores joined the Board in June 2021; accordingly, his 2021 compensation was prorated to reflect that he commenced his service following the annual retainer payment date for 2021 and outside of an annual stockholders meeting in accordance with our director compensation program.

ESG Oversight and Highlights

PayPal's mission to build a more financially inclusive and interconnected world is the foundation of our values-led culture, which is grounded in Inclusion, Innovation, Collaboration and Wellness across our communities, workforce and strategies. Responsibly managing our global business helps to enable us to create value for all of our stakeholders, including our employees, stockholders, partners and communities.

INCLUSION

Respect and value uniqueness and diversity of thought

INNOVATION

Create amazing experiences for our customers – whether merchant, consumer or the PayPal community

COLLABORATION

Work as a team, drive ownership and accountability, make decisions and get results

WELLNESS

Care for and actively support each other's well-being

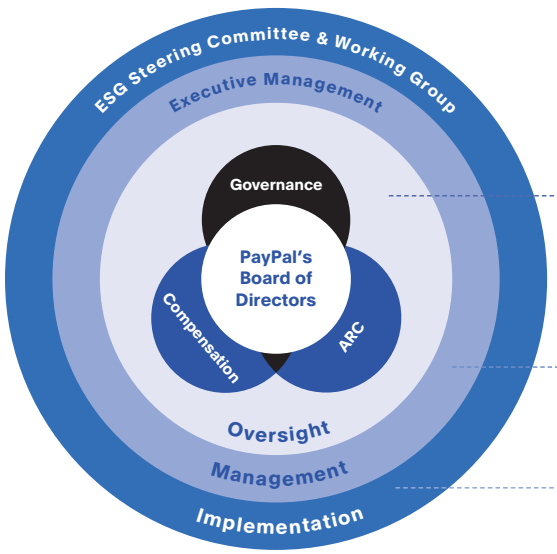
We believe that effective management of ESG risks and opportunities is essential to deliver on our mission and strategy. Accordingly, we strive to maintain the highest standards of ESG governance. Our executive management team understands the impacts that ESG risks and opportunities may have on the Company's ability to deliver its mission and to support the long-term interests of our stockholders and other stakeholders.

As we continue to evolve our ESG efforts, we are committed to sharing progress through subsequent reports and updates. For further information, please visit our latest annual Global Impact Report available at https://investor.pypl.com/esg-strategy.

ESG Governance Structure

PayPal recognizes the importance of living our values across all levels of the organization, which reflects our strong commitment to promoting diverse viewpoints through our Board, our leadership and our workforce. Executive management is continuously engaged on PayPal's priority ESG-related risks and opportunities.

Our overall governance framework drives strong oversight, ensures Board and management accountability and demonstrates PayPal's commitment to transparency, independence and diversity. We apply the same approach to the oversight, management and implementation of the Company's ESG strategy. Our cross-functional ESG program is managed by executive leaders and implemented through the guidance and direction provided by the ESG steering committee. Representatives from the ESG steering committee brief Board committees and executive management on ESG issues on a quarterly basis and meet with a subcommittee of the ERM Committee at least annually to review current and emerging ESG-related risk topics.



Oversight

Our Board of Directors is actively engaged on ESG matters that impact business strategy.

- **Governance Committee:** Oversight of PayPal's management of ESG, including overall ESG strategy, risk and opportunities, stakeholder engagement and programs and initiatives in social innovation and environmental sustainability
- **ARC Committee:** Oversight of the Company's risk framework and enterprise-wide compliance program, including privacy and cybersecurity matters
- **Compensation Committee:** Oversight of the Company's strategies and responsibilities related to human capital (global talent) management, including diversity and inclusion, pay equity efforts and corporate culture

Management

Our executive management directs and manages the execution of our enterprise-wide ESG strategy to ensure ESG risks and opportunities are integrated into the Company's long-term strategy

Implementation

An ESG steering committee and cross-functional working groups with representatives from more than 20 functions are responsible for overall program implementation

ESG Strategy

PayPal's ESG strategy is an extension of our mission to promote financial wellness and to empower those who are underserved by the financial community. We focus on four ESG pillars that are aligned with our business priorities, shaped by stakeholder feedback and reflect our mission and values. We believe this integrated, enterprise-wide approach to managing our global business responsibly helps to enable us to create value for all of our stakeholders.

Employees and Culture

We listen to our employees and collaborate across teams to create an inclusive culture and experience throughout the employee lifecycle —from first interview to offboarding— and enable opportunities for our employees to engage with each other and their communities.

Social Innovation

We are committed to using the strength and scale of our platform to expand economic opportunity and improve the financial health of businesses, individuals and nonprofits around the world.

Environmental Sustainability

We manage our environmental impact and advance global environmental progress for the benefit of all, especially the financially underserved.

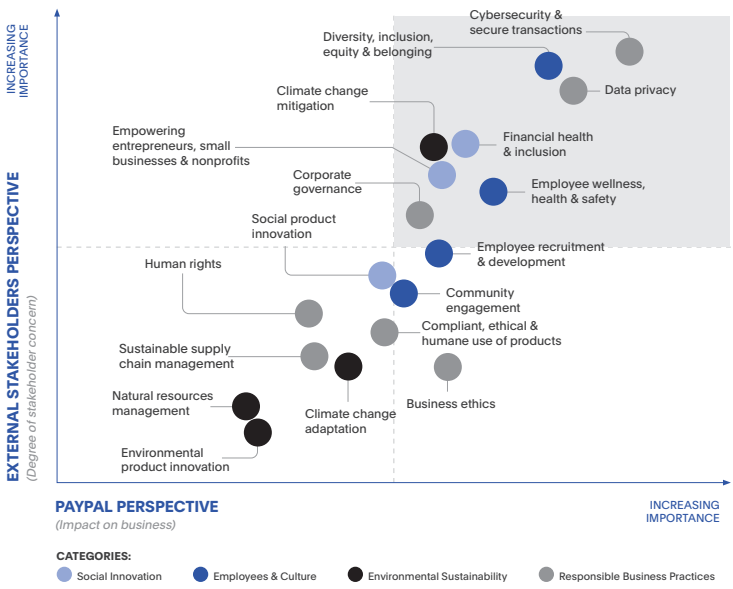
Responsible Business Practices

We establish policies and practices to safeguard trust, ensure ethical and compliant business operations and secure and protect customer information.

ESG Materiality and Prioritization Assessment

Building on PayPal's first comprehensive ESG materiality* assessment conducted in 2020, we review our ESG materiality map annually to ensure we remain focused on the topics that are most important to our business, stakeholders and society. Aligned to our four ESG pillars and informed by internal and external stakeholder feedback, we identified 18 key ESG topics, of which eight have been noted as most critical for PayPal to drive long-term business performance and impact. The eight priority topics include: cybersecurity, privacy, diversity, climate change, financial health, empowering small businesses, corporate governance and employee wellness. The findings from our ESG materiality assessment serve as a key input to inform how we strategically deploy resources across the enterprise and refine our programs. Our latest review in 2021 did not lead to any significant changes to our map.

* Used in the context of our ESG strategy and initiatives, the terms "material" and "materiality" are distinct from, and should not be confused with, the same terms as defined by or construed in accordance with securities law or as used in the context of financial statements and reporting.



Stakeholder Engagement

PayPal values ongoing feedback from our stakeholders. We actively solicit and regularly consider input from investors, employees, regulators, customers and other stakeholders on ESG topics, which helps to inform our ESG strategy and reporting activities. We engage with our stakeholders through a variety of channels, including internal employee surveys and team conversations, roundtable sessions with a cross-section of stakeholders (such as investors, suppliers and partners), convenings of other private sector and non-governmental partners, direct investor dialogues and other virtual engagement opportunities. The table below illustrates some of the ESG-related topics on which we engaged with our stakeholders over the past year.

Stakeholders	Topics of Engagement
Investors	Talent management, DIE&B, Board composition and oversight, climate change, cybersecurity and data privacy, general ESG matters, executive compensation
Employees	Workplace flexibility, DIE&B, product innovation, business strategy, community engagement, sustainability
Regulators	ESG governance, stakeholder capitalism, digital assets, cybersecurity
Customers	Product education, ESG governance, small business empowerment
Suppliers	Climate change, business ethics, diversity
Other stakeholders (communities, partners)	Economic empowerment, employee total wellness, civic engagement, climate resilience, racial equity, stakeholder capitalism, use of information to promote positive impact

ESG Reporting Frameworks

As part of our commitment to transparency, we continuously consider enhancements to our ESG disclosures and reporting and strive for alignment with those frameworks most applicable to our business and most important to our stakeholders. Our Global Impact Report provides specific reporting of our ESG programs, policies and metrics mapped to the following voluntary reporting frameworks and initiatives:

- The Global Reporting Initiative standards;
- SASB standards;
- The Ten Principles of the United Nations Global Compact; and
- The World Economic Forum Stakeholder Capitalism Metrics.

We are committed to the continued development of our climate-related disclosures in accordance with the recommendations of the TCFD and provide clear reporting on the governance, strategy, risk management and targets through our TCFD Index and our annual CDP climate change questionnaire. We recently enhanced our index to include additional information on our internal environmental sustainability policy, incorporation of climate-related risks into the enterprise-wide risk taxonomy and updates to our environmental metrics and progress on our SBTs.

Governance

Following PayPal's ESG governance structure, the Governance Committee oversees climate-related risks and opportunities and executive management assesses and manages those risks as part of the Company's long-term strategy.

Strategy

We consider the actual and potential impacts of short-, medium- and long-term climate-related risks and opportunities on our business, strategy and financial planning.

Risk Management

We identify, assess and manage climate-related risks in alignment with our approach to enterprise risk management and our ESG strategy.

Data & Metrics

We disclose consistent and comparable climate-related metrics (e.g., Scope 1, 2, and 3 GHG emissions) that demonstrate progress on our externally validated science-based targets and other climate-related goals.

In addition, we conduct an annual review regarding our contributions to achieving the U.N. SDGs. In 2021, we identified seven SDGs where PayPal provides the greatest positive influence in meeting these goals.



Priority ESG Programs

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

Employees & Culture

We continue to build upon our global talent and DIE&B strategies to attract, develop and retain a diverse and talented workforce and promote employee total wellness to support their physical, mental and financial health. We actively solicit employee feedback to help refine these programs, enhance the employee experience and support the local communities where we live and work. For additional information, please see the Human Capital Management section on page 42 of this proxy statement.

- Expanding employee initiatives to respond to dynamic COVID-19 impacts and the future of work, including self-paced and community learning experiences, a global COVID-19 vaccine reimbursement program, ongoing global wellness days and other workplace flexibility efforts and global financial wellness education.
- Strengthening existing and piloting new DIE&B efforts as part of our multi-year DIE&B strategy, including a newly redesigned global DIE&B learning agenda, targeted career mentorship and sponsorship initiatives for underrepresented groups, diverse hiring practices, ongoing investments in our Employee Resource Groups and commitment to pay equity.
- Creating opportunities for our global employees to support their local communities through volunteering, charitable giving and employee engagement programs, including skills-based volunteering to mentor small businesses, support career development of underrepresented groups and drive new digital innovations for nonprofits.

Employees & Culture – Key Highlights

Maintained global gender and U.S. ethnic **pay equity**

Annual employee turnover rate of **15.8%**, which falls below U.S. Bureau of Labor Statistics trends for financial and tech sectors

Social Innovation

Our Social Innovation strategy guides PayPal's global mission to help ensure that everyone has the opportunity to participate and thrive in an inclusive economy by empowering our customers to achieve economic prosperity, promoting widespread financial health and facilitating the growth of charitable giving.

- Supporting SMBs globally by embarking on new partnerships, enhancing the in-store experience through Zettle and QR codes, facilitating over $3.6 billion in access to capital in 2021 and expanding new resources and tools to help SMBs grow and thrive, such as Venmo business profiles.
- Reinforcing our commitment to underserved communities through our racial justice and women's empowerment initiatives by allocating $535 million-initially committed in 2020–to help address the racial wealth gap and embarking on a new five-year, $108 million commitment to support women and girls around the world.
- Enabling customer financial wellness through the redesigned PayPal digital wallet, offering a centralized place for customers to manage their daily financial lives, responsible global pay later offerings, digital currency and crypto assets, global financial education and community engagement activities.
- Integrating customer giving opportunities throughout our payments platform and expanded our Generosity Network to help customers raise well over $19 billion for more than one million nonprofits and personal causes.

Social Innovation – Key Highlights

Facilitated over **$3.6 billion** in capital to SMBs

Fully allocated our **$535 million** commitment to help address economic inequality

Enabled well over **$19 billion** in donations to support more than one million nonprofits and personal causes globally

Environmental Sustainability

At PayPal, we responsibly manage our environmental impact and focus on addressing climate change, managing natural resources, exploring environmental innovation and engaging partners across our value chain on environmental action.

- Demonstrating progress on our goal to reach net-zero GHG emissions across our value chain by 2040 and to meet our interim SBTs by 2025.
- Achieved our goal for 100% renewable energy use in our data centers two years ahead of schedule.
- Driving climate innovation to enable more environmentally friendly financial services and e-commerce for consumer and merchants in alignment with our mission, including better understanding and accounting for the climate impacts of our cryptocurrency and digital asset services.
- Supporting the development of new solutions and resources to help build climate equity and resilience, particularly for the underserved.

Environmental Sustainability – Key Highlights

Reached our goal of **100%** renewable energy for our data center operations

Invested in partnerships and initiatives to accelerate innovation at the intersection of **digital finance and climate resilience**

Responsible Business Practices

We recognize that robust and effective oversight and governance are fundamental to building trust with our stakeholders and sustaining our success. We demonstrate this commitment through our comprehensive approach to risk management, data privacy and security and protecting our customers and platform.

- Formally integrating ESG considerations into our ERCM program and ensuring comprehensive compliance training for all employees and contractors.
- Embodying a privacy-first culture that prioritizes responsible use of data and customer empowerment through transparency, education, platform enhancements and product innovations and enabled a self-service portal for customers in more than 50 countries to exercise their own preferences regarding their personal data and marketing choices.
- Incorporating the management of critical ESG topics, such as risk and compliance and DIE&B, into the individual performance component of our executive Annual Incentive Plan.
- Enhancing the safety and security of our products and platform through our global fraud detection and protection services and proactively combating cyber threats through our ISO 27001 certified information security program.

Responsible Business Practices – Key Highlights

Formally **integrated ESG** considerations into enterprise risk framework

Achieved a record low transaction loss rate of **0.09%**

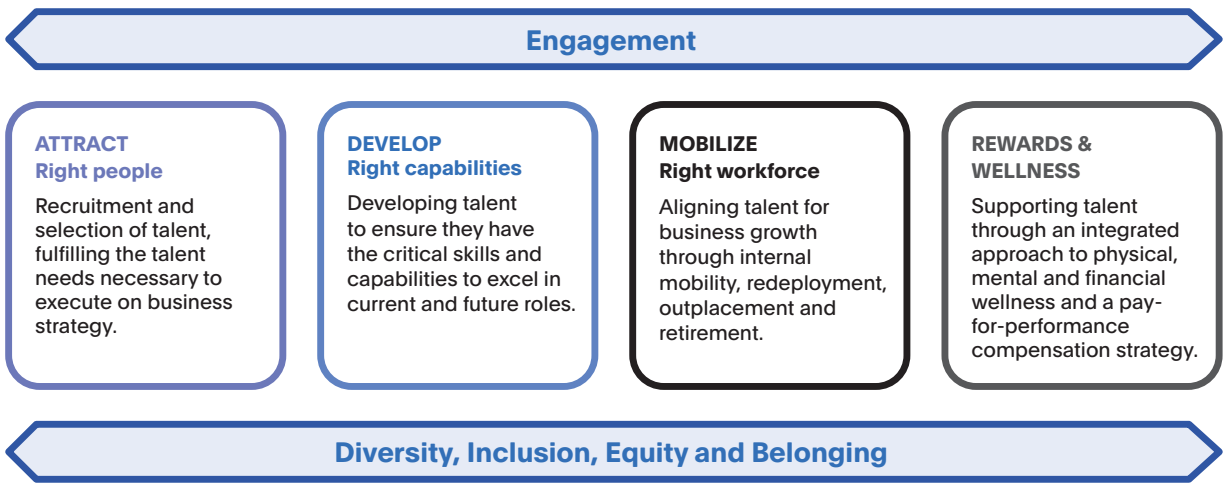
100% completion of our annual compliance and ethics training

Human Capital Management

Global Talent Strategy

PayPal recognizes the fundamental importance of ensuring that we attract, recruit, develop and retain diverse talent to enable us to create innovative products and services for our customers and to serve our stockholders and other stakeholders. We consider the management of our global talent (human capital) to be essential to the ongoing success of our business. The Compensation Committee oversees our approach to global talent, which is managed by our Chief Human Resources Officer. The Board and executive management receive regular reports on our approach and results.

We remain focused on supporting our employees across the full employee lifecycle from recruitment and onboarding to development and offboarding. We do this by actively listening to our workforce, extending our talent pipeline, creating immersive and accessible employee experiences and promoting employees' total wellness, particularly during difficult times such as the COVID-19 pandemic. For example, in 2021, as our global employees continued to navigate remote work, we continued to invest in their mental wellness by providing workplace flexibility to reflect their diverse needs and appointed a Global Wellness Advocate.



Employee Engagement

We continued to enhance our employee surveys to stay informed about our employees' working situations and provide support where needed. During 2021, many of our employees globally faced stresses due to the COVID-19 pandemic while balancing responsibilities at work. Our highest priority continues to be the health, safety and wellness of our global workforce. We offer a global employee advocacy team that is available 24/7 to help any employees who need support.

We conducted an annual employee engagement survey to gain direct insight from our global workforce on the Company's culture, as well as other specific surveys to gather employee input on our annual performance program and evolving workplace preferences. In 2021, approximately 79% of PayPal's global employees participated in our annual employee survey. Our engagement score was at 83%, which reflects employees that would recommend PayPal to their peers and/or are happy at PayPal. Additionally, our intend-to-stay score, an important benchmark for employee satisfaction, was at 80%, which reflects an employee's intention to work at PayPal in two years. We also observed improvements in employee scores regarding effective collaboration and work life balance, reflecting positive performance on two important focus areas for 2021.

Further, we added new questions to gauge employee perspectives on our DIE&B strategy, specifically on our ability to build diverse teams and garner a sense of belonging. These results will serve as important benchmarks as we continue driving our culture of inclusion. We shared the survey results and insights directly with managers to help identify opportunities for improvement to support our global employees going forward. In 2022, we plan to collect targeted employee feedback on employee wellness and manager effectiveness.

Diversity, Inclusion, Equity & Belonging Strategy

We believe that fostering DIE&B is critical to our global talent strategy. Our DIE&B principles are deeply embedded in our people throughout the employee lifecycle, our culture and our business. We are committed to equal pay for equal work, promoting enterprise-wide inclusive learning opportunities and partnering with leading organizations to further integrate DIE&B considerations into our talent strategy. 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. PayPal also supports eight employee resource groups that drive engagement, champion DIE&B-related causes and activities and support our business and talent strategies. Examples of our DIE&B efforts include Inclusion@PayPal, an enhanced global learning program that was launched in late 2021 to help engage and activate employees on their DIE&B journey, and our Supplier Diversity Program.

Our strong commitment to DIE&B is evident throughout our organization at all levels. As of December 31, 2021, 50% of our Board and 56% of our executives identified as women and/or from a diverse ethnic group. Across our workforce, we reached 56% overall diverse workforce representation, including 44% global gender diversity and 52% U.S. ethnic diversity, as of December 31, 2021.

Diversity, Inclusion, Equity & Belonging Strategy – Key Highlights

The Compensation Committee **incorporated DIE&B considerations** into the individual performance component of our annual incentive plan for our executives in 2021

We reached **56%** overall diverse workforce representation, including **44%** global gender diversity and **52%** U.S. ethnic diversity

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

Inclusion
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
Our established strategies, policies and practices that minimize barriers in the workplace.

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

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, 2021, and (2) the beneficial ownership of our common stock by each director and director nominee, by each executive officer named in the 2021 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	94,078,240	8.01%
BlackRock, Inc.[2] 55 East 52nd Street New York, NY 10055	75,987,482	6.50%

1 Based solely on information on Schedule 13G/A (Amendment No. 6) filed with the SEC on February 10, 2022. The Vanguard Group and certain related entities have sole voting power of 0 shares of the Company's common stock, shared voting power of 1,970,150 shares of the Company's common stock, sole dispositive power of 89,235,234 shares of the Company's common stock and shared dispositive power of 4,843,006 shares of the Company's common stock.

2 Based solely on information on Schedule 13G/A (Amendment No. 4) filed with the SEC on February 3, 2022. BlackRock, Inc. has sole voting power of 65,057,531 shares of the Company's common stock and sole dispositive power of 75,987,482 shares of the Company's common stock.

Security Ownership of Executive Officers and Directors

	Shares Beneficially Owned[2]	
Name[1]	Number	Percent of Class
Daniel H. Schulman	369,286	*
John D. Rainey	172,841	*
Jonathan Auerbach	101,901	*
Mark Britto	168,358	*
A. Louise Pentland	132,019	*
Rodney C. Adkins	18,896	*
Jonathan Christodoro	25,695	*
John J. Donahoe	68,610	*
David W. Dorman	55,427	*
Belinda J. Johnson	18,765	*
Enrique J. Lores	4,135	*
Gail J. McGovern	20,194	*
Deborah M. Messemer	6,412	*
David M. Moffett	73,657	*
Ann M. Sarnoff	13,117	*
Frank D. Yeary	35,227	*
All Directors and Executive Officers as a Group (20 Persons)[3]	1,506,647	*

* 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 April 5, 2022, and RSUs that are scheduled to vest within 60 days of April 5, 2022 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 1,161,295,700 shares of common stock outstanding as of April 5, 2022.

3 Includes 0 shares subject to options exercisable within 60 days of April 5, 2022, and 21,964 RSUs scheduled to vest within 60 days of April 5, 2022.

Information About Our Executive Officers

Diversity of Our Executive Officers



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

Executive Officer Biographies



Age 64

President and Chief Executive Officer

In current position since July 2015

DANIEL H. SCHULMAN

Biography

Mr. Schulman's biography is set forth on page 21 of this proxy statement under the heading "Proposal 1: Election of Directors – Director Biographies."



Age 50

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 Meta, Inc. (formerly known as Facebook, Inc.), since May 2019.

☆ Diverse Ethnic Group ● Woman



Age 59

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 to 2014.

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



Age 57

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 50

Executive Vice President, Risk, Platform Services and Legal

In current position since January 2022

AARON KARCZMER

Biography

PayPal's Chief Risk Officer and Executive Vice President, Risk and Platforms, from March 2020 to December 2021.

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.

Earlier in his career, worked at the New York County District Attorney's office, including as Unit Chief and co-founder of the Identity Theft Unit, responsible for investigating and prosecuting financial crime, data breaches, and cyber-crime.

Founding member of the World Economic Forum's Chief Risk Officers Community.

☆ Diverse Ethnic Group ● Woman



Age 51

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 49

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 to June 2015. 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

Each 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 executive officers and aligns with stockholder interests and external expectations and that enables us to effectively compete for, attract and retain 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 2022 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2021 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 2023 annual meeting of stockholders.



PROPOSAL 3:
Advisory Vote on the Frequency of the Stockholder Advisory Vote to Approve Named Executive Officer Compensation

In addition to providing stockholders with the opportunity to cast a say-on-pay advisory vote on the compensation of our named executive officers, in accordance with SEC rules, we are also providing our stockholders with the opportunity to indicate how frequently we should seek an advisory vote on the compensation of our named executive officers in the future. This non-binding advisory vote is commonly referred to as a "say-on-frequency" vote. Under this proposal, our stockholders may indicate whether they would prefer to have an advisory vote on executive officer compensation every year, every two years or every three years.

The Compensation Committee and the Board believe that the advisory vote on named executive officer compensation should continue to be conducted every year. We believe this frequency will enable our stockholders to vote, on an advisory basis, on the most recent executive compensation information that is presented in our proxy statement, leading to more meaningful and timely communication between the Company and our stockholders on the compensation of our named executive officers.

Stockholders are not voting to approve or disapprove the Board's recommendation. Instead, you may cast your vote on your preferred voting frequency by choosing any of the following four options with respect to this proposal: "every year," "every two years," "every three years" or "abstain."

For the reasons discussed above, we are asking our stockholders to vote for a frequency of "every year."

The say-on-frequency 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 expressed by stockholders in their vote on this proposal and will consider the option that receives the most votes in determining the frequency of future advisory votes on the compensation of our named executive officers.

THE BOARD RECOMMENDS A VOTE FOR "**EVERY YEAR**" FOR PROPOSAL 3.

Compensation Discussion and Analysis

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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.

2021 NEOs



Daniel H. Schulman
President and Chief Executive Officer



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



Jonathan Auerbach
Executive Vice President, Chief Strategy, Growth and Data Officer



Mark Britto
Executive Vice President, Chief Product Officer



Louise Pentland[1]
Former Executive Vice President, Chief Business Affairs and Legal Officer

[1] *Effective as of December 31, 2021, Ms. Pentland stepped down from her role as Executive Vice President, Chief Business Affairs and Legal Officer and is no longer classified as a Section 16 officer or executive officer of the Company.*

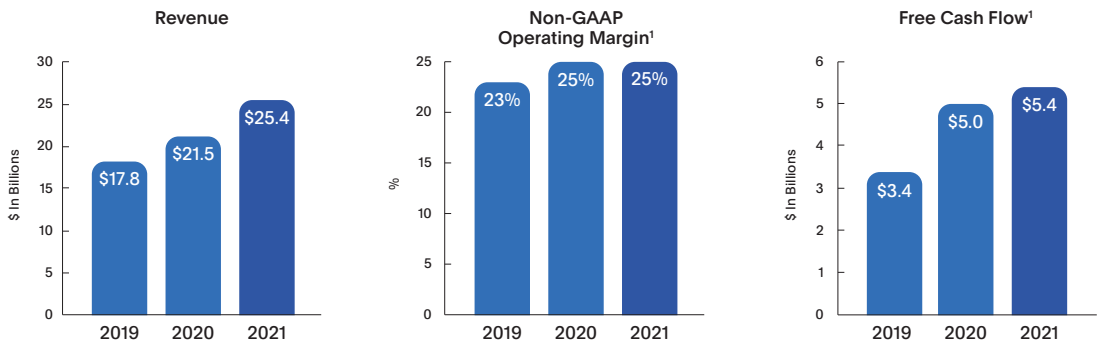
Executive Summary

2021 Financial and Operational Performance Highlights

In 2021, we delivered strong financial and operational performance across key performance metrics following the prior year's record setting performance. Our revenue increased to $25.4 billion. We added approximately 48.9 million net new active accounts, ending the year with 426 million active consumer and merchant accounts. Our total payment volume increased to $1.25 trillion and customer engagement grew to an average of 45.4 transactions per active account as we continued to scale our acceptance worldwide and advance our leadership in digital payments.

In addition, we continued to innovate at scale as we launched a record number of products and experiences in 2021. We integrated Honey into the new PayPal app to help consumers shop and discover deals and new brands. We expanded our checkout capabilities to help consumers pay on their own terms, whether in-store with QR codes, over time with buy now, pay later or with emerging funding sources like cryptocurrencies. We also acquired Happy Returns to anchor our post-purchase process and make returns easier and more affordable.

Performance Highlights



Creating value for our stockholders:

17%

Revenue Growth on an FX-Neutral Basis

Expanding our base:

426M

Active Accounts
(Up 13% from 2020)

Gaining share:

$1.25T

Total Payment Volume
(Up 33% from 2020)

[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 GAAP, please refer to "Appendix A: Reconciliation of Non-GAAP Financial Measures" to this proxy statement.

For more information on our 2021 performance highlights, see the "Proxy Statement Summary – Our 2021 Key Highlights" beginning on page 3 of this proxy statement.

2021 NEO Compensation Program Elements

For 2021, 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 intensely 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 55

	Form of Payment	Performance Period	Performance Criteria	Objectives	For More Information
Annual Incentive Plan ("AIP")	**75%** 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 the Company • Significant equity portion to further align with stockholder interests	Page 56
	25% Cash	One year	Individual Performance		

	Form of Payment	Performance Period	Performance Criteria	Objectives	For More Information
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 the Company • Intended to satisfy long-term retention objectives	Page 61
	50% RSUs	Vests 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 63

Key Compensation Policies and Practices

We maintain the following policies and practices that we believe demonstrate our commitment to good corporate 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.
ESG considerations	✓	We incorporate ESG considerations, such as risk and compliance and DIE&B, into our executive compensation program.
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 our NEOs in certain circumstances under our clawback policy.
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, executive officers and employees, prohibits the use of hedging and monetization transaction 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.

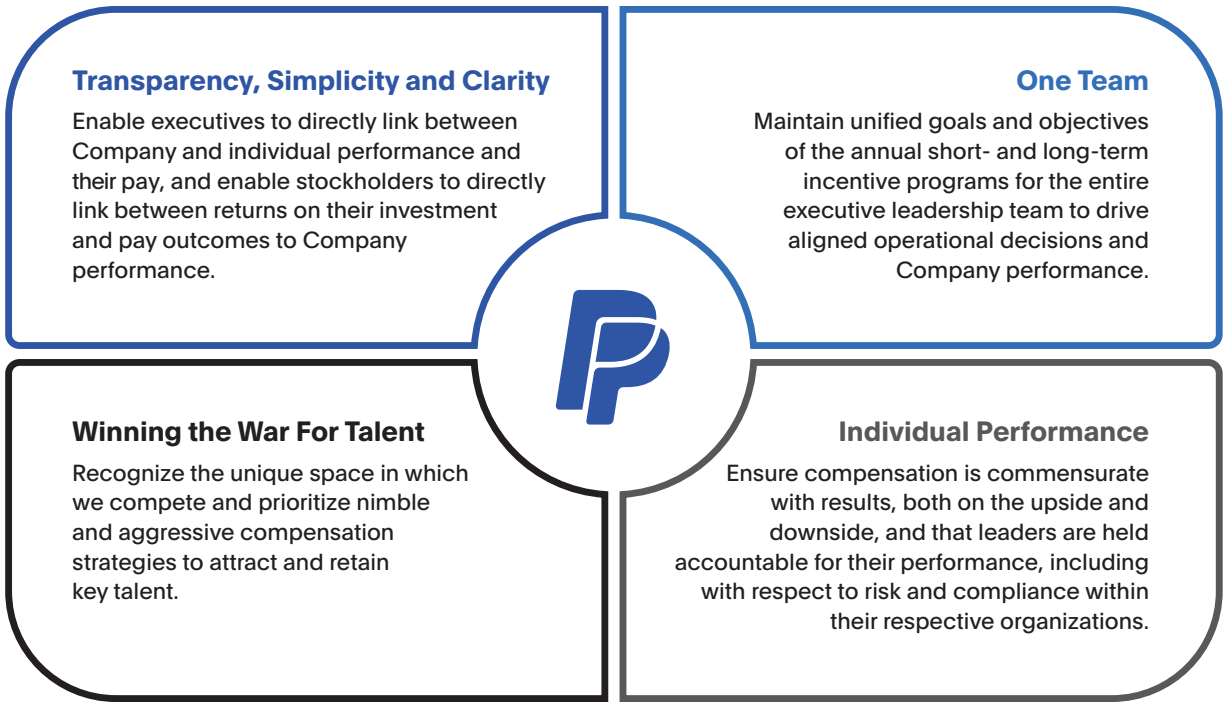
What We Don't Do		
No excise tax gross-ups on "change in control" payments	✗	We do not provide our NEOs with any excise tax gross-ups or other payment or reimbursement of excise taxes on severance in connection with a change in control of PayPal.
No "single-trigger" CIC payments or acceleration of equity 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 relocation 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 AIP is entirely performance-based, and our NEOs are not guaranteed any minimum levels of payment under that plan.

At our 2021 Annual Meeting of Stockholders, we received approximately 88.7% support of the votes cast on our say-on-pay proposal. Following the 2021 Annual Meeting of Stockholders, we engaged in proactive outreach efforts with stockholders representing approximately 58% of our common stock. For more information on our engagement efforts and feedback received through these conversations, please see "Corporate Governance – Stockholder Engagement," on page 29 of this proxy statement.

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:



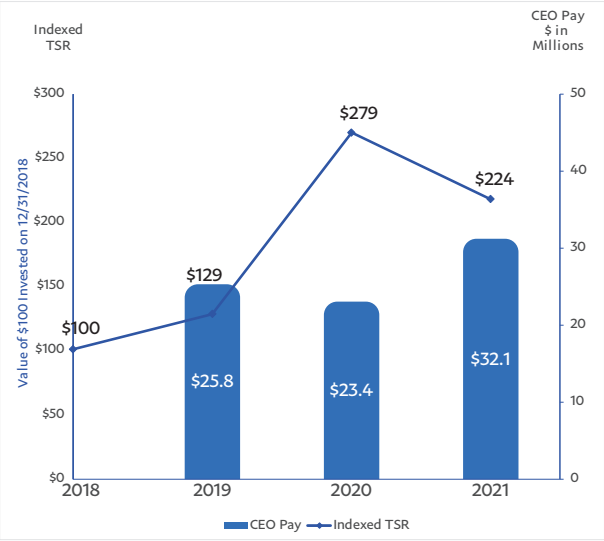
Alignment of Compensation with Performance Results

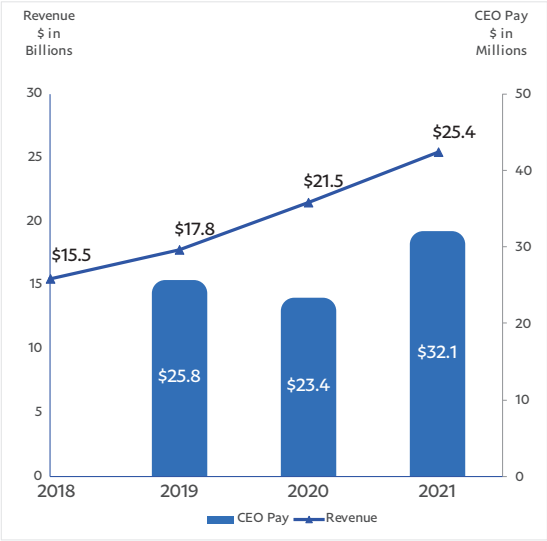
Incentive Compensation

Based on our 2021 results for revenue, Non-GAAP Operating Margin and net new actives, the 2021 AIP paid out at 60% 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, 2019 to December 31, 2021, the 2019-2021 PBRSUs paid out at 186% of target. For more information on our incentive compensation programs, see "2021 Compensation Framework and Decisions" below.

CEO Compensation and Performance Trends

The following charts demonstrate the alignment of our revenue and indexed TSR with CEO pay (as reported in the "2021 Summary Compensation Table") for fiscal years 2019 to 2021. Our Compensation Committee determines CEO pay each year based on information available at the beginning of the year, including Company and individual performance and potential. 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 31, 2018 through December 31, 2021, assuming $100 was invested on December 31, 2018.





2021 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. The following table shows the 2021 annual base salary for each NEO.

NEO	Base Salary for 2021 ($)	Base Salary for 2020 ($)
Daniel H. Schulman[1]	1,250,000	1,000,000
John D. Rainey	750,000	750,000
Jonathan Auerbach[2]	750,000	650,000
Mark Britto[2]	750,000	650,000
Louise Pentland	750,000	750,000

1 In January 2021, the Compensation Committee increased Mr. Schulman's base salary from $1,000,000 to $1,250,000, effective July 1, 2021, to align his pay relative to peers and the external competitive market.

2 In January 2021, the Compensation Committee increased the base salaries of Messrs. Auerbach and Britto from $650,000 to $750,000, effective July 1, 2021, to align their pay relative to internal and external peers.

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;
- driving innovation for the business unit or function;
- negotiating, closing and integrating or implementing strategic transactions and partnerships;
- championing and advancing the Company's set of core values of inclusion, innovation, collaboration and wellness; and
- organizational development and human capital management, including hiring, development and retention for the business unit or function by supporting and enhancing DIE&B efforts.

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

Annual Incentive Plan

The 2021 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' 2021 AIP awards was in the form of 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. As a reflection of our Company's commitment to DIE&B, the Compensation Committee has incorporated DIE&B considerations into the individual performance portion of our NEOs' 2021 AIP awards, as discussed further below.

The following table sets forth the 2021 target annual incentive opportunity (the "Target Incentive Amount") for each NEO, which is expressed as a percentage of the NEO's base salary.

NEO	2021 AIP Annual Target as Percentage of Base Salary[1]	2020 AIP Annual Target as Percentage of Base Salary
Daniel H. Schulman	200%	200%
John D. Rainey	125%	100%
Jonathan Auerbach	125%	100%
Mark Britto	125%	100%
Louise Pentland	125%	100%

[1] In January 2021, the Compensation Committee increased the 2021 AIP Target Incentive Amount for Messrs. Rainey, Auerbach and Britto and Ms. Pentland to align their pay relative to peers and the external competitive market.

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 2021.

NEO	Base Salary Used to Calculate PBRSU Target Incentive Amount ($)[1]	PBRSU Target Incentive Amount ($)	PBRSU Target (Shares)[2]
Daniel H. Schulman	1,000,000	1,500,000	5,996
John D. Rainey	750,000	703,125	2,811
Jonathan Auerbach	650,000	609,375	2,436
Mark Britto	650,000	609,375	2,436
Louise Pentland	750,000	703,125	2,811

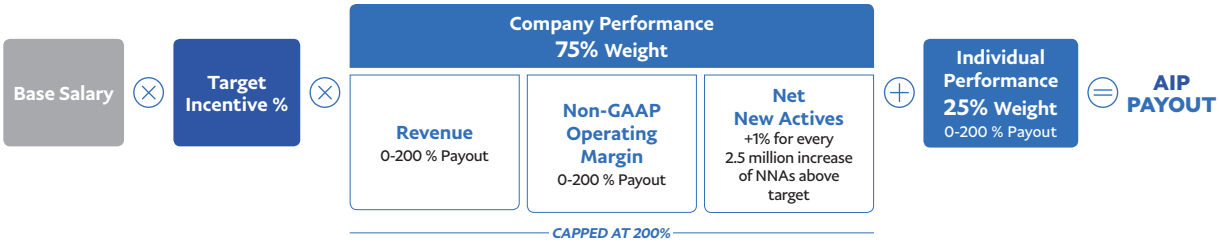
[1] In accordance with the terms of the 2021 AIP, each NEO's base salary as of April 1, 2021 was used to calculate the Target Incentive Amount applicable to the PBRSUs granted pursuant to the 2021 AIP.
[2] The target number of PBRSUs was determined by dividing (i) the Target Incentive Amount allocated 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 under the 2021 AIP were granted on February 15, 2021.

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	Base Salary Used to Calculate Cash Target Incentive Amount ($)[1]	Target Cash ($)
Daniel H. Schulman	1,250,000	625,000
John D. Rainey	750,000	234,375
Jonathan Auerbach	750,000	234,375
Mark Britto	750,000	234,375
Louise Pentland	750,000	234,375

[1] In accordance with the terms of the 2021 AIP, each NEO's base salary as of December 1, 2021 was used to calculate the Target Incentive Amount applicable to the cash portion of the 2021 AIP.

The actual amount of each NEO's 2021 AIP award was determined by the following formula:



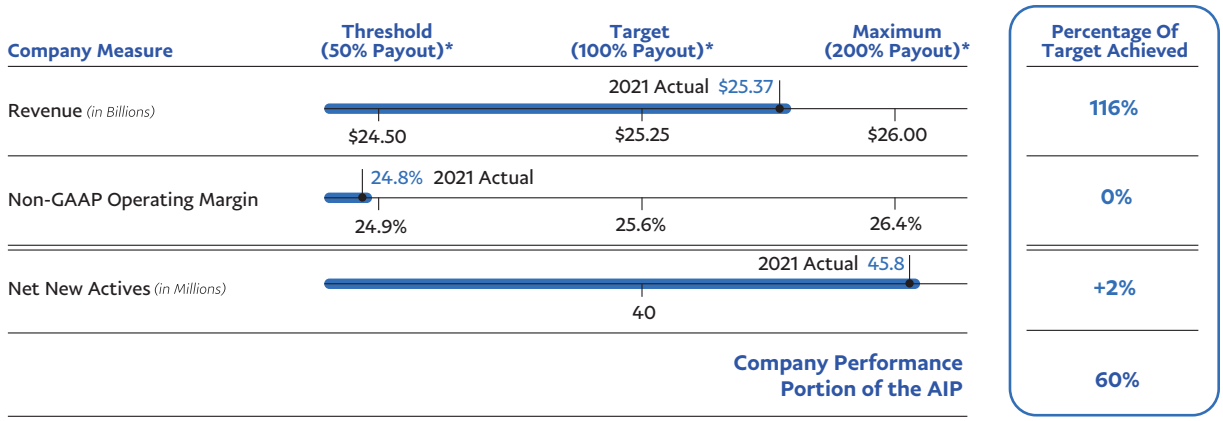
Company Performance Measures

In early 2021, the Compensation Committee selected the Company performance measures under the 2021 AIP to create strong alignment between Company performance and our 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 of Non-GAAP Financial Measures" to 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 NNAs are an important measure of the growth of our active customer base. 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 2021 AIP. Revenue and Non-GAAP Operating Margin are weighted equally to determine the payout of the Company performance component of the 2021 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 in NNAs above the target. The maximum possible payout for the Company performance portion of the AIP is 200%.

In January 2021, 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, 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 2021 AIP, the actual performance achieved and the resulting payout percentage. As indicated in the table, because the minimum threshold for the Non-GAAP Operating Margin performance measure was not met, there was no payout with respect to that performance measure.



* 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 2021, the Compensation Committee discussed with Mr. Schulman the key factors for determining awards under the 2021 AIP, our NEOs' expected contributions to that performance and our NEOs' respective individual business objectives. In early 2022, Mr. Schulman presented to the Compensation Committee his assessment of each NEO's individual performance during 2021 against their objectives for the year. The Compensation Committee assessed Mr. Schulman's individual performance during 2021 against his objectives for the year.

The NEOs' key accomplishments for 2021 are discussed below.

NEO	Key Performance Against Objectives
Daniel H. Schulman	• Continued to provide strategic leadership and navigate the Company through the challenges presented by the COVID-19 pandemic, including enhancing employee wellness initiatives and providing support to our communities and consumers. • Oversaw a record number product and experiences launches, including the full rollout of the new PayPal digital wallet globally, the expansion of the global pay later footprint, the launch of Zettle in the U.S. and checkout with cryptocurrency using PayPal. • Expanded Venmo services and monetization, including the ability to buy, hold and sell crypto currency on Venmo and to cash a check on Venmo. • Oversaw continued implementation of a set of values and core beliefs for PayPal to drive cultural change and create an environment centered on inclusion, innovation, collaboration and wellness, including through the continued implementation of our DIE&B strategy.
John D. Rainey	• Drove significant improvements in the service experiences provided to the Company's customers by Global Customer Operations, consisting of the Company's customer service and operations functions, including by increasing the average speed to answer customer calls and reducing complaint rates. • Continued to implement programs and processes to facilitate cost savings and operational efficiencies across the business, including through real estate and office optimalization. • Successfully managed disciplined 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, including as they related to topical and dynamic concerns such as the COVID-19 pandemic and ESG.
Jonathan Auerbach	• Furthered the Company's growth, strategic and operational goals through the development and execution of the Company's acquisition strategy, including the completed acquisitions of Curv, Chargehound, Happy Returns and Paidy. • Oversaw continued investment by PayPal Ventures in innovative companies focused on fintech, commerce enablement, digital infrastructure and cryptocurrency/blockchain technologies. • Oversaw expansion of cryptocurrency-related products, including Checkout with Crypto, Cash Back with Crypto (which enables Venmo Credit Card holders to automatically purchase cryptocurrency from their Venmo account) and the launch of the ability of PayPal customers in the UK to buy, hold and sell cryptocurrency.

NEO	Key Performance Against Objectives
Mark Britto	• Managed new partnerships and expansions with enterprise merchants globally to continue to drive the Company's ubiquity across discretionary and everyday spend, including integrations with Instacart, Doordash, Roku, Adobe, Salesforce and Oracle. • Oversaw the expansion of global pay later offerings, including 4x Paiement in France, Pay in 3 in the UK, Pay in 4 in the U.S. and Australia and the elimination of late fees for missed payments.
Louise Pentland	• Successfully oversaw mid-year onboarding of new Chief Human Resources Officer. • Continued to oversee the Company's human capital management strategy, including its programs and initiatives designed to advance employee financial wellness and further the Company's DIE&B strategy. • Continued to oversee 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.

Additional AIP Considerations – DIE&B and Risk and Compliance

The Compensation Committee also included in its consideration each NEO's ratings based on (1) each NEO's demonstrated commitment to the Company's DIE&B strategy and goals, pursuant to the independent observation and judgment of the Company's human resources leadership and its DIE&B team; and (2) 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.

In 2021, we launched a multi-year approach to incorporate DIE&B considerations in our executive compensation program, which is focused on both actions we expect leaders to take and, over time, measurable outcomes we expect those actions to drive. For 2021, the Company's near-term focus was on strengthening the foundation for a more inclusive and diverse culture, beginning with a focus on senior leaders promoting DIE&B across the organization and throughout the full employee cycle. The Compensation Committee assessed each NEO's participation in our DIE&B program based on demonstrable, objective and purpose-driven actions taken by the NEO. For example, the Compensation Committee considered the level of each NEO's business unit participation in the Company's DIE&B "Learning Journey", which included various trainings regarding DIE&B issues, awareness and best practices. In addition, the Compensation Committee assessed whether each NEO actively advocated for and participated in the Company's diverse pipeline hiring program and engaged in business-specific actions that promoted DIE&B and benefited underrepresented communities. The Compensation Committee believes that the Company's executive compensation program should appropriately support the Company's multi-year, long-term DIE&B strategy, and intends to continue incorporating and enhancing DIE&B considerations into the 2022 executive compensation program.

Embedding DIE&B-Related Performance in our Executive Compensation Program

Our initial performance evaluation is based on each executive officer's commitment to building the foundation of a more inclusive and diverse culture as demonstrated through measurable actions across the employee lifecycle:

Completion of our new DIE&B Learning Journey

Participation in our diverse and inclusive practices

Promotion of business-specific DIE&B initiatives

2021 AIP Payments

The following table shows the 2021 AIP Payout for each NEO.

NEO	Target PBRSUs (Shares)	x	Company Performance Score	=	2021 AIP PBRSU Payout (Shares)[1]	+	Target Cash ($)	x	Individual Performance Score	=	2021 AIP Cash Payout ($)
Daniel H. Schulman	5,996		60%		3,598		625,000		100%		625,000
John D. Rainey	2,811		60%		1,687		234,375		100%		234,375
Jonathan Auerbach	2,436		60%		1,462		234,375		125%		292,969
Mark Britto	2,436		60%		1,462		234,375		125%		292,969
Louise Pentland	2,811		60%		1,687		234,375		100%		234,375

1 The PBRSUs vested on February 15, 2022, based on the Company Performance Score of 60%, 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 LTI annual target values for our NEOs for 2021, 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 2021 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 taking into account their prospective contributions to the Company.

The Compensation Committee determines each of our NEO's annual target values each year based on information available at the beginning of the year, including company and individual performance and potential. The 2021 LTI awards for our 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, in January 2021, the Compensation Committee approved the following target 2021 LTI awards for our NEOs:

NEO	2021 Target LTI Grant Value ($)[1]	2021 Target PBRSUs[2] (Shares)	2021 Service-Based RSUs (Shares)
Daniel H. Schulman[3]	27,000,000	51,404	51,404
John D. Rainey	10,000,000	19,039	19,039
Jonathan Auerbach	10,000,000	19,039	19,039
Mark Britto	15,000,000	28,558	28,558
Louise Pentland	10,000,000	19,039	19,039

1 Our NEOs' annual target value increased from 2020 to align pay relative to peers and external competitive market.

2 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, 2021.

3 In early 2021, the Compensation Committee approved Mr. Schulman's 2021 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) providing strategic leadership and navigation of the Company through the challenges presented by the COVID-19 pandemic; (ii) strengthening our strategic positioning and significantly enhancing our two-sided platform capabilities, including through a strong focus on product innovation; and (iii) focusing on the long-term growth of our business by executing on a broad transformation of our culture and business aligned with the Company's mission and values. Mr. Schulman's LTI annual target value increased from 2020 to reflect his performance and contributions to the Company, to reinforce our retention objective in a highly competitive market for senior executive talent and to better align his pay relative to peers and external competitive market.

Performance-Based Restricted Stock Units (PBRSUs)

In January 2021, the Compensation Committee approved the following structure for the multi-year PBRSUs granted in 2021 (the "2021-2023 PBRSUs").

- Three-year performance period from January 1, 2021, through December 31, 2023, 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 "FX-Neutral" Revenue compound annual growth rate ("CAGR") and Free Cash Flow CAGR.

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 2021-2023 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: Reconciliation of Non-GAAP Financial Measures" to 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 well-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;
- 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 2021-2023 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 2021-2023 PBRSUs will be awarded if neither performance threshold is met.

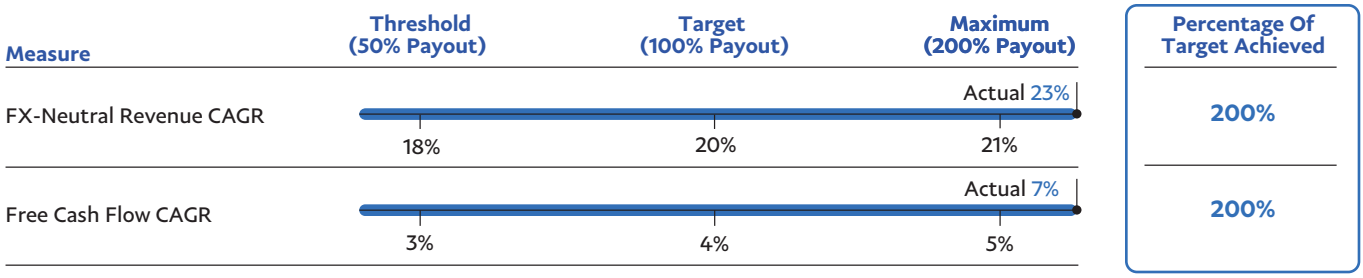
We do not disclose the specific performance goals for the 2021-2023 PBRSUs for competitive reasons. The performance targets and achievement levels for the 2019-2021 PBRSUs are shown below to provide insight into the rigor of the targets the Compensation Committee sets. For each measure, performance at the threshold level will result in a payout of 50% of target, performance at the target level will result in a payout of 100% of target and performance at the maximum level will result in a payout of 200% of target. Linear interpolation is applied to performance between threshold, target and maximum levels.

Settlement of Previously Awarded 2019-2021 PBRSUs

The 2019-2021 PBRSUs were structured in substantially the same manner and with the same performance measures as the 2021-2023 PBRSUs, but with different targets for the three-year performance period from January 1, 2019 to December 31, 2021. In addition, in light of the five-year term of the Operating Agreement with eBay expiring in July 2020, the Compensation Committee determined at the beginning of 2019 that for the 2019-2021 PBRSUs, separate targets should be set for (1) the eBay marketplaces business on our platform and (2) the rest of the PayPal business. The Compensation Committee believed, based on the information available in January 2019 when the performance measures for the 2019-2021 PBRSUs were determined, that separate targets would enhance the Company's ability to set appropriately rigorous performance goals for our executives while minimizing the disproportionate effect that the eBay business and operational performance could have on the Company's overall LTI results. Accordingly, the information available to the Compensation Committee when it established the separate targets for the eBay marketplaces business was limited due to the inherent uncertainty regarding the ultimate impact of the expiration of the five-year term of the Operating Agreement in July 2020. Based on the Company's operating strategy at the time, these separate targets were designed to be challenging but achievable with strong management performance. The 2019-2021 PBRSUs were weighted such that the eBay marketplaces business targets related to 6.9% of the 2019-2021 PBRSUs, with the remaining 93.1% relating to the rest of the PayPal business.

The following chart shows the minimum, target and maximum vesting levels for the rest of the PayPal business (excluding the eBay marketplaces business) for FX-Neutral Revenue CAGR and Free Cash Flow CAGR set by the Compensation Committee at the beginning of the 2019-2021 performance period, the actual results for each measure and the corresponding percentage of target achieved.

PayPal Performance (Excluding eBay Marketplaces Business)



The Compensation Committee also set vesting levels for FX-Neutral Revenue CAGR and Free Cash Flow CAGR for the eBay marketplaces business. The Company did not meet the threshold performance for either performance measure. Therefore, the aggregate performance for the 2019-2021 PBRSUs was 186%.

Aggregate 2019-2021 PBRSU Performance

	Weighting	Percentage Of Targets Achieved	Aggregate Percentage of Target Achieved
eBay Marketplaces Business Performance	6.9%	0%	186%
Rest of PayPal Business	93.1%	200%	

The following table shows the number of shares of PayPal common stock earned and vested pursuant to the 2019-2021 PBRSUs for each NEO based on achievement of 186% of target.

NEO	Target PBRSUs (Shares)	x	Percentage of Target Achieved	=	Number of Shares Earned
Daniel H. Schulman	112,790		186%		209,790
John D. Rainey	48,339		186%		89,911
Jonathan Auerbach	32,226		186%		59,941
Mark Britto	32,226		186%		59,941
Louise Pentland	48,339		186%		89,911

Restricted Stock Units (RSUs)

Our 2021 LTI awards also included service-based RSUs with a three-year annual vesting schedule, which aligns with the three-year performance period of the 2021-2023 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 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 2021, 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 2021.

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 our Chief Human Resources Officer, 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.

Mr. Schulman 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 2021 by invitation, they did not attend executive sessions of the meetings or portions of Compensation Committee meetings during which their individual 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 business 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 executive talent.

Each member of the compensation peer group was chosen based on one or more of the factors listed above, but not all factors were relevant for every peer company. While some of the 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.

Our compensation peer group for 2021 was composed of 11 technology companies (which generally are companies with which we directly compete for talent) and nine financial companies (which generally are companies with which we compete for talent and that more closely match our financial performance). For 2021, based on the criteria above, the Compensation Committee made the following changes to our compensation peer group: (i) added JPMorgan Chase & Co. and ServiceNow, Inc.; (ii) replaced First Data and WorldPay by the companies that acquired them (Fiserv Inc. and Fidelity National Information Services, Inc. respectively); and (iii) removed Symantec Corporation and Twitter, Inc.

PEER GROUP COMPANIES	
Adobe Inc.	Intuit Inc.
Alphabet Inc. (Google Inc.)	JPMorgan Chase & Co.
Amazon.com, Inc.	Mastercard Incorporated
American Express Company	Meta Platforms, Inc
Apple Inc.	Netflix, Inc.
Block, Inc.	Oracle Corporation
Discover Financial Services	Salesforce, Inc.
Fidelity National Information Services, Inc.	ServiceNow, Inc.
Fiserv Inc.	The Western Union Company
Global Payments Inc.	Visa Inc.
Technology Companies	Financial Companies

In contemplating our executive compensation program for 2021 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 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

Deferred Compensation

The 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 2021.

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 2021 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 senior leadership team (including 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
- Executive Vice Presidents (including all executive officers other than the CEO): 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 they remain 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 DSUs, deferred RSUs or deferred PBRSUs that may only be settled in shares of our common stock.

Our stock ownership guidelines are available on 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 directors, executive 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, directors, executive 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 directors 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

Executive Severance Plan

The Company maintains 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 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. The Executive Severance Plan was amended to include the Executive Long Term Incentive Program, which provides additional severance benefits to NEOs and was approved by the Compensation Committee effective July 1, 2022. The additional benefits include equity vesting provisions upon retirement, job elimination, death or disability.

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" change in control 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, developing and retaining 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 smoother 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.

Ms. Pentland's Separation Agreement

Pursuant to a planned transition announced in November 2021, Ms. Pentland's employment with the Company is anticipated to terminate on July 31, 2022. This termination is a qualifying termination under the Executive Severance Plan. Accordingly, Ms. Pentland will receive severance payments and benefits pursuant to the terms of the Executive Severance Plan, subject to her continued employment through the agreed upon termination date, as set forth in the separation agreement Ms. Pentland entered into with the Company. Specifically, such benefits will principally include: a cash payment of $2,531,250, representing 1.5x of Ms. Pentland's base salary and target incentive amount; a prorated annual bonus for the number of full months Ms. Pentland remains employed with the Company during 2022, paid out based on actual company performance for the full 2022 performance period and individual performance at target; accelerated vesting of time-based RSUs that would otherwise have vested in the year following Ms. Pentland's separation date; vesting of PBRSUs granted in 2020, based solely on the achievement of Company performance for the full performance period, in accordance with the terms of the applicable award; Consolidated Omnibus Budget Reconciliation Act ("COBRA") continuation of coverage premiums for 12 months; and subject to Ms. Pentland's execution of required attestations and complying with the restrictive covenants set forth in the Executive Severance Plan, vesting of any remaining RSUs and PBRSUs in accordance with the terms of the applicable award and medical premium payments at COBRA rates, in each case for the time period during which Ms. Pentland is under these restrictive covenant obligations. Ms. Pentland will not receive any additional compensation outside of the terms of our Executive Severance Plan. See "Potential Payments Upon Termination or Change in Control" below for a description of these payments and benefits.

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, chief financial officer and certain other current and former executive officers in any year to $1 million in the year compensation becomes taxable to the executive officer. The Compensation Committee will award non-deductible compensation where it believes doing so is in our and our stockholders' best interests, regardless of its deductibility.

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, RSUs, PBRSUs, shares of 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 2021 Annual Report on Form 10-K.

The Compensation Committee of the Board

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

Compensation Tables

2021 Summary Compensation Table

The following table summarizes the total compensation paid to and received and earned by each of our NEOs for the fiscal year ended December 31, 2021 and, to the extent required under SEC rules, the fiscal years ended December 31, 2019 and December 31, 2020.

Name and Principal Position(a)	Year(b)	Salary ($)(c)	Bonus ($)(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	2021	1,122,115	—	29,920,381		625,000		402,857	32,070,353
	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
John D. Rainey Chief Financial Officer and Executive Vice President, Global Customer Operations	2021	750,000	—	11,258,002		234,375		11,600	12,253,977
	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
Jonathan Auerbach Executive Vice President, Chief Strategy, Growth and Data Officer[1]	2021	698,846	—	11,146,113	—	292,969	—	—	12,137,928
	2020	675,000	—	6,972,602	—	325,000	—	—	7,972,602
	2019	650,000	—	7,403,928	—	243,750	—	59,855	8,357,533
Mark Britto Executive Vice President, Chief Product Officer	2021	698,846	—	16,355,481	—	292,969	—	11,600	17,358,896
Louise Pentland Executive Vice President, Chief Business Affairs and Legal Officer[2]	2021	750,000	—	16,452,788[3]	—	234,375	—	11,600	17,448,763
	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

1 In accordance with SEC rules, even though Mr. Auerbach was not an NEO for 2020, his compensation information for 2020 has been disclosed because he was an NEO for 2019.

2 Effective as of December 31, 2021, Ms. Pentland stepped down from her role as Executive Vice President, Chief Business Affairs and Legal Officer, and is no longer classified as a Section 16 officer or executive officer of the Company.

3 This amount includes (i) the grant date fair value of RSUs and PBRSUs (including PBRSUs under the Company's annual incentive plan for 2021 granted to Ms. Pentland in February and March 2021) totaling $11,258,002, and (ii) the incremental fair value, calculated in accordance with SEC disclosure rules, associated with modifications to outstanding equity awards held by Ms. Pentland totaling $5,194,786, which were modified in connection with her impending separation from the Company in accordance the Executive Severance Plan. The modification charge does not represent any newly granted awards.

Stock Awards – Column (e)

Amounts shown represent the grant date fair value of RSUs and PBRSUs (including PBRSUs under the 2021 AIP) granted to each of our NEOs as computed in accordance with FASB ASC Topic 718. For Ms. Pentland, the amounts also include the incremental fair value associated with modifications to her outstanding equity awards in 2021, as described in footnote 2 above. 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 2021 Annual Report on 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 2021 AIP PBRSUs and the 2021-2023 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 2021 AIP PBRSUs (as of Grant Date for Accounting Purposes) ($)	Maximum Value of 2021-2023 PBRSUs (as of Grant Date for Accounting Purposes) ($)
Mr. Schulman	3,578,053	28,131,353
Mr. Rainey	1,677,436	10,419,283
Mr. Auerbach	1,453,659	10,419,283
Mr. Britto	1,453,659	15,628,651
Ms. Pentland	1,677,436	10,419,283

Non-Equity Incentive Plan Compensation – Column (g)

Amounts represent cash (non-equity) performance-based compensation earned under the individual performance portion of the 2021 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 – 2021 Compensation Framework and Decisions – Annual Incentive Plan" above 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, or, in the case of perquisites or other benefits, the aggregate incremental cost to the Company, as applicable. See "Compensation Discussion and Analysis – Other Compensation Elements – Other Benefits" above for additional details on these benefits. Amounts include the following perquisites and other compensation provided to our NEOs in 2021.

Name	401(k) Match[1] ($)	Perquisites and Other Benefits ($)	Total ($)
Mr. Schulman	11,600	391,257[2]	402,857
Mr. Rainey	11,600	—	11,600
Mr. Britto	11,600	—	11,600
Ms. Pentland	11,600	—	11,600

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 $296,482 related to the procurement, installation and maintenance of personal security measures for Mr. Schulman.
- Costs of $94,775 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.

2021 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, 2021.

			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												
2021 AIP – Cash			—	625,000	1,250,000	—	—	—	—	—	—	—
2021 AIP – PBRSUs	1/20/2021	2/15/2021	—	—	—	1,499	5,996	11,992	—	—	—	1,789,027
2021-2023 PBRSUs	2/16/2021	3/1/2021	—	—	—	12,851	51,404	102,808	—	—	—	14,065,677
RSUs	2/16/2021	3/1/2021	—	—	—	—	—	—	51,404	—	—	14,065,677
John D. Rainey												
2021 AIP – Cash			—	234,375	468,750	—	—	—	—	—	—	—
2021 AIP – PBRSUs	1/20/2021	2/15/2021	—	—	—	703	2,811	5,622	—	—	—	838,718
2021-2023 PBRSUs	2/16/2021	3/1/2021	—	—	—	4,760	19,039	38,078	—	—	—	5,209,642
RSUs	2/16/2021	3/1/2021	—	—	—	—	—	—	19,039	—	—	5,209,642
Jonathan Auerbach												
2021 AIP – Cash			—	234,375	468,750	—	—	—	—	—	—	—
2021 AIP – PBRSUs	1/20/2021	2/15/2021	—	—	—	609	2,436	4,872	—	—	—	726,829
2021-2023 PBRSUs	2/16/2021	3/1/2021	—	—	—	4,760	19,039	38,078	—	—	—	5,209,642
RSUs	2/16/2021	3/1/2021	—	—	—	—	—	—	19,039	—	—	5,209,642
Mark Britto												
2021 AIP – Cash				234,375	468,750	—	—	—	—	—	—	—
2021 AIP – PBRSUs	1/20/2021	2/15/2021	—	—	—	609	2,436	4,872	—	—	—	726,829
2021-2023 PBRSUs	2/16/2021	3/1/2021	—	—	—	7,140	28,558	57,116	—	—	—	7,814,326
RSUs	2/16/2021	3/1/2021	—	—	—	—	—	—	28,558	—	—	7,814,326
Louise Pentland												
2021 AIP – Cash			—	234,375	468,750	—	—	—	—	—	—	—
2021 AIP – PBRSUs	1/20/2021	2/15/2021	—	—	—	703	2,811	5,622	—	—	—	838,718
2021-2023 PBRSUs	2/16/2021	3/1/2021	—	—	—	4,760	19,039	38,078	—	—	—	5,209,642
RSUs	2/16/2021	3/1/2021	—	—	—	—	—	—	19,039	—	—	5,209,642
Modified Equity Awards[5]												5,194,786

1 The amounts shown represent potential non-equity incentive plan awards under the individual performance portion of the 2021 AIP. Maximum amounts represent 200% of the NEO's target incentive amount under the 2021 AIP. For more information on the 2021 AIP, see "Compensation Discussion and Analysis – 2021 Compensation Framework and Decisions – Annual Incentive Plan."

2 The amounts shown in the "2021 AIP – PBRSUs" row represent the AIP PBRSUs granted in 2021 under our Amended and Restated 2015 Equity Incentive Award Plan (the "Equity Plan") for the Company performance portion of the 2021 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 2021 AIP PBRSUs vested on February 15, 2022 based on Company performance during 2021 and continued service through such date. For more information on the 2021 AIP, see "Compensation Discussion and Analysis – 2021 Compensation Framework and Decisions – Annual Incentive Plan."
The amounts shown in the "2021-2023 PBRSUs" row represent the 2021-2023 PBRSUs granted in 2021 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 2021-2023 PBRSUs will be earned and vest based on performance over the 2021-2023 performance period. See "Compensation Discussion and Analysis – 2021 Compensation Framework and Decisions – Long-Term Incentive Compensation" for more information.

3 The amounts shown represent service-based RSUs granted in 2021 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 – 2021 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 (or, if there is no closing price on such date, the closing price on the immediately preceding day with a reported closing price) by the number of stock awards granted. For the 2021 AIP PBRSUs and the 2021-2023 PBRSUs, the grant date fair value assumes the probable outcome of the performance conditions applicable to the awards. See "Stock Awards – Column (e)" under the "2021 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 2021 Annual Report on Form 10-K.

5 This amount represents the incremental fair value related to the modification of Ms. Pentland's outstanding RSU and PBRSU awards under the Executive Severance Plan and does not reflect a new equity grant.

2021 Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information regarding outstanding equity awards held by each of our NEOs as of December 31, 2021.

	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							252,740[7]	47,661,709	4/1/2018		
							37,596[2]	7,089,854	3/1/2019		
							59,784[2]	11,274,067	3/1/2020		
							51,404[2]	9,693,766	3/1/2021		
							5,996[3]	1,130,726	2/15/2021		
										112,790[4]	21,269,938
										89,678[5]	16,911,477
										51,404[6]	9,693,766
John D. Rainey							16,112[2]	3,038,401	3/1/2019		
							25,622[2]	4,831,797	3/1/2020		
							19,039[2]	3,590,375	3/1/2021		
							2,811[3]	530,098	2/15/2021		
										48,339[4]	9,115,769
										38,434[5]	7,247,884
										19,039[6]	3,590,375
Jonathan Auerbach							10,741[2]	2,025,538	3/1/2019		
							19,928[2]	3,758,022	3/1/2020		
							19,039[2]	3,590,375	3/1/2021		
							4,198[3]	791,659	2/15/2021		
							1,602[8]	302,105	12/16/2019		
										32,226[4]	6,077,179
										29,893[5]	5,637,222
										19,039[6]	3,590,375
Mark Britto							10,741[2]	2,025,538	3/1/2019		
							28,558[2]	5,385,468	3/1/2021		
							2,436[3]	459,381	2/15/2021		
										32,226[4]	6,077,179
										28,558[6]	5,385,468
Louise Pentland							16,112[2]	3,038,401	3/1/2019		
							25,622[2]	4,831,797	3/1/2020		
							19,039[2]	3,590,375	3/1/2021		
							2,811[3]	530,098	2/15/2021		
										48,339[4]	9,115,769
										38,434[5]	7,247,884
										19,039[6]	3,590,375

1 Market value is calculated based on $188.58 per share, the closing price of our common stock on December 31, 2021.
2 Becomes fully vested over three years, with one-third vesting on the first, second and third anniversaries of the date of grant.
3 Represents unvested PBRSUs under the 2021 AIP granted in 2021, subject to the achievement of the performance goals over the one-year performance period from January 1, 2021 through December 31, 2021. Following the performance period, these RSUs became fully vested on February 15, 2022 based on Company performance.
4 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. The PBRSUs earned based on Company performance became fully vested on March 1, 2022.
5 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.
6 The amounts reported in this row are based on achieving target performance goals for the 2021-2023 PBRSU awards granted in 2021, as performance for the 2021-2023 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, 2024, subject to the NEO's continued employment through the vesting date.
7 Represents two-thirds 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 each applicable vesting date.
8 Represents one-third of the PBRSUs granted to Mr. Auerbach (the "Auerbach Performance Award"), which were earned upon the completion of the Company's acquisitions of Guofubao Information Technology Co., Ltd. ("GoPay") and Honey Science Corporation. One-third of the Auerbach Performance Award vested on each of the first and second anniversaries of the grant date and the remaining portion will vest on the third anniversary of the grant date, subject to Mr. Auerbach's continued employment through the applicable vesting date.

2021 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, 2021.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
Daniel H. Schulman	—	—	483,761	129,713,613
John D. Rainey	—	—	155,979	42,920,215
Jonathan Auerbach	—	—	89,388	24,530,978
Mark Britto	—	—	86,732	24,007,667
Louise Pentland	—	—	155,979	42,920,215

1 Value realized is calculated based on the closing price per share on each applicable vesting date.

2021 Non-Qualified Deferred Compensation Table

All NEOs are eligible to participate in the DCP; however, none of our NEOs participated in the DCP in 2021. 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 of the Company occurred on December 31, 2021. 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 2021 Outstanding Equity Awards at Fiscal Year-End Table above for further information regarding outstanding equity awards granted to the NEOs in 2021 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	54,682,291	79,816,581	103,645,946	102,324,639
John D. Rainey	—	22,900,295	22,896,523	22,298,831
Jonathan Auerbach	—	19,413,640	19,413,640	18,903,636
Mark Britto	—	13,369,019	13,364,208	12,796,473
Louise Pentland[3]	—	22,913,807	22,908,996	22,298,831

1 For Mr. Schulman, the amount reflects his retirement eligibility with respect to his outstanding equity awards (as discussed below).
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 2019-2021 PBRSUs, which were earned at 186% of target following the completion of the performance period on December 31, 2021, or (iii) the value of the 2021 AIP Company PBRSUs, which were earned at 60% of target following the completion of the AIP performance period on December 31, 2021.
3 Ms. Pentland is expected to experience an Involuntary Termination Outside of a Change in Control Period in July 2022. See "Compensation Discussion and Analysis – Other Compensation Practices and Policies – Severance and Change in Control Provisions – Ms. Pentland's Separation Agreement" for further details.

Voluntary Termination – Column (a)

Retirement Benefits for Mr. Schulman

Mr. Schulman is retirement-eligible under the 2020-2022 and 2021-2023 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 would accelerate vesting 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 would be settled following the completion of the performance period. Mr. Schulman would also be eligible for prorated vesting of service-based RSUs granted prior to July 1, 2021. If Mr. Schulman Retires, he would receive prorated vesting of the next tranche of service-based RSUs that would have vested following his Retirement.

In addition, Mr. Schulman is retirement-eligible under the Executive Long Term Incentive Program ("ELTIP") portion of our Executive Severance Plan. The ELTIP provides for the following benefits because Mr. Schulman has attained at least 60 years of age and has completed at least seven years of service, subject to Mr. Schulman resigning after providing sufficient advance notice to the Company (which notice must be at least 12 months) and the resignation having terms and conditions mutually agreed to by the Company and Mr. Schulman:

- Eligibility for continued vesting of all outstanding equity awards, other than the performance-based CEO PSU Award that the Company granted to Mr. Schulman on April 1, 2018. Any outstanding time-based restricted stock awards would be eligible to continue vesting in accordance with their original schedule. Any outstanding PBRSUs (other than PBRSUs awarded pursuant to an Annual Incentive Plan) would remain outstanding and eligible to vest, based solely on the achievement of the applicable Company performance targets for the applicable performance period.
- COBRA premium payments (or payments in lieu thereof) for the period during which any equity award continues to vest under the ELTIP.

The ELTIP benefits described above will be referred to as the "ELTIP Benefits." The CEO PSU Award is not eligible for any continued vesting under the ELTIP. All continued vesting under the ELTIP is subject to Mr. Schulman's execution of a release of claims in favor of the Company and required attestations and compliance with the restrictive covenants set forth in the Executive Severance Plan.

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 the Equity Plan) of the Company, 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 lump sum 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 our other NEOs).
- A prorated annual cash bonus, paid in a lump sum, 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 our other NEOs.

In addition, each NEO would be eligible for the ELTIP Benefits in the event the NEO's employment was involuntarily terminated by the Company due to a job elimination or role restructuring. All continued vesting would be subject to the NEO's execution of a release of claims in favor of the Company and required attestations and compliance with the restrictive covenants set forth in the Executive Severance Plan.

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" of the Company occurred as of December 31, 2021 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 lump sum 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 and would be subject to the excise tax imposed by Internal Revenue Code 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

We have not entered into any arrangements with any of our 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 Equity Plan) of the Company 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 "disability," they 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 a termination due to "disability" 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. In addition, the NEO would be eligible for the ELTIP Benefits in the event the NEO's employment terminates due to "disability." All continued vesting would be subject to the NEO's execution of a release of claims in favor of the Company and required attestations and compliance with the restrictive covenants set forth in the Executive Severance Plan.

Under the terms of the Executive Severance Plan, in the event that an NEO's employment terminates due to death, all outstanding equity awards eligible to continue vesting under the ELTIP would vest on the date of the NEO's death. Any such accelerated vesting with respect to PBRSUs would be based on target achievement of the applicable performance targets.

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 all our employees (other than Mr. Schulman), 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 2021, our last completed fiscal year, the median of the annual total compensation of all our employees (other than our CEO) was $83,905 and the annual total compensation of our CEO, as reported in the "Total" column of the "2021 Summary Compensation Table" in this proxy statement, was $32,070,353. Based on this information, for 2021, we estimate that the pay ratio of the annual total compensation of our CEO to the median of the annual total compensation of all our employees is 382 to 1.

Methodology

PayPal is a global company and operates in over 200 markets around the world. As of December 31, 2021, we employed approximately 30,900 people globally: approximately 42% of them were based in the U.S. and 58% were based outside of the U.S. 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. Accordingly, our compensation programs and reward offerings are designed to reflect local market practices across our global operations.

We selected December 31, 2021 (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 2021 and the intended grant value related to any long-term incentive equity awards granted during 2021, as reflected in our global human resources and equity management systems. We annualized base salaries for those employees who were not employed for the entire 2021 fiscal year. For employees outside of the U.S., we converted their compensation to U.S. dollars using the applicable exchange rate as of December 31, 2021. We did not include any contractors or workers employed through a third-party provider in our employee population.

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 2021 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of $83,905. For the annual total compensation of our CEO, we used the amount reported in the "Total" column of our "2021 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, 2021, 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	17,589,619[1]	36.63[2]	88,272,646[3]
Equity Compensation Plans not approved by security holders	1,495,720[4]	12.79[2]	—
TOTAL	**19,085,339**	**18.03**	**88,272,646**

1 Includes (a) 13,501,078 shares of our common stock issuable pursuant to RSUs under the Equity Plan, (b) 74,366 shares of our common stock issuable pursuant to stock options under the Equity Plan, (c) 112,562 shares of our common stock issuable pursuant to DSUs under the Equity Plan, (d) 418,899 shares of common stock issuable from outstanding 2021 AIP shares awarded under the 2021 AIP (representing the actual number of shares that were earned based on actual Company performance for the one-year performance period ending December 31, 2021), (e) 911,738 shares of our common stock issuable from outstanding PBRSUs awarded under the 2021-2023 PBRSUs (representing the maximum number of shares assuming achievement of maximum performance against target level), (f) 1,176,306 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) and (g) 1,394,670 shares of our common stock issuable from outstanding PBRSUs awarded under the 2019-2021 PBRSUs (representing the actual number of shares that were based on actual Company performance for the three-year performance period ending December 31, 2021). 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 48,158,757 shares of our common stock reserved for future issuance under our Amended and Restated Employee Stock Purchase Plan as of December 31, 2021.

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 4: Ratification of the Appointment of PricewaterhouseCoopers LLP as Our Independent Auditor for 2022

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 2022. 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 2022. 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 they choose 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 4.

ARC Committee Report

The ARC Committee operates under a written charter adopted by the Board and reviewed annually. The ARC Committee consists of the seven 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 2021 and early 2022, 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 executive 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, General Counsel, 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 2021 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 executive 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 2021. 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, 2022 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, 2021 for filing with the SEC.

The ARC Committee of the Board

David M. Moffett (Chair)
Rodney C. Adkins
Belinda J. Johnson
Enrique Lores
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,	
	2021 ($)	2020 ($)
Audit Fees	14,298	14,968
Audit-Related Fees	865	1,020
Tax Fees	67	33
All Other Fees	17	618[1]
TOTAL	15,247	16,639

[1] Includes approximately $0.5 million of lease payments to PwC Russia for office space in Russia for 2020, 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 pre-approves 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 Committee may also pre-approve particular services on a case-by-case basis.

PROPOSAL 5:
Stockholder Proposal – Special Shareholder Meeting Improvement

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 5 BASED ON THE REASONS SET FORTH IN PAYPAL'S STATEMENT IN OPPOSITION FOLLOWING THE STOCKHOLDER PROPOSAL.

Special Shareholder Meeting Improvement

Shareholders ask our board to take the steps necessary to amend the appropriate company governing documents to give the owners of a combined 10% of our outstanding common stock the power to call a special shareholder meeting.

The main purposes of this proposal include to give shareholders the right to formally participate in calling for a special shareholder meeting regardless of their length of stock ownership to the fullest extent possible and to not require shareholders to become record holders in order to formally participate in calling for a special shareholder meeting.

Currently it takes a theoretical 20% of all shares outstanding to call for a special shareholder meeting. This theoretical 20% of all shares outstanding translates into 25% of the shares that vote at our annual meeting.

It would be hopeless to expect that shares that do not have time to vote would have the time to go through the special procedural steps to call for a special shareholder meeting.

And it goes downhill from here. Such shares must be held long. Thus shares that equal 20% of the shares held long may determine-that they own 30% of the shares that vote at the annual meeting and are not held long. Plus there is a record holder requirement that could eliminate more than 50% of shares.

When PayPal management bragged about the 20% figure at our 2021 annual meeting PayPal management disingenuously left out all the strings that are attached to the 20% figure that can make it way beyond 30% in practice.

It is also important to vote for this proposal because we gave 43% support to a 2021 proposal for a shareholder right to act by written consent and we still do not have a right to act by written consent. This 43% support may have represented 51% support from the PayPal shares that have access to independent proxy voting advice and are not forced to rely on the conflicted opinions of management.

Many companies provide for both a shareholder right to call a special shareholder meeting and a shareholder right to act by written consent. Southwest Airlines and Target are companies that do not provide for shareholder written consent and yet provide for 10% of shares to call for a special shareholder meeting.

Please vote yes:

Special Shareholder Meeting Improvement – Proposal 5

PayPal's Statement in Opposition

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

PayPal already provides a meaningful and balanced right to stockholders to call a special meeting.

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. Our Restated 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. Our Board believes that PayPal's existing special meeting right strikes an appropriate and reasonable balance between providing stockholders with a significant 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 frivolous grounds or their own narrowly supported interests.

Our Board recognizes the importance of providing stockholders with a meaningful ability to call a special meeting of stockholders, which empowers stockholders to participate collectively and cast informed votes. A special meeting provides a forum for stockholders, our Board, and the Company's management to consider stockholder concerns outside of the annual meeting cycle. At the same time, special meetings may require a substantial commitment of management's time and attention along with significant costs. Reducing the threshold needed to call a special meeting from 20% to 10%, as proposed by the proponent, would increase the risk of special meetings being called by a handful of stockholders focusing on short-term interests. Such misuse of the special meeting may cause disruption in the effective management of our Company and be detrimental to stockholders' long-term interests.

The proposal also contains a number of assertions that mispresent the rights that PayPal stockholders have to call a special meeting. For example, the proposal asserts that the ownership threshold for calling a special stockholder meeting is effectively 25% of the shares that vote at an annual meeting. Our Restated Certificate of Incorporation and Bylaws unambiguously provide that special meetings of PayPal's stockholders may be called at the request of holders of 20% of PayPal's outstanding common stock. In addition, the proposal claims that at the 2021 Annual Meeting, PayPal management "disingenuously left out all the strings that are attached to the 20% figure that can make it beyond 30% in reality." Our Restated Certificate of Incorporation and Bylaws describe in detail the requirements for calling a special meeting of stockholders. Stockholders should not be misled or confused by these and other erroneous statements regarding the right to call special meetings.

Accordingly, our Board believes that the 20% ownership requirement to call such a meeting strikes a reasonable balance between making an extraordinary action more available to our stockholders while taking into account the significant commitment of management time and attention that is necessary to organize and prepare for a special meeting, as well as the substantial legal, administrative and distribution costs associated with a meeting of PayPal's stockholders. The Board also considered statistical research across the S&P 500 and determined that our existing 20% ownership threshold continues to be appropriate. In this regard, our existing 20% threshold is consistent with, and in most cases lower than, the thresholds of other S&P 500 companies that offer stockholders the right to call a special meeting. In fact, only approximately 20% of S&P 500 companies provide shareholders the right to call a special meeting at a threshold lower than 20% as of March 15, 2022.

PayPal's strong corporate governance practices make adoption of this proposal unnecessary.

The Board believes that PayPal's corporate governance practices already empower stockholders, promote Board and management accountability, and demonstrate PayPal's responsiveness to stockholder concerns. Examples include the following:

- Robust Stockholder Engagement – In 2021, we contacted investors representing approximately 58% of our common stock through our stockholder outreach program, and holders of approximately 38% of our common stock responded and engaged with us
- Board Composition – Our Board is composed of individuals with highly relevant and complementary skills, professional experience and backgrounds, who bring diverse viewpoints and perspectives and effectively represent the long-term interests of our stockholders
- Independent Board Leadership – Independent Board Chair, and 11 of 12 directors are independent
- Annual Election of Board of Directors
- Majority Voting for Uncontested Director Elections
- Proxy Access
- Safeguards for Virtual Meetings
- No Stockholder Rights Plan

When viewed together with our strong corporate governance policies and practices, our robust stockholder engagement program and the stockholder-friendly governance provisions that we already have in place, the Board believes that our current 20% special meeting threshold is appropriate and enhances shareholder rights while still ensuring appropriate support among stockholders is required to call a special meeting. Our 20% ownership threshold is consistent with that of companies in the S&P 500 which allow stockholders to call a special meeting, the significant majority of which require an ownership threshold of 20% or greater. Lowering the threshold would increase the potential for the unnecessary waste of corporate resources and disruption to corporate operations. Accordingly, the Board believes the adoption of this proposal is unnecessary and not in the best interests of PayPal or 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 Thursday, June 2, 2022. 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, 2021.

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, as well as the environmental impact of our Annual Meeting. 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 12 Director Nominees Named in this Proxy Statement.**	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 shares represented in person or by proxy at the meeting	Treated as votes Against	No
Proposal 3: **Advisory Vote on the Frequency of the Stockholder Advisory Vote to Approve Named Executive Compensation.**	Every Year, Every Two Years, Every Three Years or Abstain	FOR "EVERY YEAR"	Plurality of shares represented at the Annual Meeting and entitled to vote	No effect	No
Proposal 4: **Ratification of the Appointment of PricewaterhouseCoopers LLP as Our Independent Auditor for 2022.**	For, Against or Abstain	FOR	Majority of shares represented in person or by proxy at the meeting	Treated as votes Against	Yes
Proposal 5: **Stockholder Proposal – Special Shareholder Meeting Improvement.**	For, Against or Abstain	AGAINST	Majority of shares represented in person or by proxy at the meeting	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 April 5, 2022, 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, 1,161,295,700 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 Wednesday, June 1, 2022.

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/PYPL2022

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 in a manner 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 4 (the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for 2022), 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 4. 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, Bimal Patel 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 April 5, 2022, 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/PYPL2022. 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 April 5, 2022, the Record Date, may view, but not participate, in the Annual Meeting by visiting www.virtualshareholdermeeting.com/PYPL2022. 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 June 1, 2022. 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 (U.S.) 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 reducing our environmental impact and saving the Company's and investors' time and money. Please visit www.virtualshareholdermeeting.com/PYPL2022, 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 June 1, 2022 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/PYPL2022. 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, in each case as determined by the Board Chair or Corporate Secretary in their reasonable discretion. 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 2023 Annual Meeting of Stockholders or to nominate individuals to serve as directors?

Stockholder Proposals for the 2023 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 2023 Annual Meeting of Stockholders ("2023 Annual Meeting"), our Corporate Secretary must receive the written proposal at our principal executive offices no later than December 20, 2022. If we hold our 2023 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 2023 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 20, 2022; and
- not later than the close of business on January 19, 2023.

If we hold our 2023 Annual Meeting more than 25 days before or after the one-year anniversary of the 2022 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.

In addition, to comply with the universal proxy rules under the Exchange Act (once effective), stockholders who intend to solicit proxies in support of director nominees other than the Company's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than April 3, 2023.

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

The 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 19, 2022

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

	Year Ended December 31,			
	2021	2020	2019	2018[1]
	(In millions, except percentages) (unaudited)			
GAAP net revenues	$ 25,371	$ 21,454	$ 17,772	$ 15,451
GAAP operating income	4,262	3,289	2,719	$ 2,194
Stock-based compensation expense and related employer payroll taxes	1,539	1,472	1,104	920
Amortization of acquired intangible assets	441	450	211	146
Restructuring	27	109	78	25
Other[1]	35	48	16	40
Acquisition related transaction expense	—	20	3	24
Total non-GAAP operating income adjustments	2,042	2,099	1,412	1,155
Non-GAAP operating income	**$ 6,304**	**$ 5,388**	**$ 4,131**	**$ 3,349**
GAAP operating margin	17%	15%	15%	14%
Non-GAAP operating margin	25%	25%	23%	22%

[1] The year ended for the periods presented, as applicable, include the following:
- December 31, 2021 includes a $9 million charge associated with early lease terminations and $26 million of asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties.
- 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 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.

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

	Year Ended December 31,			
	2021	2020	2019	2018[1]
	(In millions/unaudited)			
Net cash provided by operating activities	$6,340	$5,854	$4,071	$5,480
Less: Purchases of property and equipment	(908)	(866)	(704)	(823)
Free cash flow	$5,432	$4,988	$3,367	$4,657

[1] 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.

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, 2021.

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, 2021, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $342.2 billion based on the closing sale price as reported on the NASDAQ Global Select Market.

As of January 28, 2022, there were 1,165,004,913 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2022 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, 2021.

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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, Zettle, Hyperwallet, Honey, and Paidy, 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

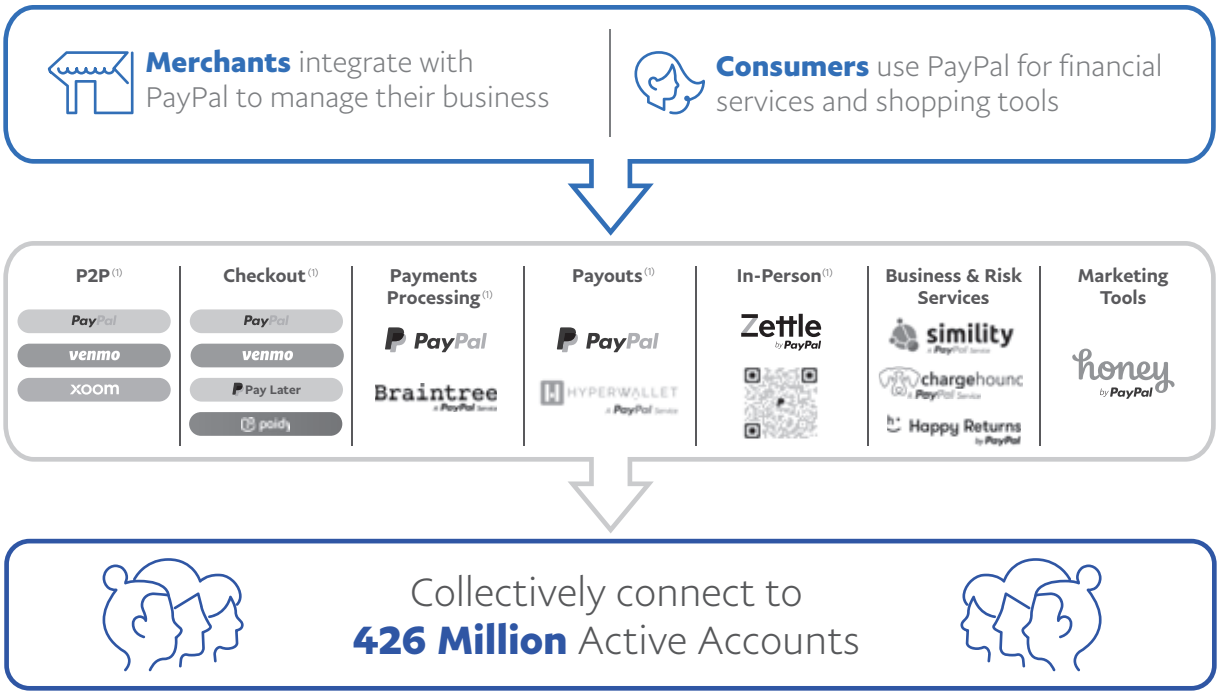
This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions, such as those relating to future 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 coronavirus ("COVID-19") pandemic. 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 that enables digital payments and simplifies commerce experiences on behalf of merchants and consumers worldwide. PayPal is committed to democratizing financial services to help 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 in the markets we serve, anytime, on any platform, and using any device when sending payments or getting paid. We believe that effective management of environmental, social, and governance ("ESG") risks and opportunities is essential to deliver on our mission and strategy. Our core values of Collaboration, Inclusion, Innovation, and Wellness are the driving forces behind our mission and form the foundation of our operating philosophy. We believe that they help stimulate the creativity and engagement of our global workforce to deliver products and services designed to meet the diverse needs of our customers. 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



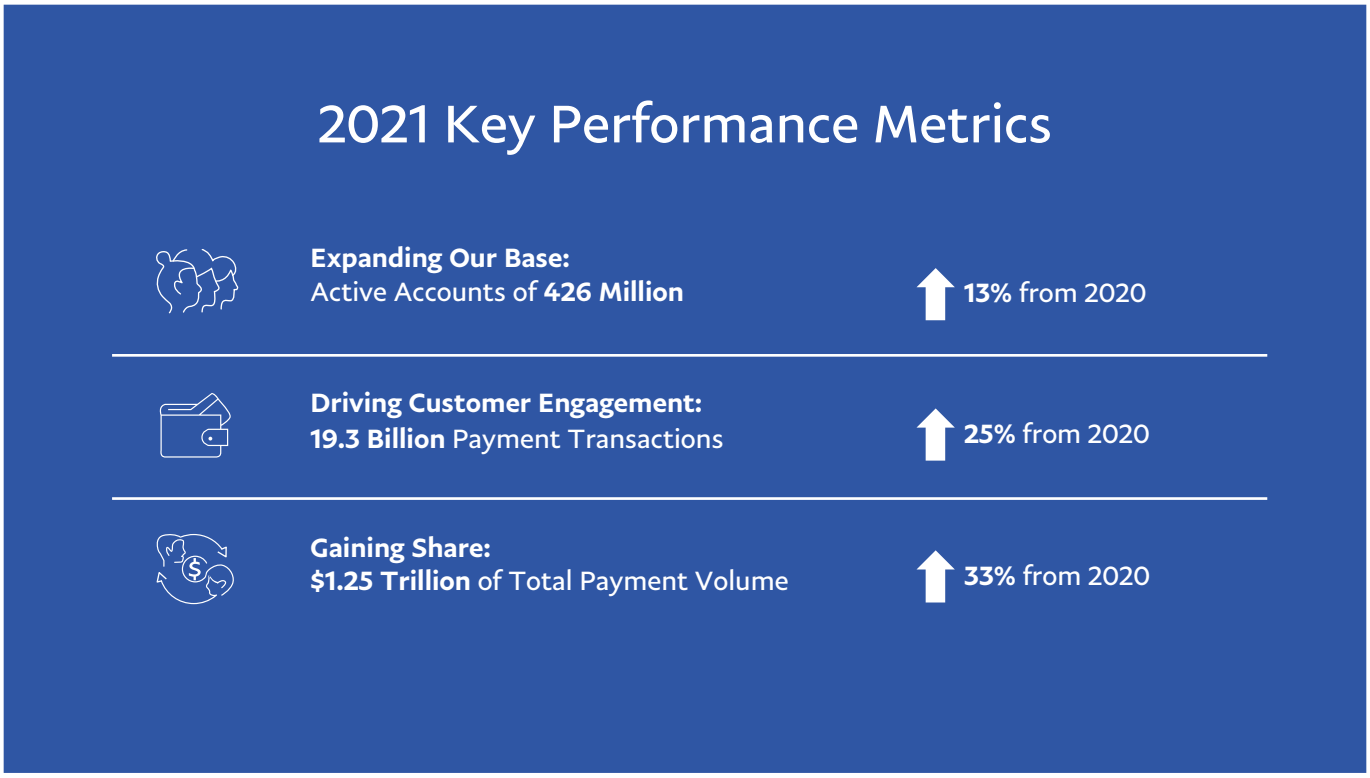
(1) Our combined payment solutions comprise our proprietary payments platform.

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 426 million active accounts (consisting of 392 million consumer active accounts and 34 million merchant active accounts) across more than 200 markets. PayPal helps merchants and consumers connect, transact, and complete payments, whether they are online 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.

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 or Venmo account balance, PayPal and Venmo branded credit products, a credit card, a debit card, certain cryptocurrencies, or other stored value products such as 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 and payouts. We also help merchants connect with their customers, process exchanges and returns, 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 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 customers to fund or draw from their accounts; however, we generate revenue from customers on fees charged for foreign currency conversion, instant transfers from their PayPal or Venmo account to their debit card or bank account, and to facilitate the purchase and sale of cryptocurrencies. We also earn revenue by providing other value added services, which comprises revenue earned through partnerships, interest and fees from 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



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 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 platform or services through such third-party's login credentials, including entities that utilize Hyperwallet's payout capabilities. A user may register on our platform to access different products and may register more than one account to access a product. Accordingly, a user may have more than one active account.

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 value ("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.

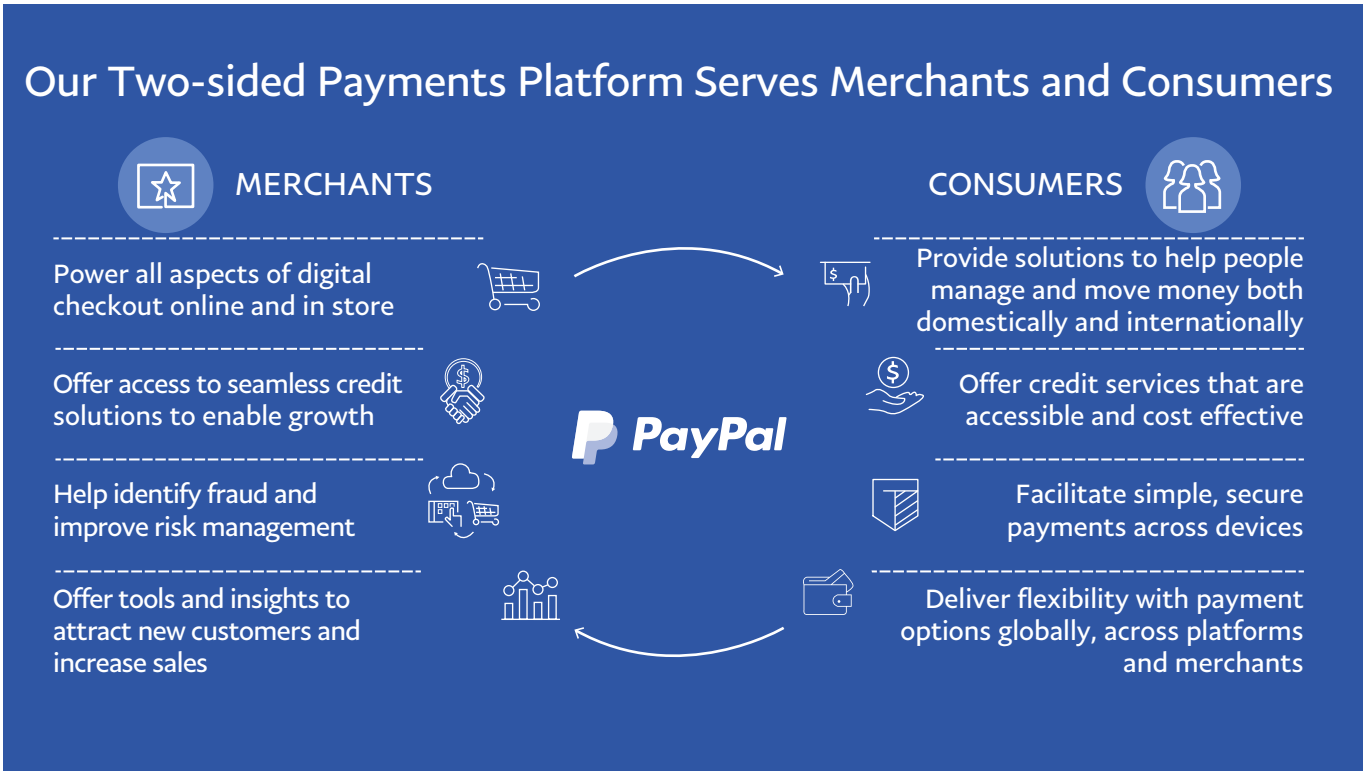
Our Strengths

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 how customers use our platform. Our payments platform provides for digital and in-store (at the point of sale) transactions while being both technology and platform agnostic.
- *Scale*—our global scale helps us to drive organic growth. As of December 31, 2021, we had 426 million active accounts, consisting of 392 million consumer active accounts and 34 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 2021, we processed $1.25 trillion of TPV.
- *Trusted brands*—we have built and strengthened well-recognized and trusted brands, including PayPal, Braintree, Venmo, Xoom, Zettle, and Honey. Our communications and marketing efforts across multiple geographies and 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 secure customer information, and to help ensure we process legitimate transactions around the world, while identifying and minimizing illegal, high-risk, or fraudulent transactions.
- *Regulatory licenses*—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 utilizing 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 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 digital wallets, our consumer credit products, credit cards and debit cards, and other competitor digital wallets, as well as other popular local payment methods. Our diversified suite of products and services 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, quick response ("QR") code-based solutions, and our Zettle point of sale solutions. We aim to offer a seamless, omni-channel solution that helps merchants manage and grow their business. Through our consumer focused offerings, we provide simplified and personalized shopping experiences for consumers, including the ability to easily make exchanges and returns, to help merchants drive increased conversion through higher consumer engagement.

We offer access to merchant finance products for certain small and medium-sized businesses through the PayPal Working Capital and PayPal Business Loan products, which we collectively refer to as our merchant finance offerings. The PayPal Working Capital product allows businesses to access a loan or cash advance for a fixed fee and based on their annual payment volume processed by PayPal. The 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. In the United States ("U.S."), these products are provided under a program agreement with WebBank. We believe that these merchant finance offerings enable 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 Paidy, Inc. ("Paidy") enables us to expand our buy now, pay later solutions and other capabilities in Japan. Our acquisition of Guofubao Information Technology Co. (GoPay), Ltd., 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. We also earn revenues from interest and fees earned on our merchant loans receivables.

Consumer Value Proposition

We focus on providing affordable, convenient, and secure consumer financial products and services 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 account balance, a Venmo account balance, our consumer credit products, credit cards, debit cards, certain cryptocurrencies, or other stored value products such as gift cards, and eligible credit card rewards.

We also offer consumers person-to-person ("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 digital wallet 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 by offering tools for product discovery, price-tracking, offers, and easier exchanges and returns, which enhances consumer engagement and sales conversion for our merchants.

We offer credit products to consumers in certain markets as a potential funding source at checkout. Once a consumer is approved for credit, the product is made available as a funding source for that account holder. The U.S. PayPal- and Venmo-branded consumer credit program is offered through Synchrony Bank. We offer a PayPal-issued PayPal Credit product in the United Kingdom ("U.K.") and a PayPal branded consumer credit card issued by Citigroup in Australia. In addition, we have expanded our consumer credit offerings to include buy now, pay later installment products in the U.S., U.K., France, Germany, Australia, Spain, Italy, and through the acquisition of Paidy, in Japan. A key attribute of our buy now, pay later products is the absence of consumer late fees for missed payments in most of the geographies where we offer it. We believe that our consumer credit products help enable us to increase engagement with consumers and merchants on our two-sided network.

We have expanded our consumer value proposition through enhancements to the PayPal and Venmo digital wallets, which provide increased functionality for consumers to explore deals and offers and to more easily transact with cryptocurrencies in certain markets. Our goal is to drive increased consumer engagement by providing consumers with a comprehensive set of services to manage their finances and enhancing their ability to shop online and in person.

We generate revenue from consumers on fees charged for foreign currency conversion, instant transfers from their PayPal or Venmo account to their debit card or bank account, to facilitate the purchase and sale of cryptocurrencies, interest, fees, or other revenue from credit product programs, 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 consistent with or broader than protections provided by other participants in the payments industry. 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. 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. Many of the 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 or 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 or may be smaller or younger companies that may be more agile in responding quickly to regulatory and technological changes.

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 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 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, creating seamless checkout experiences, 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 and simplifying their shopping experiences;
- *Forming strategic partnerships:* by building new strategic partnerships to provide better experiences for our customers, offer greater choice and flexibility, acquire new customers, and reinforce 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 in both the digital and physical world.

ESG Management

PayPal is committed to creating a more inclusive global economy and advancing our core values of Collaboration, Inclusion, Innovation, and Wellness across our communities, workforce, and strategies. We manage priority ESG risks and opportunities through four key pillars: (1) social innovation, (2) employees and culture, (3) environmental sustainability, and (4) responsible business practices. We believe this integrated, enterprise-wide approach to managing our global business responsibly helps to enable us to create value for all of our stakeholders, including our employees, stockholders, partners, and communities. In 2021, we continued to advance our ESG strategy, including through the following: a science-based approach to reducing our climate change impacts, targeted investments to address the racial wealth gap and empower underserved communities and businesses, programmatic development intended to foster an inclusive culture across the employee lifecycle, and ongoing enhancements to support the safety and security of our products and platform. We take this commitment seriously and endeavor to provide transparent disclosures on the progress of this work through our annual Global Impact Report and other communications.

Technology

Our payments platform utilizes a combination of proprietary and third-party technologies and services intended to facilitate transactions efficiently and securely 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 databases, 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 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

Our total research and development expense was $1.6 billion, $1.4 billion, and $1.1 billion in 2021, 2020, and 2019, respectively.

Intellectual Property

The protection of our intellectual property, including our trademarks, copyrights, domain names, trade dress, patents, and trade secrets, is important to the success of our business. We seek to protect our intellectual property rights by relying on applicable laws, regulations, and administrative procedures in the U.S. and internationally. We have registered our core brands as domain names and as trademarks in the U.S. and many international jurisdictions. We also have an active program to continue to secure and enforce trademarks and domain names that correspond to our brands in markets of interest. We have filed and continue to file 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 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 or Venmo account. 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 U.K. Financial Conduct Authority ("FCA"), 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 and U.K. through PayPal (Europe) S.à.r.l. et Cie, S.C.A. ("PayPal (Europe)"), a wholly-owned subsidiary that is licensed and subject to regulation as a bank in Luxembourg by the CSSF. Under the U.K.'s Temporary Permissions Regime, PayPal is also deemed to be authorized and regulated by the U.K. FCA as a result of Brexit. 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 the regulators of these financial institutions.

Lending Regulation

PayPal's U.S. consumer installment loan product is subject to federal and state laws governing consumer credit and debt collection. PayPal holds multiple state licenses as the lender of this product. PayPal Ratenzahlung, a regulated installment loan for consumers in Germany, is subject to applicable local laws such as consumer (lending) laws, consumer protection, or banking transparency regulations. Paidy, Inc. holds multiple licenses for the issuance of their short-term installment products in Japan and is registered with the Ministry of Economy, Trade and Industry as a Comprehensive Credit Purchase Intermediary. In Australia, PayPal Credit Pty Limited offers a consumer short-term installment product that is exempt from regulation by the primary consumer credit legislation but is subject to other laws which cover the provision of financial services, credit reporting, debt collection, and privacy.

PayPal's consumer buy now, pay later installment loan products in the U.K., France, Germany, Spain, and Italy are generally exempt from primary consumer credit legislation; however, certain consumer lending laws, consumer protection, or banking transparency regulations continue to apply to this activity.

PayPal and Venmo co-branded consumer credit cards and the PayPal Credit consumer credit product are issued by Synchrony Bank in the U.S. and the PayPal branded consumer credit card is issued by Citigroup in Australia, and are subject to laws and regulations governing these programs. PayPal Credit in the U.K. is a regulated, revolving consumer credit product subject to applicable local laws and regulations.

Our merchant finance offerings are subject to the applicable laws and regulations governing those programs, which differ by jurisdiction.

Consumer Financial Protection Bureau ("CFPB")

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 and equivalent authorities in other countries. Our AML and sanctions compliance programs, overseen by our AML/Bank Secrecy Act Officer, are composed of policies, procedures, and internal controls, and are 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 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 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.

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. Certain governments around the world are adopting laws and regulations pertaining to ESG performance, transparency, and reporting, including those related to overall corporate ESG disclosures (e.g., EU Sustainable Reporting Directive) as well as topical reporting requirements, such as reporting on climate-related financial disclosures.

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, 2021, we employed approximately 30,900 people globally, representing approximately 150 nationalities, in approximately 30 countries, including approximately 13,100 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 other stakeholders. We are focused on supporting our employees across the full employee lifecycle from recruitment to onboarding to ongoing development, and have implemented programs designed to promote their total wellness, particularly during difficult times such as the COVID-19 pandemic. For example, in 2021, we continued to invest in employee mental wellness by providing workplace flexibility to reflect the diverse needs of our global workforce and appointing a Global Wellness Advocate.

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 also conducted specific surveys to gather direct employee feedback on our annual performance program and evolving workplace preferences. For our 2021 annual employee survey, we heard from 79% of our global employees. Our engagement score, which reflects employees that would recommend PayPal to their peers and/or are happy at PayPal was 83%, which is above our technology peer benchmark. Our score measuring intent to stay was 80%, which reflects an employee's expectation to remain employed with the company in two years. Additionally, we observed improvements in employee scores regarding effective collaboration and work life balance, two areas we focused on advancing in 2021. 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. For example, in 2021, we focused on enhancing our employee communications and opportunities to better support ongoing remote working.

Talent Acquisition, Development, and Retention

As a leading technology platform that enables digital payments and simplifies commerce experiences, 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, development, and retention 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 ongoing learning opportunities, including unlimited access to LinkedIn Learning. In 2021, we expanded our new employee development program with specific topical training sessions, including mobility and developing women in leadership. We also listened to employee feedback and sought opportunities to reduce employee stress and formalized the removal of individual performance ratings as part of our annual performance review process, which we believe has led to more meaningful performance conversations.

Employee Wellness

We remain focused on promoting the holistic well-being of our employees, including resources, programs, and services to support our employees' physical, mental, and financial wellness. In 2021, we recognized the ongoing impact the COVID-19 pandemic was having on our global employees. In response, we continued our Global Wellness Days for all employees to take time to rest and

recharge, expanded our Mind Yourself program to provide trainings and workshops to foster emotional well-being, preserved flexible work arrangements through Crisis Leave and other programs, and strategically extended employee benefits to additional global markets. We also continued our investments to strengthen employee financial wellness, including expanding individual financial coaching, broadening employee access to early earned wages across the U.S. and additional global markets, and promoting the prioritization of employee financial health across the private sector through the Worker Financial Wellness Initiative.

Diversity, Inclusion, Equity, and Belonging

We believe that fostering diversity, inclusion, equity, and belonging ("DIE&B") 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 DIE&B considerations into our talent strategy. Our strong commitment to DIE&B is evident at all levels of the organization from our Board of Directors to our executive leadership team to our global workforce. As of December 31, 2021, 50% of our Board and 56% of our senior leadership team identified as women and/or from a diverse ethnic group. Across our workforce, we reached 56% overall diverse workforce representation, including 44% global gender diversity and 52% U.S. ethnic diversity, as of December 31, 2021.

Workforce representation is only one aspect of our broader DIE&B strategy. We also empower eight employee resource groups to promote community and belonging for employees that identify as Black, Latinx/Hispanic, women, interfaith, veterans, LGBTQ+, Asian, and disabled persons and their allies. 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 2021, we continued our support for underrepresented communities and employees through activities such as enhanced strategic partnerships, a new inclusive learning journey, and new tools and resources to promote DIE&B considerations across the business. We also enhanced our executive compensation framework and annual performance evaluations to integrate DIE&B considerations as part of the individual performance portion of our 2021 annual incentive program for our senior executives.

As part of our annual ESG reporting, we provide additional information on our global talent strategy, including detailed representation metrics, in our Global Impact Report available at https://about.pypl.com/values-in-action/reporting/global-impact-report/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/), 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. 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 SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. 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.

Cybersecurity and Technology Risks

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

The techniques used to attempt to obtain unauthorized or illegal access to systems and information (including customers' personal data), disable or degrade service, exploit vulnerabilities, or sabotage systems are constantly evolving, and in some circumstances may not be 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 used to gain access to such systems or facilities. 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, distributed denial-of-service attacks, ransomware, 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 for cybercriminals due to our name, brand recognition, types of data (including payments-related data) that customers provide to us, 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 other exploited 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, 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, or expose us to regulatory penalties and fines. While we maintain insurance policies intended to offset the financial impact we may experience from these risks, our coverage may be insufficient to compensate us for all losses caused by security breaches and other damage to or unavailability of our systems.

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. The frequency and intensity of weather events related to climate change are increasing, which could increase the likelihood and severity of such disasters as well as related damage and business interruption. Our corporate headquarters are located in the San Francisco Bay Area, 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, cyberattacks, unplanned outages, and other events or conditions from time to time that have and may 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 damage to our customers or their business partners, they 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*."

We have undertaken and continue to undertake certain system upgrades and re-platforming efforts designed to improve the availability, reliability, resiliency, and speed of our platform. 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 be effective. 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 data storage and processing services. From time to time, we have experienced interruptions in the provision of such facilities and services provided by these third parties. 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 insurance policies intended to offset the financial impact we may experience from these risks, our coverage may be insufficient to compensate us for all 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 Near Field Communication 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, and social commerce.

We expect new services and technologies to continue to emerge and evolve. We cannot predict the effects of technological changes on our business, which technological developments or innovations will become widely adopted, and how those technologies may be regulated. 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 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 offer services directly or through partners, including, but not limited to, those governing: banking, credit, deposit taking,

cross-border and domestic money transmission, prepaid access, foreign currency exchange, privacy, data protection, data governance, cybersecurity, banking secrecy, digital payments, 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 a manner that impacts our business. As we introduce new products and services and expand into new markets, including through acquisitions, we expect to 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 United States ("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. While we have implemented policies and procedures designed to help ensure compliance with applicable laws and regulations, 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. 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 or territories, forced to change our business practices, or required to obtain additional licenses or regulatory approvals, which could impose substantial costs and harm our business.

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.

We principally provide our services to customers in the European Economic Area ("EEA") and the United Kingdom ("U.K.") through 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. Additionally, compliance with applicable laws and regulations could become more costly and operationally difficult to manage due to potentially inconsistent interpretations and domestic regulations by various countries in the region. European regulation, 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) would become directly supervised by the ECB, rather than by the Luxembourg Commission de Surveillance du Secteur Financier, 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 to PayPal customers 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, and is operating under an exemption from holding a license 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 addition, in certain markets outside of the U.S., we provide our services to customers through PayPal Pte. Ltd. or, if required by local regulations, a local branch of PayPal Pte. Ltd. or a local subsidiary subject to local regulatory supervision or oversight. 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.

Cryptocurrency Regulation

Our current and planned cryptocurrency offerings could subject us to additional regulations, licensing requirements, or other obligations. The rapidly evolving regulatory landscape with respect to cryptocurrency may subject us to inquiries or investigations from regulators and governmental authorities, require us to make product changes, restrict or discontinue product offerings, and implement additional and potentially costly controls. If we fail to comply with regulations, requirements, prohibitions or other obligations applicable to us, we could face regulatory or other enforcement actions and potential fines and other consequences.

In addition, financial and third party risks related to our cryptocurrency offerings, such as inappropriate access to or theft or destruction of cryptocurrency assets held by our custodian, insufficient insurance coverage by the custodian to reimburse us for all such losses, the custodian's failure to maintain effective controls over the custody and settlement services provided to us, the custodian's inability to purchase or liquidate cryptocurrency holdings, and defaults on financial or performance obligations by counterparty financial institutions, could materially and adversely affect our financial performance and significantly harm our business.

Lending Regulation

We hold a number of U.S. state lending licenses for our U.S. consumer short-term installment loan product, which is subject to federal and state laws governing consumer credit and debt collection. While our non-U.S. consumer short-term installment loan products which are available in the U.K., France, Germany, Spain, Italy and Australia are generally exempt from primary consumer credit legislation, certain consumer lending laws, consumer protection or banking transparency regulations continue to apply to these products. Increased global regulatory focus on short-term installment products and consumer credit more broadly could result in laws or regulations requiring changes to our policies, procedures, operations, and product offerings, and restrict or limit our ability to offer credit products. We could be subject to fines, other enforcement action, and litigation if we are found to violate any aspects of applicable law or 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 Consumer Financial Protection Bureau ("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).

In October 2021, the CFPB issued an order pursuant to its market-monitoring authority requiring us to provide extensive information on our payment products, including with respect to the collection, use of, and access to data and consumer protections, among other items. In December 2021, the CFPB issued a separate order pursuant to its market-monitoring authority requiring us to provide information on our Buy Now, Pay Later offerings.

PayPal principally offers its services in the EEA countries through a "passport" notification process through PayPal Europe's Luxembourg regulator to regulators in other EEA member states in accordance with EU regulations, as well as in the UK through the Temporary Permissions Regime. Regulators in these countries could notify us of and seek to enforce 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 to 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, and 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 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 customers 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, require us to change our business practices, increase the costs and complexity of compliance, result in reputational harm, and materially harm our business. In addition, compliance with inconsistent privacy and data protection laws may restrict or limit our ability to provide products and services to our customers.

PayPal relies on a variety of compliance methods to transfer personal data of EEA individuals to the U.S., including Binding Corporate Rules 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. In June 2021, the European Commission imposed new SCC requirements which impose certain contract and operational requirements on PayPal, its merchants, and vendors in order to adhere to certain affirmative duties, including requirements related to government access transparency, enhanced data subject rights, and broader third party assessments to ensure safeguards necessary to protect personal data exported from PayPal's EEA customers and/or employees to countries outside the EEA. To the extent PayPal relies on SCCs, such engagements will require new contractual arrangements under the updated requirements to avoid limitations on PayPal's ability to process EEA data in countries outside of the EEA.

In the wake of the California Consumer Privacy Act passed in 2018, multiple U.S. states have adopted or proposed similar legislation to protect consumers in their states. California passed the Consumer Privacy Rights Act of 2020, and Virginia and Colorado have passed similar privacy and data protection laws. The continued increase in state-level privacy laws is likely to result in a disparate array of privacy rules with unaligned or conflicting provisions, accountability requirements, individual rights, and state enforcement powers and may subject us to increased regulatory scrutiny and business costs, and lead to unintended consumer confusion.

We are subject to regulatory scrutiny and may be subject to 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 or implemented business combinations, acquisitions, investments, partnerships, commercial agreements and business practices. 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 scrutiny, and government inquiries.

We are regularly subject to claims, individual and class action lawsuits, arbitration proceedings, 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-bribery, 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, use of our services for illegal purposes, 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 has increased and is expected to continue to increase as our products, services, and business expand in complexity, scale, scope, and geographic reach, including through acquisitions of businesses and technology. Investigations and 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, or orders that prevent or limit us from offering certain products or services; require us to change our business practices in costly ways, develop non-infringing or otherwise altered products or technologies, or 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, this 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, and new or expanded 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, result in reputational harm, 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, copyrights, domain names, trade dress, patents 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, or that third parties may independently develop equivalent or superior intellectual property rights. We may be required to expend significant time and resources to prevent third party 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

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

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, proliferation of variants and increase in the transmissibility of the virus, 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 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. 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: increased liability under our buyer protection program or chargebacks on payment cards resulting from merchants' selling goods or services in advance of the delivery date or experiencing bankruptcy, insolvency or other business interruption; customer defaults on payment obligations under PayPal branded credit products; increased cybersecurity and payment fraud risk; challenges to the availability and reliability of our products and services; and supply chain disruptions impacting our business.

While our business has benefited from the shift from in-store shopping and traditional payment methods towards e-commerce and digital payments, to the extent that customer preferences revert to pre-COVID-19 behaviors as the pandemic-related restrictions lessen, our business, financial condition, and results of operations would 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.

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 of the 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 in every aspect of our business. Some of our current and potential competitors are 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. Our 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. 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. See "Item 1. Business—Competition" of this Form 10-K for further discussion of the competitive environment in the markets where we operate.

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, bank or other network (collectively, "network") rules. The rules govern all aspects of a transaction on the networks, 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 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 the networks or our payment processors 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 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 products 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 U.S. merchant financing offerings may be subject to challenge.

Merchant loans 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 non-member 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 or regulatory policy, 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 financing 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 financing 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 financing 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 negative impact to revenue share arrangement with Synchrony Bank with respect to our U.S. consumer credit product. 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 PayPal branded merchant financing 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 products, or the purchase of the receivables related to our merchant financing offerings in the U.S. 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 products could be negatively impacted.

For information on lending regulations that impact our business, see "*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—Lending Regulation*" in this risk factor section.

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, but not limited to: 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. credit products to consumers, U.S. merchant financing, and branded credit card products; PayPal-branded debit card products issued by an unaffiliated bank; 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 include legal, regulatory, information security, reputational, operational, or any other risks inherent in engaging and relying upon 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, but not limited to, 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, higher tariffs, or localization requirements, could reduce our cross-border transactions and volume, negatively impact our revenues and profits, and harm our business.

Failure to deal effectively with fraud, abusive behaviors, 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.

Third parties have attempted, and we expect that they will likely continue to attempt, to abuse access to and misuse our payment services to commit fraud by, among other things, creating fictitious PayPal accounts using stolen or synthetic identities or personal information, making transactions with stolen financial instruments, abusing or misusing our services for financial gain, or fraudulently inducing users of our systems into engaging in bad transactions. Due to the nature of PayPal's digital payments services, third parties may seek to engage in abusive schemes or fraud attacks that are often difficult to detect and may be deployed at a scale that would otherwise not be possible in physical transactions. Measures to detect and reduce the risk of fraud and abusive behavior are complex, 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. We also incur substantial losses from erroneous transactions and situations where funding instruments used for legitimate transactions are closed or have insufficient funds to satisfy payments, or the payment is made to an unintended recipient in error. Numerous and evolving fraud schemes and misuse of our payments service could subject us to significant costs and liabilities, 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, and 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.

Our buyer and seller protection programs are intended to reduce the likelihood of losses for consumers and merchants from fraudulent transactions. The buyer protection program also, protects 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 disputes filed by our customers. We seek to recover losses from our buyer and seller protection programs from the merchant, but may not be able to fully recover them if the merchant is unwilling or unable to pay, the transaction involves a fraudulent merchant, or the merchant provides sufficient evidence that the item was delivered.

In addition, consumers who pay through PayPal or Venmo 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. Regulators and card networks may also adapt error resolution and chargeback requirements to account for evolving forms of fraud, which could increase PayPal's exposure to fraud losses and impact the scope of coverage of our buyer and seller protection programs. 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.

Failure to effectively monitor and evaluate the financial condition of our merchants may also expose PayPal to losses. In the event of the bankruptcy, insolvency, business failure, 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.

Use of our payments services for illegal activities or improper purposes could harm our business.

Users have attempted, and may attempt in the future, to use our payments platform for illegal activities or improper uses, such as money laundering, terrorist financing, sanctions evasion, illegal online gambling, fraudulent sales of goods or services, illegal telemarketing activities, 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. 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. While we invest in measures intended to prevent and detect illegal activities that may occur within our payments platform, these measures require continuous improvement and may not be effective in detecting and preventing illegal activity or improper uses.

Any illegal or improper uses of our payments platform by our users may subject us to claims, individual and class action lawsuits, and government and regulatory requests, inquiries, or investigations that could result in liability, restrict our operations, require us to change our business practices, harm our reputation, increase our costs, and negatively impact our business. For example, government enforcement or regulatory authorities could seek to impose additional restrictions or liability on us arising from the use of our payments platform for illegal or improper activity, and our failure to detect or prevent such use.

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, consummating and integrating favorable transaction opportunities. Strategic transactions may involve additional significant challenges, uncertainties, and risks, including,

but not limited to, challenges of integrating new employees, products, systems, technologies, operations, and business cultures; challenges associated with operating acquired businesses in markets in which we may have limited or no experience; 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; potential exposure to new risks associated with acquired businesses and entities, including potential 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, particularly those 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. 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 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; differing employment practices and the existence of works councils; difficulties in recruiting and retaining qualified 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-bribery, anti-corruption, 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. Any 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 and, our directors, officers, and employees; prohibit or require us to change our business practices; 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 U.K.'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 the 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 and could lead in the future to additional regulatory costs and challenges for us, including, but not limited to, the following:

- PayPal (Europe) operates in the U.K. within the scope of its passport permissions (as they existed at the end of the transition period) pursuant to the Temporary Permissions Regime pending the grant of new U.K. 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 being required to comply with new legal and regulatory requirements in the U.K. that may be 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, but not limited to, 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, recessionary or inflationary pressures, supply chain issues, 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.

Real or perceived inaccuracies in our metrics may harm our reputation and negatively affect our business.

Our key metrics are calculated using internal company data based on the activity we measure on our platform and may be compiled from multiple systems, including systems that are organically developed or acquired through business combinations. While the measurement of our key metrics is based on what we believe to be reasonable methodologies and estimates, there are inherent challenges and limitations in measuring our key metrics globally at scale. The methodologies used to calculate our key metrics require judgment.

We regularly review our processes for calculating these key metrics, and from time to time we may make adjustments to improve their accuracy or relevance. For example, we continuously apply models, processes and practices designed to detect and prevent fraudulent account creation on our platforms, and work to improve and enhance those capabilities. When we detect a significant volume of illegitimate activity, we generally remove the activity identified from our key metrics. Although such adjustments may impact key metrics reported in prior periods, we generally do not update previously reported key metrics to reflect these subsequent adjustments unless the retrospective impact of process improvements or enhancements is determined by management to be material. Further, as our business develops, we may revise or cease reporting metrics if we determine that such metrics are no longer appropriate measures of our performance. If investors, analysts, or customers do not consider our reported measures to be sufficient or to accurately reflect our business, we may receive negative publicity, our reputation may be harmed, and our business may be adversely impacted.

Environmental, social and governance ("ESG") issues may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

Customers, investors, employees and other stakeholders are increasingly focused on ESG practices, including our efforts with respect to global talent, cybersecurity, data privacy and protection and climate change. If we do not adapt to and comply with new laws and regulations or changes to legal or regulatory requirements concerning ESG matters, or fail to meet rapidly evolving investor, industry or stakeholder expectations and standards, or if the Company is perceived to have not responded appropriately to growing concerns with respect to ESG issues, our reputation may be harmed, customers may choose to refrain from using our products and services, and our business or financial condition may be adversely affected.

We specifically recognize the inherent physical climate-related risks wherever business is conducted. Our primary locations may be vulnerable to the adverse effects of climate change. For example, California, where our headquarters is located, has historically experienced, and is projected to continue to experience, climate-related events more frequently, including drought, water scarcity, heat waves, wildfires and resultant air quality impacts, and power shutoffs associated with wildfire prevention. These extreme weather conditions may disrupt our business and may cause us to experience additional costs to maintain or resume operations and higher attrition. In addition, current and emerging legal and regulatory requirements with respect to climate change (e.g., carbon pricing) and other aspects of ESG (e.g., disclosure requirements) may result in increased compliance requirements on our business and supply chain, which may increase our operating costs and cause disruptions in our operations.

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, strategic investments, and share repurchases; 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, strategic investments, share repurchases, or other general corporate and other purposes.

Our revolving credit facilities and the indentures 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.

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, develop, motivate and retain key and other highly qualified and diverse talent, whether in a remote or in-office environment, or address the safety, health and productivity of our workforce could harm our overall business and results of operations.

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. We invest in measures intended to detect and block activities that may occur within our payments platform in violation of our policies. These measures require continuous improvement and may not be effective in detecting and preventing the exchange of information in violation of our policies. If these measures are not effective, our business could be negatively impacted. 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 United States ("U.S.") and other countries around the world. We use the properties for executive and administrative offices, customer services and operations centers, product development offices, warehouses, and data centers. As of December 31, 2021, our owned and leased properties provided us with aggregate square footage as follows:

	United States	Other Countries	Total
	(In millions)		
Owned facilities	1.0	0.1	1.1
Leased facilities	1.4	2.0	3.4
TOTAL FACILITIES	**2.4**	**2.1**	**4.5**

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.

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 28, 2022, there were 4,103 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, 2021 is summarized as follows:

	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
	(In millions, except per share amounts)			
Balance as of September 30, 2021				$ 6,560
October 1, 2021 through October 31, 2021	—	$ —	—	6,560
November 1, 2021 through November 30, 2021	1.7	$ 186.67	1.7	6,236
December 1, 2021 through December 31, 2021	6.3	$ 187.56	6.3	5,060
BALANCE AS OF DECEMBER 31, 2021	**8.0**		**8.0**	**$ 5,060**

(1) Average price paid per share for open market purchases includes broker commissions.

Item 6. Removed and Reserved

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 coronavirus pandemic. 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 2021 results as compared to 2020 results. For discussion of 2020 results as compared to 2019 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, 2020 filed with the SEC on February 5, 2021.

Business Environment

The Company

We are a leading technology platform that enables digital payments and simplifies commerce experiences on behalf of merchants and consumers worldwide. PayPal is committed to democratizing financial services to help 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 in the markets we serve, anytime, on any platform, and using any device when sending payments or getting paid, including person-to-person payments.

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 payments, are continuing to evolve through legislative and regulatory action and judicial interpretation. New or changing laws and regulations, including 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

The coronavirus ("COVID-19") pandemic 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. The spread of COVID-19 and increased variants has caused, and may continue to cause 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 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.

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 significant increases 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. To the extent that consumers revert to pre-COVID-19 behaviors as the pandemic-related restrictions lessen, our business, financial condition, and results of operations would be adversely impacted.

The rapidly changing global market and economic conditions as a result of the COVID-19 pandemic have impacted, and are expected to continue to impact, our operations and business. The broader implications of the COVID-19 pandemic and related global economic unpredictability on our business, financial condition, and results of operations remain uncertain. For additional information on how the COVID-19 pandemic 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 the 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 U.K.'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. The tables below provide the percentage of our total net revenues and gross loans and interest receivable from the U.K. and EU (excluding the U.K.) for the periods presented:

	2021	2020	2019
Net revenues generated from the U.K.	9%	11%	11%
Net revenues generated from the EU (excluding the U.K.)	19%	19%	17%

	December 31, 2021	December 31, 2020
Gross loans and interest receivable due from customers in the U.K.	40%	50%
Gross loans and interest receivable due from customers in the EU (excluding the U.K.)	21%	14%

The change in the percentage of gross loans and interest receivable due from customers in the U.K. and EU year-over-year was primarily attributable to expansion of our installment credit products in the EU.

Overview of Results of Operations

The following table provides a summary of our consolidated financial results for the years ended December 31, 2021, 2020, and 2019:

	Year Ended December 31,			Percent Increase/(Decrease)	
	2021	2020	2019	2021	2020
	(In millions, except percentages and per share amounts)				
Net revenues	$25,371	$21,454	$17,772	18%	21%
Operating expenses	21,109	18,165	15,053	16%	21%
Operating income	4,262	3,289	2,719	30%	21%
Operating margin	17%	15%	15%	**	**
Other income (expense), net	(163)	1,776	279	(109)%	537%
Income tax (benefit) expense	(70)	863	539	(108)%	60%
Effective tax rate	(2)%	17%	18%	**	**
NET INCOME	**$4,169**	**$4,202**	**$2,459**	**(1)%**	**71%**
Net income per diluted share	$ 3.52	$ 3.54	$ 2.07	(1)%	71%
Net cash provided by operating activities	$ 6,340	$ 5,854	$ 4,071	8%	44%

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

Net revenues increased $3.9 billion, or 18%, in 2021 compared to 2020 driven primarily by growth in total payment volume ("TPV", as defined below under "Key Metrics") of 33%.

Total operating expenses increased $2.9 billion, or 16%, in 2021 compared to 2020 due primarily to an increase in transaction expense, and to a lesser extent, increases in sales and marketing expenses, technology and development expenses, and customer support and operations expenses, partially offset by a decline in transaction and credit losses.

Operating income increased $973 million, or 30%, in 2021 compared to 2020 due to growth in net revenues, partially offset by an increase in operating expenses. Our operating margin was 17% and 15% in 2021 and 2020, respectively. Operating margin for 2021 was positively impacted primarily by the decrease in transaction and credit losses.

Net income decreased by $33 million, or 1%, in 2021 as compared to 2020 due to a decrease in other income (expense), net of $1.9 billion, driven primarily by lower net gains on strategic investments in 2021 compared to the prior year, partially offset by the previously discussed increase in operating income of $973 million and a decrease in income tax expense of $933 million associated with lower net gains on strategic investments, higher benefits associated with stock-based compensation deductions, and lower expense related to intra-group transfers of intellectual property.

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 United States ("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 2021, 2020, and 2019, we generated approximately 46%, 49%, and 47% 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, 2021 and 2020, 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,	
	2021	2020
	(In millions)	
Favorable impact to net revenues (exclusive of hedging impact)	$ 440	$ 66
Hedging impact	(190)	20
Favorable impact to net revenues	250	86
(Unfavorable) favorable impact to operating expense	(181)	4
NET FAVORABLE IMPACT TO OPERATING INCOME	**$ 69**	**$ 90**

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. This contract matured in 2020. 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 transactions occurring in multiple currencies on our payments platform, 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 and when transactions occur. 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.

Key Metrics and Financial Results

Key Metrics

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 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 platform or services through such third party's login credentials, including entities that utilize Hyperwallet's payout capabilities. A user may register on our platform to access different products and may register more than one account to access a product. Accordingly, a user may have more than one active account. The number of active accounts provides management with additional perspective on the growth and overall scale of our platform.
- *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 average number of times a customer account engages 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.

Our key metrics are calculated using internal company data based on the activity we measure on our platform and may be compiled from multiple systems, including systems that are organically developed or acquired through business combinations. While the measurement of our key metrics is based on what we believe to be reasonable methodologies and estimates, there are inherent challenges and limitations in measuring our key metrics globally at our scale. The methodologies used to calculate our key metrics require judgment.

We regularly review our processes for calculating these key metrics, and from time to time we may make adjustments to improve their accuracy or relevance. For example, we continuously apply models, processes and practices designed to detect and prevent fraudulent account creation on our platforms, and work to improve and enhance those capabilities. When we detect a significant volume of illegitimate activity, we generally remove the activity identified from our key metrics. Although such adjustments may impact key metrics reported in prior periods, we generally do not update previously reported key metrics to reflect these subsequent adjustments unless the retrospective impact of process improvements or enhancements is determined by management to be material.

Net Revenues

Our revenues are classified into the following two categories:

- *Transaction revenues:* Net transaction fees primarily charged to merchants on a transaction basis 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 from merchants and consumers on transactions where we perform currency conversion, where 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, to facilitate the purchase and sale of cryptocurrencies, 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 on our portfolio of loans receivable, and interest earned on certain assets underlying customer balances.

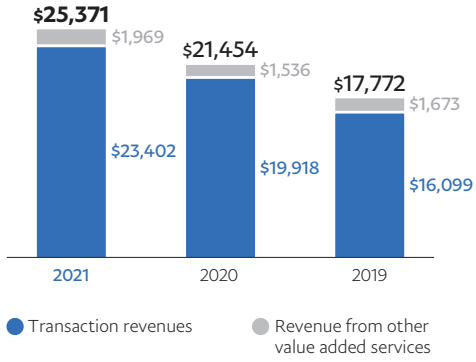
Our revenues can be significantly impacted by, but not limited to, the following:

- 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.

Refer to "Part I, Item 1A, Risk Factors" in this Form 10-K for further discussion on factors that impact our revenue.

Net Revenues Analysis

The components of our net revenues for the years ended December 31, 2021, 2020, and 2019 were as follows (in millions):



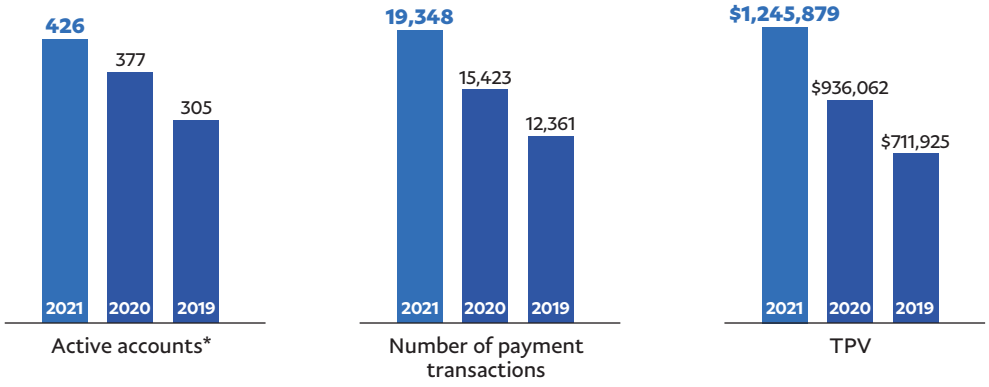
Transaction Revenues

Transaction revenues grew by $3.5 billion, or 17%, in 2021 compared to 2020 mainly attributable to our Braintree and core PayPal products and services, and to a lesser extent, Venmo products and services driven by strong growth in TPV and the number of payment transactions on our payments platform. In the year ended December 31, 2021, we benefited from the recovery of travel

and events verticals, which were adversely impacted in the prior year as a result of the COVID-19 pandemic. These factors favorably impacting growth in transaction revenues in 2021 were partially offset by a decline in TPV and revenue we generate from eBay's marketplace platform, which we expect to continue, to a lesser extent, to negatively impact revenue growth trends in the first half of 2022.

In the first quarter of 2020, we experienced an adverse impact on our TPV and transaction revenues due to the initial impact of the COVID-19 pandemic. In the second quarter of 2020, we benefited from a shift from in-store payment methods to digital payments (as described above) which was sustained throughout the remainder of 2020 and in 2021.

The graphs below present the respective key metrics (in millions) for the years ended December 31, 2021, 2020, and 2019:



* Reflects active accounts at the end of the applicable period. Active accounts as of December 31, 2021 and 2020 include 3.2 million active accounts contributed by Paidy, Inc. ("Paidy") on the date of acquisition in October 2021 and 10.2 million active accounts contributed by Honey on the date of acquisition in January 2020, respectively.

The following table provides a summary of related metrics:

	Year Ended December 31,			Percent Increase/ (Decrease)	
	2021	2020	2019	2021	2020
Number of payment transactions per active account	45.4	40.9	40.6	11%	1%
Percent of cross-border TPV	16%	17%	18%	**	**

** Not meaningful

We had active accounts of 426 million and 377 million as of December 31, 2021 and 2020, respectively, an increase of 13%. Number of payment transactions were 19.3 billion and 15.4 billion as of December 31, 2021 and 2020, respectively, an increase of 25%. TPV was $1.25 trillion and $936 billion as of December 31, 2021 and 2020, respectively, an increase of 33%.

Transaction revenues grew more slowly than TPV and the number of payment transactions in 2021 due primarily to a decline in eBay's marketplace platform TPV where we had historically earned higher rates, lower growth in foreign exchange fees, a higher portion of TPV generated through Braintree by bill pay partners, large merchants, and other marketplaces which generally pay lower rates with higher transaction volumes, and an unfavorable impact from hedging. Changes in prices charged to our customers did not significantly impact transaction revenue growth in 2021.

Revenues From Other Value Added Services

Revenues from other value added services increased by $433 million, or 28%, in 2021 compared to 2020 due primarily to increases in our revenue share with Synchrony Bank ("Synchrony") and fee revenue from the servicing of loans under 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 in response to the COVID-19 pandemic. We do not own the receivables associated with loans originated through the PPP. The fee revenue associated with the PPP loans in the year ended December 31, 2021 was $157 million, which included revenue recognized upon loan forgiveness and the extinguishment of our servicing obligations for a portion of the outstanding loans. At December 31, 2021, the remaining unearned fee revenue associated with the PPP loans was not material. The growth in revenue from other value added services in the year ended December 31, 2021 was also attributable to an increase in interest and fee revenue on our consumer loans receivable portfolio driven primarily by growth in international markets, partially offset by a decline in interest and fee revenue on our merchant loans receivable portfolio due to a decrease in average outstanding loans year-over-year and a decline in interest earned on certain assets underlying customer account balances resulting from lower interest rates.

The total gross consumer and merchant loans receivable balance as of December 31, 2021 and 2020 was $5.3 billion and $3.6 billion, respectively, reflecting a year-over-year increase of 48% driven primarily by growth in our consumer receivable portfolio due to the expansion of our installment credit products, including the entry into new markets.

In response to the COVID-19 pandemic, we took both proactive and reactive measures during 2020 to support our merchants and consumers that had loans and interest receivables due to us under our credit product offerings. These measures were intended to help 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. Given the uncertainty surrounding the COVID-19 pandemic, including its duration and severity, related global economic conditions 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, 2021, the overall return on the PayPal branded credit programs funded by Synchrony exceeded the minimum return threshold.

Seasonality

The Company does not experience meaningful seasonality with respect to net revenues. No individual quarter in 2021, 2020, or 2019 accounted for more than 30% of annual net revenue.

Operating Expenses

The following table summarizes our operating expenses and related metrics we use to assess the trends in each:

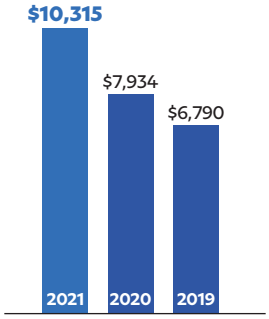
	Year Ended December 31,			Percent Increase/(Decrease)	
	2021	2020	2019	2021	2020
	(In millions, except percentages)				
Transaction expense	$ 10,315	$ 7,934	$ 6,790	30%	17%
Transaction and credit losses	1,060	1,741	1,380	(39)%	26%
Customer support and operations	2,075	1,778	1,615	17%	10%
Sales and marketing	2,445	1,861	1,401	31%	33%
Technology and development	3,038	2,642	2,085	15%	27%
General and administrative	2,114	2,070	1,711	2%	21%
Restructuring and other charges	62	139	71	(55)%	96%
TOTAL OPERATING EXPENSES	**$21,109**	**$18,165**	**$15,053**	**16%**	**21%**
Transaction expense rate(1)	0.83%	0.85%	0.95%	**	**
Transaction and credit loss rate(2)	0.09%	0.19%	0.19%	**	**

(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 when we draw funds from a customer's credit or debit card, bank account, or other funding source they have stored in their digital wallet. 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 our consumer credit products. 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, as we generally pay lower rates for transactions funded with credit or debit cards outside the U.S. Our transaction expense rate is impacted by changes in product mix, merchant

mix, regional mix, funding mix, and fees paid to payment processors and other financial institutions. 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.



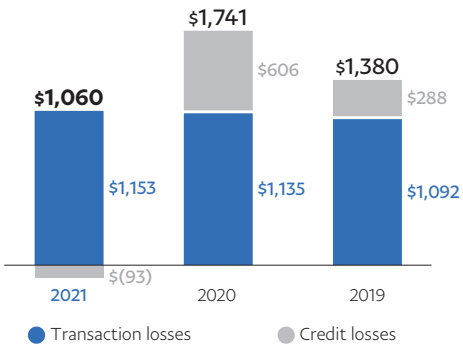
Transaction expense (in millions)

Transaction expense increased by $2.4 billion, or 30%, in 2021 compared to 2020 due primarily to an increase in TPV of 33%. The decrease in transaction expense rate in 2021 compared to 2020 was due primarily to a decline in transaction expense rates associated with both our core PayPal and Braintree products, offset by an increase in the share of volume associated with our Braintree products. For the years ended December 31, 2021, 2020, and 2019, approximately 39%, 40%, and 41% 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, product mix, 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, 2021, 2020, and 2019 were as follows:



Transaction and credit losses decreased by $681 million, or 39%, in 2021 compared to 2020.

Transaction losses were $1.2 billion and $1.1 billion for the years ended December 31, 2021 and 2020, respectively, reflecting an increase of $18 million, or 2%, year-over-year. Transaction loss rate (transaction losses divided by TPV) was 0.09%, 0.12%, and 0.15% for the years ended December 31, 2021, 2020, and 2019, respectively. The increase in transaction losses was due primarily to growth in TPV, partially offset by benefits realized from continued risk mitigation strategies, 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 and related global economic conditions remain unknown. Any negative impacts 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 decreased by $699 million, or 115%, in 2021 compared to 2020. The components of credit losses for the years ended December 31, 2021, 2020, and 2019 were as follows (in millions):

	Year Ended December 31,		
	2021	2020	2019[1]
Net charge-offs[2]	$ 219	$ 310	$ 208
Reserve build (release)[3]	(312)	296	80
Credit losses	$ (93)	$ 606	$ 288

(1) Credit losses for the year end December 31, 2019 were based on accounting guidance which was superseded by the adoption of Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"), effective January 1, 2020.
(2) Net charge-offs includes the principal charge-offs partially offset by recoveries for consumer and merchant receivables.
(3) Reserve build (release) represents change in allowance for principal receivables excluding foreign currency remeasurement and, for 2020, impact of adoption of CECL.

The benefit in the year ended December 31, 2021 was attributable to the net release of reserves for loans receivable due to improvements in both current and projected macroeconomic conditions, including lower projected unemployment rates, as well as improvements in the credit quality of loans outstanding, partially offset by provisions for originations during the period. Allowances for our merchant and consumer portfolios included qualitative adjustments which took into account continued volatility with respect to macroeconomic conditions, as well as uncertainty around the financial health of our merchant borrowers, including uncertainty around the effectiveness of loan modification programs made available to merchants. The credit losses in the year ended December 31, 2020 were primarily associated with an increase in provisions for our loans receivable portfolio resulting from a reserve build driven by a sharp deterioration in macroeconomic projections reflecting the anticipated impact of the COVID-19 pandemic and provisions associated with originations, both of which significantly increased our then current expected credit losses, and to a lesser extent, changes in credit quality during the period. The increase in provisions associated with macroeconomic projections in the year ended December 31, 2020 included qualitative adjustments to account for the impact of limitations in our expected credit loss models resulting from 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.

The consumer loans and interest receivable balance as of December 31, 2021 and 2020 was $3.8 billion and $2.2 billion, respectively, representing a year-over-year increase of 77% driven by growth of our installment credit products in international markets and the U.S. and, to a lesser extent, growth of PayPal Credit in international markets. Approximately 53% and 77% of our consumer loans receivable outstanding as of December 31, 2021 and 2020, respectively, were due from consumers in the U.K. The decline in the percentage of consumer loans receivable outstanding in the U.K. at December 31, 2021 compared to December 31, 2020 was due to overall growth in the consumer loan portfolio, particularly from installment credit products in other markets.

The following table provides information regarding the credit quality of our consumer loans and interest receivable balance:

	December 31,	
	2021	2020
Percent of consumer loans and interest receivable current	97.0%	97.9%
Percent of consumer loans and interest receivable > 90 days outstanding[1]	1.5%	0.9%
Net charge-off rate[2]	4.3%	2.4%

(1) Represents percentage of balances which are 90 days past the billing date or contractual repayment date, as applicable.
(2) Net charge-off rate is the annual ratio of net credit losses, excluding fraud losses, on consumer loans receivable as a percentage of the average daily amount of consumer loans and interest receivable balance during the period.

The net charge-off rate at December 31, 2020 benefited from payment holidays provided by the Company as a part of our COVID-19 payment relief initiatives.

We offer access to merchant finance products for certain small and medium-sized businesses, which we refer to as our merchant finance offerings. Total merchant loans, advances, and interest and fees receivable outstanding, net of participation interest sold, as of both December 31, 2021 and 2020 were approximately $1.4 billion. Approximately 82% and 8% of our merchant receivables outstanding as of December 31, 2021 were due from merchants in the U.S. and U.K., as compared to approximately 81% and 10% as of December 31, 2020, respectively.

The following table provides information regarding the credit quality of our merchant loans, advances, and interest and fees receivable balance:

	December 31,	
	2021	2020
Percent of merchant receivables within original expected or contractual repayment period	91.8%	75.4%
Percent of merchant receivables > 90 days outstanding after the end of original expected or contractual repayment period	3.1%	12.5%
Net charge-off rate (1)	4.7%	18.9%

(1) 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 receivable balance during the period.

The increase in the percent of current merchant receivables, decrease in percent of merchant receivables greater than 90 days outstanding, and decrease in the net charge-off rate for merchant receivables at December 31, 2021 as compared to December 31, 2020 were primarily due to the charge-off of accounts that experienced financial difficulties as a result of the COVID-19 pandemic in the prior year as well as improved performance in the current year partially attributable to the below mentioned modifications to the acceptable risk parameters including tightening of eligibility terms.

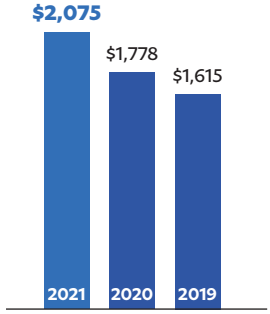
Beginning in the third quarter of 2020, we granted certain merchants loan modifications intended to provide them with financial relief and help enable us to mitigate losses. The associated loans and interest receivable have been treated as troubled debt restructurings due to the borrowers experiencing financial difficulty and significant changes in their loan structure, including repayment terms and/or fee and rate structure.

Modifications to the acceptable risk parameters of our credit products in 2020 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 resulted in a decrease in originations in 2020 as compared to pre-pandemic levels. We continue to evaluate and modify our acceptable risk parameters in response to the changing macroeconomic environment and such changes in 2021 have resulted in a gradual increase in originations over the past nine months. While the impact of the COVID-19 pandemic on the economic environment remains uncertain, the longer and more severe the pandemic, the more likely it may 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 costs incurred in our global customer operations centers, including costs to provide call support to our customers, costs to support our trust and security programs protecting our merchants and consumers, and other costs incurred related to the delivery of our products, including payment devices, card production, and customer onboarding and compliance costs.

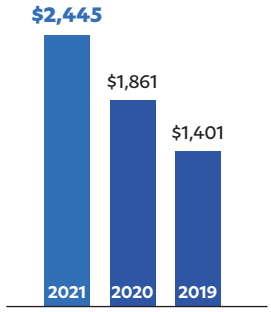


Customer support and operations (in millions)

Customer support and operations costs increased $297 million, or 17%, in 2021 compared to 2020. The increase in 2021 was primarily attributable to increases in employee-related expenses, customer onboarding and compliance costs, and contractors and consulting costs that support the growth of our active accounts and payment transactions.

Sales and Marketing

Sales and marketing includes costs incurred for customer acquisition, business development, advertising, and marketing programs.

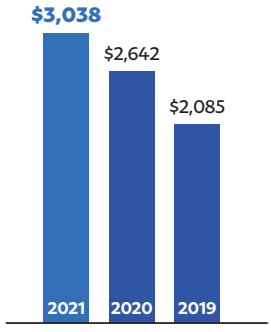


Sales and marketing
(in millions)

Sales and marketing expenses increased $584 million, or 31%, in 2021 compared to 2020 due primarily to higher spending on marketing programs, including targeted user incentives to promote increased user engagement and new user acquisition, and, to a lesser extent, an increase in employee-related expenses.

Technology and Development

Technology and development includes 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. It also includes acquired developed technology and our site operations and other infrastructure costs incurred to support our payments platform.

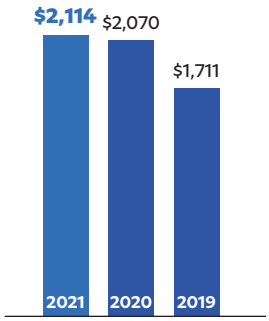


Technology and
development (in millions)

Technology and development expenses increased $396 million, or 15%, in 2021 compared to 2020 due primarily to increases in cloud computing services utilized in delivering our products, costs related to contractors and consultants, and, to a lesser extent, amortization expense associated with internally developed software.

General and Administrative

General and administrative includes costs incurred to provide support to our business, including legal, human resources, finance, risk and compliance, executive, and other support operations.

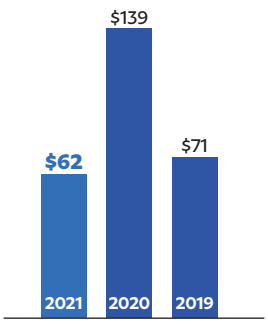


General and administrative (in millions)

General and administrative expenses increased $44 million, or 2%, in 2021 compared to 2020 due primarily to increases in employee-related expenses and costs associated with enterprise software services, partially offset by a decline in professional services expenses.

Restructuring and Other Charges

Restructuring and other charges primarily consist of restructuring expenses.



Restructuring and other charges (in millions)

Restructuring and other charges decreased by $77 million in 2021 compared to 2020.

During the first quarter of 2020, management approved a strategic reduction of the existing global workforce as part of a multiphase process to reorganize our workforce concurrently with the redesign of our operating structure, which spanned multiple quarters. During the years ended December 31, 2021 and 2020, the associated restructuring changes were $27 million and $109 million, respectively. We primarily incurred employee severance and benefits costs, as well as other associated consulting costs under the 2020 strategic reduction, substantially all of which have been accrued as of the second quarter of 2021.

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.

Additionally, in 2021 and 2020, we incurred asset impairment charges of $26 million and $30 million, respectively, due to exiting certain leased properties which resulted in a reduction of certain right-of-use lease assets and related leasehold improvements.

Other Income (Expense), Net

Other income (expense), net decreased $1.9 billion, or 109%, in 2021 compared to 2020 due primarily to lower net gains on strategic investments of $46 million in 2021 compared to $1.9 billion in 2020.

Income Tax (Benefit) Expense

Our effective tax rate was (2)% in 2021 and 17% in 2020. The decrease in our effective tax rate in 2021 was primarily the result of a decrease in tax expense related to the intra-group transfers of intellectual property, an increase in tax benefits associated with stock-based compensation deductions, and a decrease in tax expense associated with lower net 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. 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 meet our cash requirements within the next twelve months and beyond.

Sources of Liquidity

Cash, Cash Equivalents, and Restricted Cash

The following table summarizes our cash, cash equivalents, and investments as of December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
	(In millions)	
Cash, cash equivalents, and investments[1][2]	$ 12,981	$ 15,852

(1) Excludes assets related to funds receivable and customer accounts of $36.1 billion and $33.4 billion as of December 31, 2021 and 2020, respectively.
(2) Excludes total restricted cash of $109 million and $88 million at December 31, 2021 and 2020, respectively, and strategic investments of $3.2 billion as of both December 31, 2021 and 2020.

Cash, cash equivalents, and investments held by our foreign subsidiaries were $7.4 billion at December 31, 2021 and $7.0 billion at December 31, 2020, or 57% and 44%, of our total cash, cash equivalents, and investments as of those respective dates. At December 31, 2021, 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 under the Tax Cuts and Jobs Act of 2017 ("Tax Act"). Subsequent repatriations to the U.S. will not be taxable from a U.S. federal tax perspective, but may be subject to state income 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. Accordingly, not all of our cash is available for general corporate purposes.

Cash Flows

The following table summarizes our consolidated statements of cash flows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Net cash provided by (used in):			
Operating activities	$ 6,340	$ 5,854	$ 4,071
Investing activities	(5,485)	(16,218)	(5,742)
Financing activities	(764)	12,492	4,187
Effect of exchange rates on cash, cash equivalents, and restricted cash	(102)	169	(6)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**$ (11)**	**$ 2,297**	**$ 2,510**

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 changes in other assets and liabilities. 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 $6.3 billion in 2021 due primarily to operating income of $4.3 billion, as well as adjustments for non-cash expenses including stock-based compensation of $1.4 billion, depreciation and amortization of $1.3 billion, and provision for transaction and credit losses of $1.1 billion. Net income was also adjusted for deferred income taxes of $482 million, an increase in accounts receivable of $222 million, and changes in other assets and liabilities primarily related to actual cash transaction losses incurred during the period of $1.2 billion, partially offset by an increase in other liabilities of $406 million.

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, 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.

Cash paid for income taxes, net in 2021, 2020, and 2019 was $474 million, $565 million, and $665 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 $5.5 billion in 2021 was due primarily to purchases of investments of $40.1 billion, acquisitions (net of cash acquired) of $2.8 billion, changes in principal loans receivable, net of $1.6 billion, and purchases of property and equipment of $908 million. These cash outflows were partially offset by maturities and sales of investments of $39.7 billion and changes in funds receivable from customers of $193 million.

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.

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.

The net cash used in financing activities of $764 million in 2021 was due primarily to the repurchase of $3.4 billion of our common stock under our stock repurchase program, tax withholdings of $1.0 billion related to net share settlement of equity awards, and repayments of borrowings under Paidy credit agreements of $361 million. These cash outflows were partially offset by changes in funds payable and amounts due to customers of $3.6 billion and cash proceeds from borrowings under Paidy credit agreements of $272 million.

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 (as defined below under "Available credit and debt"). These cash inflows were partially offset by 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 programs, and tax withholdings related to net share settlement of equity awards of $521 million.

Effect of Exchange Rates on Cash, Cash Equivalents, and Restricted Cash

Foreign currency exchange rates had a negative impact of $102 million and a positive impact of $169 million on cash, cash equivalents, and restricted cash during 2021 and 2020, respectively. The negative and positive impacts in 2021 and 2020, respectively, resulted primarily from fluctuations in the exchange rate of the U.S. dollar to the Australian dollar. The negative impact in 2021 included, to a lesser extent, the unfavorable impact of fluctuations in the exchange rate of the U.S. dollar to the Euro and Swedish krona.

Available Credit and Debt

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. As of December 31, 2021, 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.

In October 2021, we assumed a credit agreement through our acquisition of Paidy (the "Paidy Credit Agreement"). The Paidy Credit Agreement provides for a secured revolving credit facility of approximately $198 million. Borrowings under the Paidy Credit Agreement must be used to fund the origination of loan receivables. As of December 31, 2021, approximately $98 million was outstanding under the Paidy Credit Agreement. Accordingly, at December 31, 2021, approximately $100 million of borrowing capacity was available for the purposes permitted by the Paidy Credit Agreement, subject to customary conditions to borrowing.

We maintain uncommitted credit facilities in various regions throughout the world with a borrowing capacity of approximately $90 million in the aggregate, where we can withdraw and utilize the funds at our discretion for general corporate purposes. As of December 31, 2021, the majority of the borrowing capacity under these credit facilities was available, subject to customary conditions to borrowing.

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, 2021, we had $9.0 billion in fixed rate debt outstanding with varying maturity dates.

For additional information, see "Note 12—Debt" to our consolidated financial statements included in this Form 10-K.

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.

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, 2021, we had a total of $3.5 billion in cash withdrawals offsetting our $3.5 billion in Aggregate Cash Deposits held within the financial institution under the cash pooling arrangement.

Credit Ratings

As of December 31, 2021, 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.

Current and Future Cash Requirements

Our material cash requirements include funds to support current and potential: operating activities, credit products, customer protection programs, stock repurchases, strategic investments, acquisitions, other commitments, and capital expenditures and other future obligations.

Credit Products

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. During the first quarter of 2021, an additional $700 million was approved to fund such credit activities. As of December 31, 2021, the cumulative amount approved by management to be designated for credit activities aggregated to $2.7 billion and represented approximately 27% of European customer balances that have been made 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. While our objective is to expand the availability of our credit products with capital from external sources, 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.

Customer Protection Programs

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 have ranged between 0.09% and 0.15% of TPV. Historical loss rates may not be indicative of future results. The duration and severity of the impacts of the COVID-19 pandemic and related global economic conditions remain unknown. The negative impacts 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

During the year ended December 31, 2021, we repurchased approximately $3.4 billion of our common stock in the open market under our stock repurchase program authorized in July 2018. As of December 31, 2021, a total of approximately $5.1 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.

Acquisitions

In October 2021, we completed the acquisition of Paidy, Inc. ("Paidy") for approximately $2.7 billion, consisting of approximately $2.6 billion in cash, and approximately $161 million in assumed restricted stock and restricted stock units, subject to vesting conditions. Paidy is a two-sided payments platform that primarily provides buy now, pay later solutions (installment credit offerings) in Japan. With the acquisition of Paidy, we intend to expand our capabilities and relevance in Japan. In 2021, we completed four other acquisitions for an aggregate purchase price of $542 million, consisting primarily of cash consideration. For additional information, see "Note 4—Business Combinations" in the notes to the consolidated financial statements included in this Form 10-K.

Other Commitments

In 2020, we announced our commitment to invest $535 million to support racial equality. As of December 31, 2021, we have deployed substantially all the commitment through charitable contributions, grants to small businesses, internal investments to support and strengthen diversity and inclusion initiatives, and an economic opportunity fund focused on 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, among other initiatives.

Future Obligations

As of December 31, 2021, approximately $4.1 billion of unused credit was available to PayPal Credit account holders compared to $3.0 billion of unused credit as of December 31, 2020. 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 of our PayPal Credit account holders will access their entire available credit at any given point in time. In addition, the individual lines of credit that make up this unused credit are subject to periodic review and termination 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 our estimates. We cannot provide certainty regarding the timing and amounts of these payments. The following table summarizes our obligations as of December 31, 2021 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)		
2022	$ 562	$ 162	$ 114	$ 1,213	$ 2,051
2023	269	157	212	1,185	1,823
2024	327	139	284	1,428	2,178
2025	64	108	354	1,140	1,666
2026	52	91	—	1,381	1,524
Thereafter	—	192	—	4,473	4,665
	$ 1,274	**$ 849**	**$ 964**	**$ 10,820**	**$ 13,907**

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 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 $1.6 billion of such non-current liabilities included in deferred and other tax liabilities recorded on our consolidated balance sheet as of December 31, 2021.

Other Considerations

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.

Critical Accounting Polices and Estimates

The application of U.S. generally accepted accounting principles ("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 or assumption 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. 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 these estimates, it should be noted that future events rarely develop exactly as forecasted, and such estimates require regular review and adjustment.

Allowance for 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, product mix, 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 revolving and installment credit products offered to consumers at checkout and merchant loans and advances arising from the 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 repeat borrowing, 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 consist of revolving products, which do not have a contractual term, and installment products. The reasonable and supportable forecast period for revolving products, installment products, and merchant products that we have included in our projected loss rates, which approximates the estimated life of the loans, is approximately 2 years, approximately 7 months to 2.5 years, and approximately 2.5 to 3.5 years, respectively. In 2020, the reasonable and supportable forecast period for revolving consumer products was based only on externally sourced data due to the lack of availability of historical data, and in 2021, it was updated to reflect historical loss experience with the portfolio. The allowance for current expected 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, 2021, we utilized externally published projections of the U.S. and U.K. forecasted unemployment rates over the reasonable and supportable forecast period. As of December 31, 2020, we utilized externally published projections of the U.S. forecasted credit card charge-off rates and U.K forecasted unemployment rates over the reasonable and supportable forecast period. The overall principal and interest coverage ratio as of December 31, 2021 and 2020 was approximately 9% and 23%, respectively. A significant change in the forecasted macroeconomic factors could result in a material change in our allowances. Our allowance as of December 31, 2021 took into account continued volatility with respect to macroeconomic conditions and uncertainty around the financial health of our merchant borrowers, including uncertainty around the effectiveness of loan modification programs made available to merchants. Our allowance as of December 31, 2020 took into account for the proactive and reactive measures that we took to help reduce financial difficulties experienced by our customers, limitations in our expected credit loss models that arose due to the extreme fluctuations in both the actual and forecasted macroeconomic conditions in the period, varying degrees of merchant performance in the current environment as well as expected future performance, and to account for payment holidays granted. 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 $53 million based on the loans and interest receivable balance outstanding as of December 31, 2021.

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, 2021, a one-percentage point increase in our effective tax rate would have resulted in an increase in our income tax expense of approximately $41 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 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. Evaluating whether these incentives are a payment to a customer, or consideration payable on behalf of a customer, requires judgment. Incentives determined to be made to a customer, or payable on behalf of a customer, are 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 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. 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.

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 intended 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, 2021 and 2020, approximately 40% and 30%, 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 that we hold on our consolidated balance sheets as customer accounts are maintained in interest and non-interest bearing bank deposits, time deposits, and available-for-sale debt 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 have decreased by approximately $272 million and $173 million at December 31, 2021 and 2020, respectively.

As of December 31, 2021, we had $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. As of December 31, 2021, we also had revolving credit facilities of approximately $5.2 billion available to us. We are obligated to pay interest on borrowings under these facilities as well as other customary fees, including an upfront fee and an unused commitment fee based on our debt rating. Borrowings under these facilities, 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, 2021, we had approximately $98 million outstanding under these credit facilities. No amounts were outstanding as of December 31, 2020. 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 United States ("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, 2021 and 2020, the amount recorded in AOCI related to our foreign currency exchange forward contracts, before taxes, would have been approximately $1.0 billion and $1.1 billion lower, respectively. If the U.S. dollar strengthened by 20% at December 31, 2021 and 2020, the amount recorded in AOCI related to our foreign currency exchange forward contracts, before taxes, would have been approximately $1.0 billion and $1.1 billion 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 $386 million and $353 million at December 31, 2021 and 2020, respectively, without considering the offsetting effect of foreign currency exchange contracts. Foreign currency exchange contracts in place as of December 31, 2021 would have positively impacted income before income taxes by approximately $400 million, resulting in a net positive impact of approximately $14 million. 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. 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 both December 31, 2021 and 2020, our strategic investments totaled $3.2 billion which represented approximately 20% and 17% of our total cash, cash equivalents, and short-term and long-term 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 primarily investments in privately held companies. 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 $321 million to the carrying value of the portfolio as of December 31, 2021. 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, 2021, 2020, and 2019 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, 2021, 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, 2021.

In October 2021, we completed our acquisition of Paidy, Inc. ("Paidy"). Based upon Securities and Exchange Commission staff guidance, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting for the first year of acquisition. We have excluded Paidy from our assessment of internal control over financial reporting as of December 31, 2021. Paidy is a wholly-owned subsidiary whose total revenue and assets, excluding goodwill and intangibles, represented less than 1% of our total consolidated revenue and consolidated assets for the year ended and as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 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.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference from our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2021.

Item 11. Executive Compensation

Incorporated by reference from our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2021.

Item 14. Principal Accounting Fees and Services

Incorporated by reference from our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2021.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

	1. Consolidated Financial Statements
53	Report of Independent Registered Public Accounting Firm (PCAOB ID 238)
55	Consolidated Balance Sheets
56	Consolidated Statements of Income
57	Consolidated Statements of Comprehensive Income
58	Consolidated Statements of Stockholders' Equity
59	Consolidated Statements of Cash Flows
61	Notes to Consolidated Financial Statements
	2. Financial Statement Schedule
105	Schedule II—Valuation and Qualifying Accounts
	All other schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.
105	**3. Exhibits Required by Item 601 of Regulation S-K**
	The information required by this Item is set forth in the Index of Exhibits that precedes the signature page of this Annual 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, 2021 and 2020, 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, 2021, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2021 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 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, 2021, 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.

As described in Management's report on internal control over financial reporting, management has excluded Paidy, Inc. from its assessment of internal control over financial reporting as of December 31, 2021 because it was acquired by the Company in a purchase business combination during 2021. We have also excluded Paidy, Inc. from our audit of internal control over financial reporting. Paidy, Inc. is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent less than 1% of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

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, 2021, the Company recorded total loans and interest receivable of $4,846 million, net of an allowance of $491 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 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 expected credit loss models.

The principal considerations for our determination that performing procedures relating to the allowance for loans receivable is a critical audit matter are (i) the high degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence relating to certain models which apply macroeconomic forecasts to estimate expected credit losses; 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 certain models which apply macroeconomic forecasts to estimate expected credit losses. 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 certain 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 to estimate expected credit losses.

/s/ PricewaterhouseCoopers LLP
San Jose, California
February 3, 2022

We have served as the Company's auditor since 2000.

PayPal Holdings, Inc.

Consolidated Balance Sheets

	As of December 31,	
	2021	2020
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,197	$ 4,794
Short-term investments	4,303	8,289
Accounts receivable, net	800	577
Loans and interest receivable, net of allowances of $491 and $838 as of December 31, 2021 and 2020, respectively	4,846	2,769
Funds receivable and customer accounts	36,141	33,418
Prepaid expenses and other current assets	1,287	1,148
Total current assets	52,574	50,995
Long-term investments	6,797	6,089
Property and equipment, net	1,909	1,807
Goodwill	11,454	9,135
Intangible assets, net	1,332	1,048
Other assets	1,737	1,305
TOTAL ASSETS	**$ 75,803**	**$ 70,379**
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 197	$ 252
Funds payable and amounts due to customers	38,841	35,418
Accrued expenses and other current liabilities	3,755	2,648
Income taxes payable	236	129
Total current liabilities	43,029	38,447
Deferred tax liability and other long-term liabilities	2,998	2,930
Long-term debt	8,049	8,939
Total liabilities	54,076	50,316
Commitments and contingencies (Note 13)		
Equity:		
Common stock, $0.0001 par value; 4,000 shares authorized; 1,168 and 1,172 shares outstanding as of December 31, 2021 and 2020, respectively	—	—
Preferred stock, $0.0001 par value; 100 shares authorized, unissued	—	—
Treasury stock at cost, 132 and 117 shares as of December 31, 2021 and 2020, respectively	(11,880)	(8,507)
Additional paid-in-capital	17,208	16,644
Retained earnings	16,535	12,366
Accumulated other comprehensive income (loss)	(136)	(484)
Total PayPal stockholders' equity	21,727	20,019
Noncontrolling interest	—	44
Total equity	21,727	20,063
TOTAL LIABILITIES AND EQUITY	**$ 75,803**	**$ 70,379**

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Income

	Year Ended December 31,		
	2021	2020	2019
	(In millions, except for per share amounts)		
Net revenues	$ 25,371	$ 21,454	$ 17,772
Operating expenses:			
Transaction expense	10,315	7,934	6,790
Transaction and credit losses	1,060	1,741	1,380
Customer support and operations	2,075	1,778	1,615
Sales and marketing	2,445	1,861	1,401
Technology and development	3,038	2,642	2,085
General and administrative	2,114	2,070	1,711
Restructuring and other charges	62	139	71
Total operating expenses	21,109	18,165	15,053
Operating income	4,262	3,289	2,719
Other income (expense), net	(163)	1,776	279
Income before income taxes	4,099	5,065	2,998
Income tax (benefit) expense	(70)	863	539
NET INCOME	**$ 4,169**	**$ 4,202**	**$ 2,459**
Net income per share:			
Basic	$ 3.55	$ 3.58	$ 2.09
Diluted	$ 3.52	$ 3.54	$ 2.07
Weighted average shares:			
Basic	1,174	1,173	1,174
Diluted	1,186	1,187	1,188

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Net income	$ 4,169	$ 4,202	$ 2,459
Other comprehensive income (loss), net of reclassification adjustments:			
Foreign currency translation adjustments ("CTA")	(72)	(48)	(57)
Net investment hedge CTA gain (loss)	—	55	(31)
Unrealized gains (losses) on cash flow hedges, net	522	(329)	(176)
Tax (expense) benefit on unrealized gains (losses) on cash flow hedges, net	(26)	4	3
Unrealized (losses) gains on investments, net	(98)	9	15
Tax benefit (expense) on unrealized (losses) gains on investments, net	22	(2)	(5)
Other comprehensive income (loss), net of tax	348	(311)	(251)
COMPREHENSIVE INCOME	**$ 4,517**	**$ 3,891**	**$ 2,208**

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
				(In millions)			
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**	**$20,063**
Net income	—	—	—	—	4,169	—	4,169
Foreign CTA	—	—	—	(72)	—	—	(72)
Unrealized gains on cash flow hedges, net	—	—	—	522	—	—	522
Tax expense on unrealized gains on cash flow hedges, net	—	—	—	(26)	—	—	(26)
Unrealized losses on investments, net	—	—	—	(98)	—	—	(98)
Tax benefit on unrealized losses on investments, net	—	—	—	22	—	—	22
Common stock and stock-based awards issued and assumed, net of shares withheld for employee taxes	11	—	(881)	—	—	—	(881)
Common stock repurchased	(15)	(3,373)	—	—	—	—	(3,373)
Stock-based compensation	—	—	1,445	—	—	—	1,445
Change in noncontrolling interest	—	—	—	—	—	(44)	(44)
BALANCES AT DECEMBER 31, 2021	**1,168**	**$(11,880)**	**$17,208**	**$ (136)**	**$16,535**	**$ —**	**$ 21,727**

The accompanying notes are an integral part of these consolidated financial statements.

PayPal Holdings, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Cash flows from operating activities:			
Net income	$ 4,169	$ 4,202	$ 2,459
Adjustments to reconcile net income to net cash provided by operating activities:			
Transaction and credit losses	1,060	1,741	1,380
Depreciation and amortization	1,265	1,189	912
Stock-based compensation	1,376	1,376	1,021
Deferred income taxes	(482)	165	(269)
Net gains on strategic investments	(46)	(1,914)	(208)
Other	100	47	(149)
Changes in assets and liabilities:			
Accounts receivable	(222)	(100)	(120)
Changes in loans and interest receivable held for sale, net	—	—	4
Transaction loss allowance for cash losses, net	(1,178)	(1,120)	(1,079)
Other current assets and non-current assets	(150)	(498)	(566)
Accounts payable	(31)	(4)	4
Income taxes payable	73	(230)	(40)
Other current liabilities and non-current liabilities	406	1,000	722
Net cash provided by operating activities	6,340	5,854	4,071
Cash flows from investing activities:			
Purchases of property and equipment	(908)	(866)	(704)
Proceeds from sales of property and equipment	5	120	17
Changes in principal loans receivable, net	(1,594)	294	(1,631)
Purchases of investments	(40,116)	(41,513)	(27,881)
Maturities and sales of investments	39,698	30,908	24,878
Acquisitions, net of cash and restricted cash acquired	(2,763)	(3,609)	(70)
Funds receivable	193	(1,552)	(351)
Net cash used in investing activities	(5,485)	(16,218)	(5,742)
Cash flows from financing activities:			
Proceeds from issuance of common stock	162	137	138
Purchases of treasury stock	(3,373)	(1,635)	(1,411)
Tax withholdings related to net share settlements of equity awards	(1,036)	(521)	(504)
Borrowings under financing arrangements	272	6,966	5,471
Repayments under financing arrangements	(361)	(3,000)	(2,516)
Funds payable and amounts due to customers	3,572	10,597	3,009
Other financing activities	—	(52)	—
Net cash (used in) provided by financing activities	(764)	12,492	4,187
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(102)	169	(6)
Net change in cash, cash equivalents, and restricted cash	(11)	2,297	2,510
Cash, cash equivalents, and restricted cash at beginning of period	18,040	15,743	13,233
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	**$ 18,029**	**$ 18,040**	**$ 15,743**

Consolidated Statement of Cash Flows-(Continued)

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Supplemental cash flow disclosures:			
Cash paid for interest	$ 231	$ 190	$ 78
Cash paid for income taxes, net	$ 474	$ 565	$ 665
The table below 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	$ 5,197	$ 4,794	$ 7,349
Short-term and long-term investments	109	24	7
Funds receivable and customer accounts	12,723	13,222	8,387
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH SHOWN IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS	**$ 18,029**	**$ 18,040**	**$ 15,743**

The accompanying notes are an integral part of these consolidated financial statements.

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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 that enables digital payments and simplifies commerce experiences on behalf of merchants and consumers worldwide. PayPal is committed to democratizing financial services to help 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 in the markets we serve, anytime, on any platform, and using any device when sending payments or getting paid, including person-to-person ("P2P") payments.

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 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. The noncontrolling interest reported in the prior period was a component of equity on our consolidated balance sheets and represented the equity interests not owned by PayPal, and was recorded for consolidated entities we controlled and of which we owned less than 100%. Noncontrolling interest was not presented separately on our consolidated statements of income as the amount was 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. 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 in a VIE, we then assess if we are the primary beneficiary, which would require consolidation.

We have consolidated two VIEs that provide financing for and hold loans receivable of Paidy, Inc. ("Paidy"). We are the primary beneficiary of the VIEs as we perform the servicing and collection for the loans receivable which are the activities that most significantly impact the VIE's economic performance and we have the obligation to absorb the losses and/or the right to receive the benefits of the VIE that could potentially be significant to these entities. The financial results of our consolidated VIEs are included in the consolidated financial statements. The carrying value of the assets and liabilities of our consolidated VIEs is included as short-term investments of $87 million, loans and interest receivable, net of $21 million, and long-term debt of $98 million as of December 31, 2021. Cash of $87 million, included in short-term investments, is restricted to settle the debt obligations.

The carrying value of our investments that are in nonconsolidated VIEs is included as non-marketable equity securities applying the equity method of accounting in long-term investments on our consolidated balance sheets. Our maximum exposure to loss related to our nonconsolidated VIEs, which represents funded commitments and any future funding commitments, was $205 million and $105 million as of December 31, 2021 and 2020, respectively.

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, 2021.

Use of Estimates

The preparation of consolidated financial statements in conformity with United States ("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, income taxes, loss contingencies, 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 and available-for-sale debt securities with original maturities of greater than three months but less than one year when purchased or maturities of one year or less on the reporting date. Long-term investments include time deposits and available-for-sale debt securities with maturities exceeding one year on the reporting date, as well as our strategic investments. Our available-for-sale debt securities 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 available-for-sale debt securities denominated in currencies other than the functional currency of our subsidiaries, 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 primarily 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, and are adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer (the "Measurement Alternative"). Non-marketable equity securities also include our investments where we have the ability to exercise significant influence, but not control, over the investee and account for these securities using the equity method of accounting. 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.

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 prior to January 1, 2020, available-for-sale debt securities) 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 prior to January 1, 2020, available-for-sale debt securities), 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. Prior to January 1, 2020, this assessment with respect to our available-for-sale debt securities 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 January 1, 2020, our available-for-sale debt securities in an unrealized loss position are 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 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. PayPal Credit consists of revolving credit products.

In the U.S., PPWC and PPBL products are provided under a program agreement we have with WebBank, an independent chartered financial institution. WebBank extends credit to merchants for the PPWC and PPBL products and we are able to purchase the related receivables originated by WebBank. For our merchant finance products outside the U.S., we extend working capital advances and loans in Europe 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 in Europe through our Luxembourg banking subsidiary, and in Australia and Japan, through local subsidiaries.

As part of our arrangement with WebBank in the U.S., we sell back a participation interest in the pool of merchant receivables for the PPWC and PPBL products. WebBank has no recourse against us related to their participation interests for failure of debtors to pay when due. The participation interests held by WebBank 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 it is 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 market-based service fee 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.

Synchrony Bank is the exclusive issuer of the PayPal Credit consumer financing program in the U.S. We do not hold an ownership interest in the receivables generated through the program and therefore, do not record these receivables on our consolidated financial statements. PayPal earns a revenue share on the portfolio of consumer receivables owned by Synchrony, which is recorded in revenues from other value added services on our consolidated statements of income.

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.

The Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("CECL") effective January 1, 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 repeat borrowing, 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 consist of revolving products, which do not have a contractual term, and installment products. The reasonable and supportable forecast period for revolving products, installment products, and merchant products that we have included in our projected loss rates, which approximates the estimated life of the loans, is approximately 2 years, approximately 7 months to 2.5 years, and approximately 2.5 to 3.5 years, respectively. In 2020, the reasonable and supportable forecast period for revolving consumer products was based only on externally sourced data due to the lack of availability of historical data, and in

2021, it was updated to reflect historical loss experience with the portfolio. This change did not result in a material impact to the reserve. The allowance for current expected 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 January 1, 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, 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.

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. During the year ended December 31, 2021, an additional $700 million was approved to fund such credit activities. As of December 31, 2021, the cumulative amount approved by management to be designated for credit activities aggregated to $2.7 billion and represented approximately 27% of European customer balances that have been made 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 identify these customer accounts separately from corporate funds and maintain them in interest and non-interest bearing bank deposits, time deposits, and available-for-sale debt securities. Customer balances deposited with our partners on a short-term basis in advance of customer transactions and used to fulfill our direct obligation under amounts due to customers are classified as cash and cash equivalents within our customer accounts classification on our consolidated balance sheets. 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, leasehold improvements, and furniture and fixtures. 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.

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 amortization within the financial statement captions aligned with the internal organizations that are the primary beneficiaries of such assets. We capitalized $462 million and $347 million of internally developed software and website development costs for the years ended December 31, 2021 and 2020, respectively. Amortization expense for these capitalized costs was $366 million, $322 million, and $298 million for the years ended December 31, 2021, 2020, and 2019, respectively. Costs related to the maintenance of internal use software and website development costs are expensed as incurred

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.

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 using 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 to apply 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 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, 2021 and 2020. We determined that no adjustment to the carrying value of goodwill of our reporting unit was required. As of December 31, 2021, we determined that no events occurred, or circumstances changed from August 31, 2021 through December 31, 2021 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 seven 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 undiscounted 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 loss data. The allowance is based on known facts and circumstances, internal factors including experience with similar cases, historical trends involving loss payment patterns, and 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 is 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 agencies. 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.

Concentrations of Risk

Our cash, cash equivalents, short-term investments, accounts receivable, loans and interest receivable, net, funds receivable and customer accounts, long-term investments, 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. We 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 deferred proceeds associated with the sale of our U.S. consumer credit receivables portfolio to Synchrony Bank in 2018. As of December 31, 2021 and 2020, one customer accounted for 25% and 26% of net accounts receivables, respectively. No customer accounted for more than 10% of net loans receivable as of December 31, 2021 and 2020. At December 31, 2021 and 2020, one partner accounted for our long-term notes receivable balance, which represented 22% and 28% of other assets, respectively. During the years ended December 31, 2021, 2020, and 2019, no customer accounted for more than 10% of net revenues. During the years ended December 31, 2021, 2020, and 2019, we earned approximately 6%, 13%, and 14% 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 $740 million, $654 million, and $399 million for the years ended December 31, 2021, 2020, and 2019, respectively.

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 ("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, 2021, 2020, and 2019 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 have designated 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 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 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 expense, fees, and amortization of debt discount on our long-term debt (including current portion) 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.

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

We enable our 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 paid by our customers to receive payments on our platform. 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 transaction 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, to facilitate the purchase and sale of cryptocurrencies, and other miscellaneous fees. Our transaction revenues are also reduced by certain incentives provided to our customers.

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, which are 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 we 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.

To promote engagement and acquire new users on our platform, we may provide incentives to merchants and consumers in various forms including discounts on fees, rebates, rewards, and coupons. Evaluating whether an incentive is a payment to a customer requires judgment. Incentives that are determined to be consideration payable to a customer or paid on behalf of a customer are recognized as a reduction of revenue. Certain incentives paid to users that are not customers are classified as sales and marketing expense.

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 are 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 products and 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,		
	2021	2020	2019
	(In millions)		
Primary geographical markets			
U.S.	$ 13,712	$ 11,013	$ 9,417
United Kingdom ("U.K.")	2,340	2,340	1,872
Other countries[1]	9,319	8,101	6,483
TOTAL NET REVENUES[2]	**$ 25,371**	**$ 21,454**	**$ 17,772**
Revenue category			
Transaction revenues	$ 23,402	$ 19,918	$ 16,099
Revenues from other value added services	1,969	1,536	1,673
TOTAL NET REVENUES[2]	**$ 25,371**	**$ 21,454**	**$ 17,772**

(1) No single country included in the other countries category generated more than 10% of total revenue.

(2) Total net revenues include $425 million, $597 million, and $1.1 billion for the years ended December 31, 2021, 2020, and 2019, 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 receivable, 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 attributed to 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 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,		
	2021	2020	2019
	(In millions, except per share amounts)		
Numerator:			
Net income	$ 4,169	$ 4,202	$ 2,459
Denominator:			
Weighted average shares of common stock—basic	1,174	1,173	1,174
Dilutive effect of equity incentive awards	12	14	14
WEIGHTED AVERAGE SHARES OF COMMON STOCK—DILUTED	**1,186**	**1,187**	**1,188**
Net income per share:			
Basic	$ 3.55	$ 3.58	$ 2.09
Diluted	$ 3.52	$ 3.54	$ 2.07
Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive	2	1	2

Note 4—Business Combinations

Acquisitions Completed In 2021

During the year ended December 31, 2021, we completed five acquisitions reflecting 100% of the equity interests of the acquired companies, for an aggregate purchase price of $3.1 billion.

Paidy

We completed the acquisition of Paidy in October 2021 by acquiring all outstanding shares for total consideration of approximately $2.7 billion, consisting of approximately $2.6 billion in cash, and approximately $161 million in assumed restricted stock and restricted stock units, subject to vesting conditions. Paidy is a two-sided payments platform that primarily provides buy now, pay later solutions (installment credit offerings) in Japan. With the acquisition of Paidy, we intend to expand our capabilities and relevance in Japan.

The following table summarizes the preliminary allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed:

	(In millions)
Goodwill	$ 1,918
Customer lists and user base	512
Marketing related	83
Developed technology	47
Total intangibles	$ 642
Loans and interest receivable, net	197
Cash and cash equivalents	101
Other net assets	87
Short-term and long-term debt	(188)
Deferred tax liabilities, net	(186)
TOTAL PURCHASE PRICE	**$ 2,571**

The intangible assets acquired consist primarily of merchant contracts, trade name/trademarks, and developed technology with estimated useful lives of three to seven years. Contractual gross loans and interest receivables acquired were $216 million. We expect to collect substantially all of these receivables. The excess of the purchase consideration, including the fair value of our initial equity investment, over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill and is attributable to the workforce of Paidy and the synergies expected to arise from the acquisition, including continued customer acquisition. We do not expect goodwill to be deductible for income tax purposes. The allocation of the purchase price for this acquisition has been prepared on a preliminary basis and changes to the allocation to certain assets, liabilities, and tax estimates may occur as additional information becomes available.

In connection with the acquisition, we issued restricted stock and restricted stock units with an approximate grant date fair value of $161 million, which represents post-business combination expense. The equity granted is a combination of shares issued to certain former Paidy employees subject to a holdback arrangement and assumed Paidy employee grants, which vest over a period of up to approximately four years and are subject to continued employment.

Other Acquisitions

In 2021, we completed four other acquisitions accounted for as business combinations. The total purchase price for these acquisitions was $542 million, consisting primarily of cash consideration. The allocation of purchase consideration resulted in approximately $90 million of technology, customer, and marketing related intangible assets with estimated useful lives ranging from approximately one to seven years, net assets of $15 million, and initial goodwill of approximately $437 million attributable to the workforce of the acquired companies and the synergies expected to arise from these acquisitions, including the integration of the acquired technology with our existing product offerings. We do not expect goodwill to be deductible for income tax purposes. The allocation of the purchase price for these acquisitions has been prepared on a preliminary basis and changes to the allocation to certain assets, liabilities, and tax estimates may occur as additional information becomes available.

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 stock 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 deductible for income tax purposes.

In connection 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.

Acquisitions Completed In 2019

There were no acquisitions accounted for as business combinations or divestitures completed in 2019.

Other Information

Prior to acquisition, we held minority interests in certain of the companies we acquired in 2021. We remeasured these investments immediately before the completion of the respective acquisitions at an acquisition-date fair value of $64 million, which resulted in a gain of $36 million recognized as other income (expense), net in our consolidated statements of income. The acquisition-date fair value was derived using the value paid less a control premium based on market analysis performed by a third party.

We included the financial results of the acquired businesses in our consolidated financial statements from the date of acquisition. Revenues and expenses related to the acquisition and pro forma results of operations were not presented for the years ended December 31, 2021, 2020, and 2019 because the effects of these acquisitions were not material to our overall operations.

Note 5—Goodwill and Intangible Assets

Goodwill

The following table presents goodwill balances and adjustments to those balances for the years ended December 31, 2021 and 2020:

	December 31, 2019	Goodwill Acquired	Adjustments	December 31, 2020	Goodwill Acquired	Adjustments	December 31, 2021
				(In millions)			
Total goodwill	$ 6,212	$ 2,962	$ (39)	$ 9,135	$ 2,355	$ (36)	$ 11,454

The goodwill acquired during 2021 and 2020 was attributable to the five acquisitions completed within 2021 and our acquisition of Honey in 2020, respectively, as described further in "Note 4—Business Combinations." The adjustments to goodwill during 2021 and 2020 pertained to foreign currency translation adjustments.

Intangible Assets

The components of identifiable intangible assets were as follows:

	December 31, 2021				December 31, 2020			
	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)
	(In millions, except years)							
Intangible assets:								
Customer lists and user base	$ 1,726	$ (919)	$ 807	7	$ 1,206	$ (797)	$ 409	6
Marketing related	405	(315)	90	5	321	(278)	43	3
Developed technology	1,109	(822)	287	3	999	(577)	422	3
All other	454	(306)	148	7	449	(275)	174	7
INTANGIBLE ASSETS, NET	**$ 3,694**	**$ (2,362)**	**$ 1,332**		**$ 2,975**	**$ (1,927)**	**$ 1,048**	

Amortization expense for intangible assets was $443 million, $451 million, and $211 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Expected future intangible asset amortization as of December 31, 2021 was as follows:

Fiscal years:	(In millions)
2022	$ 469
2023	232
2024	211
2025	173
2026	116
Thereafter	131
	$ 1,332

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, customer services and operations centers, and warehouses.

While a majority of our lease agreements do not contain an explicit interest rate, we have certain lease agreements that are subject to 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.

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.

As of December 31, 2021, we had no finance leases.

The components of lease expense were as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Lease expense			
Operating lease expense	$ 170	$ 166	$ 136
Sublease income	(8)	(6)	(6)
LEASE EXPENSE, NET	**$ 162**	**$ 160**	**$ 130**

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ 167	$ 159	$ 131
ROU lease assets obtained in exchange for operating lease liabilities[1]	$ 103	$ 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:

	As of December 31,	
	2021	2020
	(In millions, except weighted-average figures)	
Operating ROU lease assets	$ 659	$ 707
Other current operating lease liabilities	142	144
Operating lease liabilities	620	642
TOTAL OPERATING LEASE LIABILITIES	**$ 762**	**$ 786**
Weighted-average remaining lease term—operating leases	6.1 years	6.9 years
Weighted-average discount rate—operating leases	3%	3%

Future minimum lease payments for our operating leases as of December 31, 2021 were as follows:

	Operating Leases
Fiscal years:	(In millions)
2022	$ 160
2023	154
2024	136
2025	105
2026	89
Thereafter	190
TOTAL	**$ 834**
Less: present value discount	(72)
LEASE LIABILITY	**$ 762**

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, 2021, 2020, and 2019 totaled $192 million, $172 million, and $130 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.

In the years ended December 31, 2021 and 2020, we incurred asset impairment charges of $26 million and $30 million, respectively, within restructuring and other charges on our consolidated statements of income. The impairments included a reduction to our ROU lease assets in the amount of $21 million and $23 million, respectively, which were attributed to certain leased space we are no longer utilizing for our core business operations, a portion of which is being subleased.

As of December 31, 2021, we have additional operating leases, primarily for real estate and data centers, which will commence in 2022 with minimum lease payments aggregating to $15 million and lease terms ranging from three to nine years.

Note 7—Other Financial Statement Details

Property and Equipment, Net

	As of December 31,	
	2021	2020
	(In millions)	
Property and equipment, net:		
Computer equipment and software	$ 3,298	$ 3,239
Internal use software and website development costs	3,301	2,831
Land and buildings	380	340
Leasehold improvements	379	377
Furniture and fixtures	146	139
Development in progress and other	86	83
Total property and equipment, gross	7,590	7,009
Accumulated depreciation and amortization	(5,681)	(5,202)
TOTAL PROPERTY AND EQUIPMENT, NET	**$ 1,909**	**$ 1,807**

Depreciation and amortization expense was $822 million, $738 million, and $701 million for the years ended December 31, 2021, 2020, and 2019, respectively.

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 a decrease of $27 million in 2021, an increase of $17 million in 2020, and a decrease of $42 million in 2019.

Geographical Information

The following table summarizes long-lived assets based on geography, which consist of property and equipment, net and operating lease ROU assets:

	As of December 31,	
	2021	2020
	(In millions)	
Long-lived assets:		
U.S.	$ 2,050	$ 2,096
Other countries	518	418
TOTAL LONG-LIVED ASSETS	**$ 2,568**	**$ 2,514**

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, 2021:

	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Investments	Foreign Currency Translation Adjustment ("CTA")	Net Investment Hedge CTA Gain	Estimated Tax (Expense) Benefit	Total
	(In millions)					
Beginning balance	$ (323)	$ 11	$ (198)	$ 24	$ 2	$ (484)
Other comprehensive income (loss) before reclassifications	332	(98)	(72)	—	(4)	158
Less: Amount of loss reclassified from AOCI	(190)	—	—	—	—	(190)
Net current period other comprehensive income (loss)	522	(98)	(72)	—	(4)	348
ENDING BALANCE	**$ 199**	**$ (87)**	**$ (270)**	**$ 24**	**$ (2)**	**$ (136)**

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the year ended December 31, 2020:

	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains on Investments	Foreign CTA	Net Investment Hedge CTA Gain (Loss)	Estimated Tax Benefit	Total
	(In millions)					
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:

	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Investments	Foreign CTA	Net Investment Hedge CTA Loss	Estimated Tax (Expense) Benefit	Total
	(In millions)					
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 provides details about reclassifications out of AOCI for the periods presented below:

Details about AOCI Components	Amount of (Losses) Gains Reclassified from AOCI			Affected Line Item in the Statements of Income
	Year Ended December 31,			
	2021	2020	2019	
	(In millions)			
(Losses) gains on cash flow hedges—foreign exchange contracts	$ (190)	$ 20	$ 238	Net revenues
Unrealized losses on investments	—	—	(1)	Other income (expense), net
	(190)	20	237	Income before income taxes
	—	—	—	Income tax expense
TOTAL RECLASSIFICATIONS FOR THE PERIOD	**$ (190)**	**$ 20**	**$ 237**	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,		
	2021	2020	2019
	(In millions)		
Interest income	$ 57	$ 88	$ 197
Interest expense	(232)	(209)	(115)
Net gains on strategic investments	46	1,914	208
Other	(34)	(17)	(11)
OTHER INCOME (EXPENSE), NET	**$ (163)**	**$ 1,776**	**$ 279**

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, 2021 and 2020:

	December 31,	
	2021	2020
	(In millions)	
Funds receivable and customer accounts:		
Cash and cash equivalents	$ 12,723	$ 13,222
Time deposits	334	233
Available-for-sale debt securities	18,336	15,001
Funds receivable	4,748	4,962
TOTAL FUNDS RECEIVABLE AND CUSTOMER ACCOUNTS	**$ 36,141**	**$ 33,418**
Short-term investments:		
Time deposits	$ 590	$ 1,519
Available-for-sale debt securities	3,604	6,689
Restricted cash	109	81
TOTAL SHORT-TERM INVESTMENTS	**$ 4,303**	**$ 8,289**
Long-term investments:		
Time deposits	$ 45	$ 31
Available-for-sale debt securities	3,545	2,819
Restricted cash	—	7
Strategic investments	3,207	3,232
TOTAL LONG-TERM INVESTMENTS	**$ 6,797**	**$ 6,089**

As of December 31, 2021 and 2020, 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, 2021[1]			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Funds receivable and customer accounts:				
U.S. government and agency securities	$ 8,655	$ —	$ (31)	$ 8,624
Foreign government and agency securities	1,923	—	(9)	1,914
Corporate debt securities	3,402	—	(15)	3,387
Asset-backed securities	1,552	—	(3)	1,549
Municipal securities	535	—	—	535
Short-term investments:				
U.S. government and agency securities	537	—	—	537
Foreign government and agency securities	505	—	(1)	504
Corporate debt securities	2,273	—	—	2,273
Asset-backed securities	278	—	(1)	277
Long-term investments:				
U.S. government and agency securities	568	—	(6)	562
Foreign government and agency securities	752	—	(6)	746
Corporate debt securities	1,435	—	(11)	1,424
Asset-backed securities	817	—	(4)	813
TOTAL AVAILABLE-FOR-SALE DEBT SECURITIES[2]	**$ 23,232**	**$ —**	**$ (87)**	**$ 23,145**

(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."

	December 31, 2020[1]			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Funds receivable and customer accounts:				
U.S. government and agency securities	$ 7,929	$ 4	$ —	$ 7,933
Foreign government and agency securities	1,504	2	—	1,506
Corporate debt securities	2,011	—	—	2,011
Municipal securities	637	—	—	637
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."

Gross amortized cost and estimated fair value balances exclude accrued interest receivable on available-for-sale debt securities, which totaled $36 million and $42 million at December 31, 2021 and 2020, respectively, and were included in other current assets on our consolidated balance sheets.

As of December 31, 2021 and 2020, 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, 2021[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
	(In millions)					
Funds receivable and customer accounts:						
U.S. government and agency securities	$ 8,124	$ (31)	$ —	$ —	$ 8,124	$ (31)
Foreign government and agency securities	1,778	(9)	20	—	1,798	(9)
Corporate debt securities	1,841	(15)	—	—	1,841	(15)
Asset-backed securities	1,302	(3)	—	—	1,302	(3)
Municipal securities	50	—	—	—	50	—
Short-term investments:						
U.S. government and agency securities	440	—	—	—	440	—
Foreign government and agency securities	498	(1)	—	—	498	(1)
Corporate debt securities	323	—	—	—	323	—
Asset-backed securities	273	(1)	—	—	273	(1)
Long-term investments:						
U.S. government and agency securities	562	(6)	—	—	562	(6)
Foreign government and agency securities	746	(6)	—	—	746	(6)
Corporate debt securities	1,345	(11)	—	—	1,345	(11)
Asset-backed securities	707	(4)	—	—	707	(4)
TOTAL AVAILABLE-FOR-SALE DEBT SECURITIES	**$ 17,989**	**$ (87)**	**$ 20**	**$ —**	**$ 18,009**	**$ (87)**

[1] "—" Denotes gross unrealized loss or fair value of less than $1 million in a given position.

	December 31, 2020[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
	(In millions)					
Funds receivable and customer accounts:						
U.S. government and agency securities	$ 262	$ —	$ —	$ —	$ 262	$ —
Foreign government and agency securities	353	—	—	—	353	—
Corporate debt securities	641	—	—	—	641	—
Municipal securities	50	—	—	—	50	—
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.

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 of their amortized cost basis. 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 years ended December 31, 2021 and 2020.

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, 2021	
	Amortized Cost	Fair Value
	(In millions)	
One year or less	$ 10,496	$ 10,491
After one year through five years	11,139	11,060
After five years through ten years	1,500	1,498
After ten years	97	96
TOTAL	**$ 23,232**	**$ 23,145**

Strategic Investments

Our strategic investments include marketable equity securities, which are publicly traded, and non-marketable equity securities, which are primarily 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 $1.9 billion and $2.4 billion as of December 31, 2021 and 2020, respectively.

Our non-marketable equity securities are recorded in long-term investments on our consolidated balance sheets. As of December 31, 2021 and 2020, we had non-marketable equity securities of $79 million and $10 million, respectively, where we have the ability to exercise significant influence, but not control, over the investee. We 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 $1.3 billion and $789 million as of December 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Year Ended December 31,	
	2021	2020
	(In millions)	
Carrying amount, beginning of period	$ 779	$ 497
Adjustments related to non-marketable equity securities:		
Net additions[1]	133	143
Gross unrealized gains	356	161
Gross unrealized losses and impairments	—	(22)
CARRYING AMOUNT, END OF PERIOD	**$ 1,268**	**$ 779**

[1] Net additions include 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, 2021 and 2020:

	December 31,	
	2021	2020
	(In millions)	
Cumulative gross unrealized gains	$ 733	$ 378
Cumulative gross unrealized losses and impairment	$ (27)	$ (27)

Unrealized Gains (Losses) on Strategic Investments, Excluding Those Accounted for Using the Equity Method

The following table summarizes the net unrealized gains (losses) on marketable and non-marketable equity securities, excluding those accounted for using the equity method, held at December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
	(In millions)	
Net unrealized gains (losses)	$ (46)	$ 1,610

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, 2021 and 2020:

	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In millions)	
Assets:			
Cash and cash equivalents[1]	$ 400	$ —	$ 400
Short-term investments[2]:			
U.S. government and agency securities	537	—	537
Foreign government and agency securities	517	—	517
Corporate debt securities	2,273	—	2,273
Asset-backed securities	277	—	277
Total short-term investments	3,604	—	3,604
Funds receivable and customer accounts[3]:			
Cash and cash equivalents	622	—	622
U.S. government and agency securities	8,624	—	8,624
Foreign government and agency securities	4,083	—	4,083
Corporate debt securities	3,545	—	3,545
Asset-backed securities	1,549	—	1,549
Municipal securities	535	—	535
Total funds receivable and customer accounts	18,958	—	18,958
Derivatives	304	—	304
Long-term investments[2], [4]:			
U.S. government and agency securities	562	—	562
Foreign government and agency securities	746	—	746
Corporate debt securities	1,424	—	1,424
Asset-backed securities	813	—	813
Marketable equity securities	1,860	1,860	—
Total long-term investments	5,405	1,860	3,545
TOTAL FINANCIAL ASSETS	**$ 28,671**	**$ 1,860**	**$ 26,811**
Liabilities:			
DERIVATIVES	**$ 130**	**$ —**	**$ 130**

(1) Excludes cash of $4.8 billion not measured and recorded at fair value.
(2) Excludes restricted cash of $109 million and time deposits of $635 million not measured and recorded at fair value.
(3) Excludes cash, time deposits, and funds receivable of $17.2 billion underlying funds receivable and customer accounts not measured and recorded at fair value.
(4) Excludes non-marketable equity securities of $1.3 billion measured using the Measurement Alternative or equity method accounting.

	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In millions)	
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	7,933	—	7,933
Foreign government and agency securities	4,296	—	4,296
Corporate debt securities	2,135	—	2,135
Municipal securities	637	—	637
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.

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, 2021 and 2020, 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 available-for-sale debt securities denominated in currencies other than the functional currency of our subsidiaries 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, 2021 and 2020:

	December 31, 2021	December 31, 2020
	(In millions)	
Funds receivable and customer accounts	$ 2,327	$ 2,914
Short-term investments	$ 13	$ —

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, 2021 and 2020:

	Year Ended December 31, 2021	Year Ended December 31, 2020
	(In millions)	
Funds receivable and customer accounts	$ (101)	$ 190
Short-term investments	$ (30)	$ (24)

Financial Assets Measured and Recorded at Fair Value on a Non-Recurring Basis

The following tables summarize our financial assets held as of December 31, 2021 and 2020 for which a non-recurring fair value measurement was recorded during the years ended December 31, 2021 and 2020, respectively:

	December 31, 2021	Significant Other Observable Inputs (Level 2)
	(In millions)	
Non-marketable equity investments measured using the Measurement Alternative[1]	$ 611	$ 611
Other assets[2]	86	86
TOTAL	**$ 697**	**$ 697**

[1] Excludes non-marketable equity investments of $657 million accounted for under the Measurement Alternative for which no observable price changes occurred during the year ended December 31, 2021.

[2] Consists of ROU lease assets recorded at fair value pursuant to impairment charges that occurred in 2021. See "Note 6—Leases" for additional information.

	December 31, 2020	Significant Other Observable Inputs (Level 2)
	(In millions)	
Non-marketable equity investments measured using the Measurement Alternative[1]	$ 335	$ 335
Other assets[2]	44	44
	$ 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 that occurred in 2020. See "Note 6—Leases" for additional information.

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, notes receivable, and long-term debt related to borrowings on our credit facilities are carried at amortized cost, which

approximates their fair value. Our long-term debt (including current portion) in the form of fixed rate notes had a carrying value of approximately $9.0 billion and fair value of approximately $9.3 billion as of December 31, 2021. Our fixed rate notes had a carrying value of approximately $8.9 billion and fair value of approximately $9.7 billion as of December 31, 2020. 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 (including current portion) 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 do 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, 2021, we estimated that $177 million of net derivative gains 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, 2021, 2020, and 2019, 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 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, which matured in 2020, 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 gains and losses were recorded in AOCI as part of foreign currency translation. 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 years ended December 31, 2020 and 2019, we recognized $55 million in unrealized gains and $31 million in unrealized losses, respectively, on the foreign currency exchange contract designated as a net investment hedge. As of December 31, 2021, we did not have a net investment hedge. We have not reclassified any gains or losses related to the net investment hedge 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 of 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 used to 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, 2021 and 2020 was as follows:

	Balance Sheet Location	As of December 31,	
		2021	2020
		(In millions)	
Derivative Assets:			
Foreign currency exchange contracts designated as hedging instruments	Other current assets	$ 205	$ —
Foreign currency exchange contracts designated as hedging instruments	Other assets (non-current)	21	—
Foreign currency exchange contracts not designated as hedging instruments	Other current assets	78	42
TOTAL DERIVATIVE ASSETS		**$ 304**	**$ 42**
Derivative Liabilities:			
Foreign currency exchange contracts designated as hedging instruments	Other current liabilities	$ 27	$ 287
Foreign currency exchange contracts designated as hedging instruments	Other long-term liabilities	—	35
Foreign currency exchange contracts not designated as hedging instruments	Other current liabilities	103	88
TOTAL DERIVATIVE LIABILITIES		**$ 130**	**$ 410**

Master Netting Agreements—Rights of Set-Off

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 of $102 million as of December 31, 2021 and $34 million as of December 31, 2020. 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:

	December 31,	
	2021	2020
	(In millions)	
Cash collateral posted[1]	$ 5	$ 340
Cash collateral received[2]	$ 209	$ 1

[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:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Net revenues			
Total amounts presented in the consolidated statements of income in which the effects of cash flow hedges are recorded	$ 25,371	$ 21,454	$ 17,772
(Losses) gains on foreign exchange contracts designated as cash flow hedges reclassified from AOCI	$ (190)	$ 20	$ 238

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,		
	2021	2020	2019
	(In millions)		
Gains (losses) on foreign exchange contracts recognized in other income (expense), net	$ 144	$ (110)	$ 24
Losses on equity derivative contracts recognized in other income (expense), net[1]	—	(64)	—
TOTAL GAINS (LOSSES) RECOGNIZED FROM CONTRACTS NOT DESIGNATED AS HEDGING INSTRUMENTS	**$ 144**	**$ (174)**	**$ 24**

[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 were 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,	
	2021	2020
	(In millions)	
Foreign exchange contracts designated as hedging instruments	$ 5,349	$ 5,335
Foreign exchange contracts not designated as hedging instruments	20,414	16,098
TOTAL	**$ 25,763**	**$ 21,433**

Note 11—Loans and Interest Receivable

Consumer Receivables

We offer revolving and installment credit products as a funding option for consumers in certain checkout transactions on our payments platform. Our revolving credit product consists of PayPal Credit in the U.K. Once a consumer is approved for credit, it is made available to them as a funding source. Additionally, we offer installment credit products (known as buy now, pay later) at the time of checkout in various locations including the U.S., Europe, Australia, and Japan. The majority of the installment loans allow consumers to pay for a product over periods of 12 months or less. As of December 31, 2021 and 2020, the outstanding balance of consumer receivables, which consisted of revolving and installment loans and interest receivable, was $3.8 billion and $2.2 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.

The following tables present the delinquency status of consumer loans and interest receivable by year of origination. The amounts are based on the number of days past the billing date for revolving loans or contractual repayment date for installment loans. The "current" category represents balances that are within 29 days of the billing date or contractual repayment date, as applicable.

	December 31, 2021 (In millions, except percentages)							
		Installment Loans Amortized Cost Basis						
	Revolving Loans Amortized Cost Basis	2021	2020	2019	2018	2017	Total	Percent
Current	$ 1,790	$ 1,939	$ 3	$ —	$ —	$ —	$ 3,732	97.0%
30 - 59 Days	18	16	—	—	—	—	34	0.9%
60 - 89 Days	12	13	—	—	—	—	25	0.6%
90 - 179 Days	27	28	1	—	—	—	56	1.5%
TOTAL[1]	**$ 1,847**	**$ 1,996**	**$ 4**	**$ —**	**$ —**	**$ —**	**$ 3,847**	**100%**

[1] Excludes receivables from other consumer credit products of $44 million at December 31, 2021.

	December 31, 2020 (In millions, except percentages)							
		Installment Loans Amortized Cost Basis						
	Revolving Loans Amortized Cost Basis	2020	2019	2018	2017	2016	Total	Percent
Current	$ 1,573	$ 542	$ 9	$ —	$ —	$ —	$ 2,124	97.9%
30 - 59 Days	12	3	—	—	—	—	15	0.7%
60 - 89 Days	10	1	—	—	—	—	11	0.5%
90 - 179 Days	18	1	—	—	—	—	19	0.9%
TOTAL[1], [2]	**$ 1,613**	**$ 547**	**$ 9**	**$ —**	**$ —**	**$ —**	**$ 2,169**	**100%**

[1] Excludes receivables from other consumer credit products of $56 million at December 31, 2020.
[2] Balances at December 31, 2020 include the impact of payment holidays provided primarily in the second quarter of 2020 by the Company to certain 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, 2021 and 2020:

	December 31, 2021			December 31, 2020		
	Consumer Loans Receivable	Interest Receivable	Total Allowance[1]	Consumer Loans Receivable	Interest Receivable	Total Allowance[1]
	(In millions)					
Beginning balance	$ 299	$ 53	$ 352	$ 49	$ 8	$ 57
Adjustment for adoption of CECL	—	—	—	24	4	28
Provisions	20	10	30	245	50	295
Charge-offs	(116)	(20)	(136)	(69)	(12)	(81)
Recoveries[2]	28	—	28	27	—	27
Other[3]	12	—	12	23	3	26
ENDING BALANCE	**$ 243**	**$ 43**	**$ 286**	**$ 299**	**$ 53**	**$ 352**

[1] Excludes allowances from other consumer credit products of $4 million and $3 million at December 31, 2021 and 2020, respectively.
[2] The recoveries for the year ended December 31, 2020 were primarily related to fully charged-off U.S. consumer credit receivables not subject to the sale to Synchrony Bank.
[3] Includes amounts related to foreign currency remeasurement and, for the year ended December 31, 2021, initial allowance for purchased credit deteriorated ("PCD") loans acquired during the period. A portion of the Paidy loan portfolio acquired was determined to be purchase credit deteriorated as the loans were 30 days or more past due. As such, we recorded current expected credit losses on the PCD loans.

The provision for the year ended December 31, 2021 was primarily attributable to originations in the consumer portfolio, partially offset by improvements in the credit quality of the consumer portfolio and current and projected macroeconomic conditions. Qualitative adjustments were made to account for limitations in our current expected credit loss models due to continued volatility with respect to macroeconomic conditions and uncertainty around the impact the continuation of COVID-19 may have on consumers ability to make payments on amounts outstanding.

The increase in charge-offs for the year ended December 31, 2021 compared to 2020 was due to growth in the consumer portfolio driven by the expansion of our installment products.

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 for interest earned on our consumer loans receivable portfolio is recognized in revenues from other value added services as a reduction to revenue. Loans receivable 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 or contractual repayment 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 merchant finance products for certain small and medium-sized businesses through the PPWC and PPBL products, which we collectively refer to as the merchant finance offerings. We purchase receivables related to credit extended to U.S. merchants by WebBank and are responsible for servicing functions related to that portfolio. We purchased approximately $1.8 billion in credit receivables in both the years ended December 31, 2021 and 2020. The total outstanding balance in our pool of merchant loans, advances, and interest and fees receivable was $1.4 billion for both December 31, 2021 and 2020, net of the participation interest sold to WebBank of $63 million and $59 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 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 revenue in accrued expenses and other current liabilities on our consolidated balance sheets. The fixed interest or fee is amortized into 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 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, 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 WebBank 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 tables present the delinquency status of the 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 expected repayment date or contractual repayment date, as applicable.

	December 31, 2021 (In millions, except percentages)						
	2021	2020	2019	2018	2017	Total	Percent
Current	$ 1,100	$ 129	$ 95	$ 3	$ —	$ 1,327	91.8%
30 - 59 Days	24	12	12	1	—	49	3.4%
60 - 89 Days	10	8	7	—	—	25	1.7%
90 - 179 Days	10	11	11	1	—	33	2.3%
180+ Days	—	4	7	1	—	12	0.8%
TOTAL[1]	**$ 1,144**	**$ 164**	**$ 132**	**$ 6**	**$ —**	**$ 1,446**	**100%**

[1] Balances include the impact of modification programs offered by the Company as a part of our COVID-19 payment relief initiatives (as discussed further below).

	December 31, 2020 (In millions, except percentages)						
	2020	2019	2018	2017	2016	Total	Percent
Current	$ 786	$ 250	$ 6	$ —	$ —	$ 1,042	75.4%
30 - 59 Days	55	47	3	—	—	105	7.6%
60 - 89 Days	27	32	3	—	—	62	4.5%
90 - 179 Days	57	78	7	—	—	142	10.3%
180+ Days	6	20	5	—	—	31	2.2%
TOTAL[1]	**$ 931**	**$ 427**	**$ 24**	**$ —**	**$ —**	**$ 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 summarizes the activity in the allowance for merchant loans, advances, and interest and fees receivable, for the years ended December 31, 2021 and 2020:

	December 31, 2021			December 31, 2020		
	Merchant Loans and Advances	Interest and Fees Receivable	Total Allowance	Merchant Loans and Advances	Interest and Fees Receivable	Total Allowance
	(In millions)					
Beginning balance	$ 440	$ 43	$ 483	$ 171	$ 20	$ 191
Adjustment for adoption of CECL	—	—	—	165	17	182
Provisions	(116)	(22)	(138)	358	33	391
Charge-offs	(173)	(12)	(185)	(274)	(27)	(301)
Recoveries	41	—	41	20	—	20
ENDING BALANCE	**$ 192**	**$ 9**	**$ 201**	**$ 440**	**$ 43**	**$ 483**

The benefit for the year ended December 31, 2021 was primarily attributable to improvements in current and projected macroeconomic conditions, and to a lesser extent, improvements in the credit quality of our merchant portfolio. This was partially offset by provisions for originations during the period and the impact of qualitative adjustments to account for varying degrees of expected merchant performance in the current environment and in future periods due to macroeconomic conditions and uncertainty around the impact the continuation of COVID-19 may have on merchants ability to make payments on amounts outstanding and uncertainty around the effectiveness of loan modification programs made available to merchants, as described further below.

The decrease in the charge-offs for the year ended December 31, 2021 compared to 2020 was due to improved portfolio performance. Additionally, charge offs increased in the year ended December 31, 2020 due to accounts that experienced financial difficulties as a result of the COVID-19 pandemic.

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 revenue 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 it is experiencing financial difficulty, there may be a modification of the loan or advance and the related interest or fee 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 help enable us to mitigate losses.

These modifications include an increase in term by approximately 1 to 5.5 years while moving the delinquency status to current. The fee on certain 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 years ended December 31, 2021 and 2020.

Allowances for TDRs are assessed separately from other loans and advances 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 may include qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of our current expected credit losses.

The following tables show the merchant loans and interest receivables which have been modified as TDRs in the years ended December 31, 2021 and 2020:

	Year Ended December 31, 2021		
	Number of Accounts (In thousands)	Outstanding Balances[1] (In millions)	Weighted Average Payment Term Extensions (In months)
Loans and interest receivable	3	$ 45	36

	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 is 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. In the years ended December 31, 2021 and 2020, the amount of merchant loans and interest receivables classified as TDRs that have subsequently defaulted on payments was 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 both December 31, 2021 and 2020, we had an outstanding aggregate principal amount of $9.0 billion related to the Notes. The following table summarizes the Notes:

	Maturities	Effective Interest Rate	As of December 31, 2021	As of December 31, 2020
			(In millions)	
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 $4.0 billion:				
Fixed-rate 1.350% notes	6/1/2023	1.55%	1,000	1,000
Fixed-rate 1.650% notes	6/1/2025	1.78%	1,000	1,000
Fixed-rate 2.300% notes	6/1/2030	2.39%	1,000	1,000
Fixed-rate 3.250% notes	6/1/2050	3.33%	1,000	1,000
Total term debt			$ 9,000	$ 9,000
Unamortized premium (discount) and issuance costs, net			(50)	(61)
Less: current portion of long-term debt[1]			(999)	—
TOTAL CARRYING AMOUNT OF LONG-TERM DEBT			**$ 7,951**	**$ 8,939**

[1] The current portion of long-term debt is included within accrued expenses and other current liabilities on our consolidated balance sheets.

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 $224 million, $190 million, and $35 million for the years ended December 31, 2021, 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, 2021, 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, (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, or (iv) a formula based on the Euro Short-Term Rate ("ESTR") or the Sterling Overnight Index Average ("SONIA") rate plus a margin (based on our public debt ratings) ranging from 0.875 to 1.375 percent. In January 2022, an amendment to the agreement was signed which provides for the additional borrowing rate option of utilizing SONIA or ESTR rates. 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, 2021, no borrowings or letters of credit were outstanding under the Credit Agreement. Accordingly, at December 31, 2021, $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 was $69 million for the year ended December 31, 2019.

Paidy Revolving Credit Facility

In October 2021, we assumed a credit agreement through our acquisition of Paidy (the "Paidy Credit Agreement"). The Paidy Credit Agreement provides for a secured revolving credit facility of approximately $198 million. Borrowings under the Paidy Credit Agreement must be used to fund the origination of loan receivables. We are obligated to pay interest on loans under the Paidy Credit Agreement. Loans under the Paidy Credit Agreement bear interest at JPY LIBOR plus a margin of either 2.00 percent or 4.25 percent (based on the loan receivable). The Paidy Credit Agreement will terminate and all amounts owed thereunder will be due and payable in October 2024, unless the commitments are terminated earlier. The Paidy Credit Agreement contains representations, warranties, affirmative and negative covenants, which require us to meet a quarterly financial test with respect to certain liquidity measures and a maximum leverage ratio. As of December 31, 2021, approximately $98 million was outstanding under the Paidy Credit Agreement, which was recorded in long-term debt on our consolidated balance sheet. Accordingly, at December 31, 2021, approximately $100 million of borrowing capacity was available for the purposes permitted by the Paidy Credit Agreement, subject to customary conditions to borrowing. The total interest expense and fees we recorded related to the Paidy Credit Agreement were de minimis for the year ended December 31, 2021.

Other Available Facilities

We also maintain uncommitted credit facilities in various regions throughout the world, which had a borrowing capacity of approximately $90 million and $30 million in the aggregate, as of December 31, 2021 and 2020, respectively. This available credit includes facilities where we can withdraw and utilize the funds at our discretion for general corporate purposes. Interest rate terms for these facilities vary by region and reflect prevailing market rates for companies with strong credit ratings. As of December 31, 2021, the majority of the borrowing capacity under these credit facilities was available, subject to customary conditions to borrowing.

Future Principal Payments

As of December 31, 2021, the future principal payments associated with our term debt were as follows (in millions):

2022	$	1,000
2023		1,000
2024		1,250
2025		1,000
2026		1,250
Thereafter		3,500
TOTAL	**$**	**9,000**

Note 13—Commitments and Contingencies

Commitments

As of December 31, 2021 and 2020, approximately $4.1 billion and $3.0 billion, respectively, of unused credit was available to PayPal Credit account holders. Substantially all of our 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 of our PayPal Credit account holders will access their entire available credit at any given point in time. In addition, the individual lines of credit that make up this unused credit are subject to periodic review and termination 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 or penalties or may require us to change or adopt certain business practices. 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, 2021. 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 ("IFTIs") 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. AUSTRAC continues to engage with PPAU regarding the transaction categories it considers reportable under the AML/CTF Act as IFTIs. PPAU is continuing to cooperate with AUSTRAC in all respects, including remediation activities, ongoing regular engagement with AUSTRAC, and responding to notices and requests for information and documents.

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, including in relation to AUSTRAC's determination of reportable IFTIs, then 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.

We have received Civil Investigative Demands ("CIDs") from the Consumer Financial Protection Bureau ("CFPB") related to Venmo's unauthorized funds transfers and collections processes, and related matters. The CIDs request the production of documents and answers to written questions. We are cooperating with the CFPB in connection with these CIDs.

We have received a CID from the CFPB related to the marketing and use of PayPal Credit in connection with certain merchants that provide educational services (the "CFPB PayPal Credit Matter"). The CID requests the production of documents, written reports, and answers to written questions. We are cooperating with the CFPB in connection with this CID.

We are responding to subpoenas and requests for information received from the U.S. Securities and Exchange Commission ("SEC") Enforcement Division relating to whether the interchange rates paid to the bank that issues debit cards bearing our licensed brands were consistent with Regulation II of the Board of Governors of the Federal Reserve System, and to the reporting of marketing fees earned from the PayPal-branded card programs (the "SEC Debit Card Program Matter"). We are cooperating with the SEC Enforcement Division in connection with this investigation.

Legal Proceedings

On August 20, 2021, a putative securities class action captioned Kang v. PayPal Holdings, Inc., et al., Case No. 21-cv-06468, was filed in the U.S. District Court for the Northern District of California (the "Securities Action"). The Securities Action asserts claims relating to our disclosure of the CFPB PayPal Credit Matter and the SEC Debit Card Program Matter in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021. The Securities Action purports to be brought on behalf of purchasers of the Company's stock between February 9, 2017 and July 28, 2021 (the "Class Period"), and asserts claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against the Company, its Chief Executive Officer, and Chief Financial Officer. The complaint alleges that certain public statements made by the Company during the Class Period were rendered materially false and misleading (which, allegedly, caused the Company's stock to trade at artificially inflated prices) by the defendants' failure to disclose that, among other things, PayPal's business practices with respect to PayPal Credit and regarding interchange rates paid to its bank partner related to its bank-issued co-branded debit cards were non-compliant with applicable laws and/or regulations. The Securities Action seeks unspecified compensatory damages on behalf of the putative class members. On November 2, 2021, the court appointed a Lead Plaintiff, and on January 25, 2022, the Lead Plaintiff filed an amended complaint. The amended complaint alleges a class period between April 27, 2016 and July 28, 2021 (the "Amended Class Period"), and in addition to the Company, its Chief Executive Officer, and Chief Financial Officer, also names other Company executives as defendants. The amended complaint alleges that various statements made by the defendants during the Amended Class Period were rendered materially false and misleading, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, by PayPal's alleged violations of the 2015 Consent Order with the CFPB, federal consumer financial laws, and Regulation II. Defendants' motion to dismiss the amended complaint is due on March 28, 2022.

On December 16, 2021 and January 19, 2022, two related putative shareholder derivative actions captioned Pang v. Daniel Schulman, et al., Case No. 21-cv-09720, and Lalor v. Daniel Schulman, et al., Case No. 22-cv-00370, respectively, were filed in the U.S. District Court for the Northern District of California (the "Derivative Actions"), purportedly on behalf of the Company. The

Derivative Actions are based on the same alleged facts and circumstances as the Securities Action, and name certain of our officers, including our Chief Executive Officer and Chief Financial Officer, and members of our Board of Directors, as defendants. The Derivative Actions allege claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the Securities Exchange Act of 1934, and seek to recover damages on behalf of the Company. On February 1, 2022, the court entered an order consolidating the Derivative Actions and staying them until all motions to dismiss in the Securities Action are resolved.

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 platform, 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 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 services in connection with these loans and retain operational risk related to those activities. We have agreed, under certain circumstances, to indemnify the chartered financial institution and its assignee of a portion of these loans 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, 2021 and 2020, 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. Additionally, in some instances we provide protection for cryptocurrencies held in PayPal accounts in case of loss directly resulting from service provider insolvency or in the event the service provider's private keys are compromised. These protection programs are considered assurance-type warranties under applicable accounting standards for which we estimate and record associated costs in transaction and credit losses during the period the payment transaction is completed.

At December 31, 2021 and 2020, the allowance for transaction losses was $121 million and $144 million, respectively. The allowance for negative customer balances was $234 million and $270 million at December 31, 2021 and 2020, respectively. The following table shows changes in the allowance for transaction losses and negative customer balances related to our protection programs for the years ended December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
	(In millions)	
Beginning balance	$ 414	$ 399
Provision	1,153	1,135
Realized losses	(1,331)	(1,208)
Recoveries	119	88
ENDING BALANCE	**$ 355**	**$ 414**

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, 2021, we repurchased approximately 15 million shares of our common stock for approximately $3.4 billion at an average cost of $219.75. These shares were purchased in the open market under our stock repurchase program authorized in July 2018. As of December 31, 2021, a total of approximately $5.1 billion remained available for future repurchases of our common stock under our July 2018 stock repurchase program.

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 at an average cost of $101.11, including approximately $656 million in the open market and approximately $750 million pursuant to an accelerated share repurchase 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, performance based restricted stock units ("PBRSUs"), deferred stock units, and stock payments, may be granted to our directors, officers, and employees. At December 31, 2021, 57 million shares were authorized under the Plan and 41 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, 2021, 2020, and 2019, our employees purchased 1.4 million, 1.7 million, and 1.8 million shares under the ESPP at an average per share price of $114.36, $80.36, and $66.36, respectively. As of December 31, 2021, approximately 48 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, 2021:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	(In thousands, except per share amounts and years)			
Outstanding at January 1, 2021	591	$ 14.37		
Assumed	86	$ 18.70		
Exercised	(329)	$ 12.46		
Forfeited/expired/canceled	(9)	$ 5.65		
OUTSTANDING AT DECEMBER 31, 2021	**339**	**$ 17.55**	**4.58**	**$ 58,496**
Expected to vest	89	$ 12.76	7.34	$ 15,769
Options exercisable	242	$ 19.31	3.46	$ 41,372

The weighted average grant date fair value of options assumed from acquisitions during the years ended December 31, 2021 and 2020 was $237.26 and $108.61, 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, 2021. During the years ended December 31, 2021, 2020, and 2019, the aggregate intrinsic value of options exercised under the Plan was $81 million, $66 million, and $51 million, respectively, determined as of the date of option exercise. At December 31, 2021, all outstanding options were in-the-money.

RSU, PBRSU, And Restricted Stock Activity

The following table summarizes RSU, PBRSU, and restricted stock activity under the Plan as of December 31, 2021 and changes during the year ended December 31, 2021:

	Units	Weighted Average Grant-Date Fair Value (per share)
	(In thousands, except per share amounts)	
Outstanding at January 1, 2021	23,164	$ 107.13
Awarded and assumed[1],[2]	9,266	$ 239.34
Vested[1]	(12,858)	$ 105.32
Forfeited	(2,038)	$ 155.60
OUTSTANDING AT DECEMBER 31, 2021	**17,534**	**$ 172.55**
Expected to vest	15,918	

(1) Includes approximately 1.8 million of additional PBRSUs issued during 2021 due to the achievement of company performance metrics on awards granted in previous years.
(2) Includes approximately 0.6 million in RSUs assumed from acquisitions in 2021.

During the years ended December 31, 2021, 2020, and 2019, the aggregate intrinsic value of RSUs and PBRSUs vested under the Plan was $3.4 billion, $1.7 billion, and $1.6 billion, respectively.

In the year ended December 31, 2021, the Company granted 0.7 million PBRSUs with a one-year performance period (fiscal 2021), which will become fully vested following the completion of the performance period in February 2022 (one year from the annual incentive award cycle grant date), and 0.5 million PBRSUs with a three-year performance period.

In the year ended December 31, 2020, the Company granted 1.4 million PBRSUs with a one-year performance period (fiscal 2020), which became 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.

Stock-Based Compensation Expense

Stock-based compensation expense for the Plan is measured based on estimated fair value at the time of grant, and recognized over the award's vesting period.

The impact on our results of operations of recording stock-based compensation expense under the Plan for the years ended December 31, 2021, 2020, and 2019 was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Customer support and operations	$ 263	$ 250	$ 198
Sales and marketing	175	172	127
Technology and development	515	529	420
General and administrative	468	460	305
TOTAL STOCK-BASED COMPENSATION EXPENSE	**$ 1,421**	**$ 1,411**	**$ 1,050**
Capitalized as part of internal use software and website development costs	$ 68	$ 48	$ 38
Income tax benefit recognized for stock-based compensation arrangements	$ 221	$ 226	$ 182

As of December 31, 2021, there was approximately $1.7 billion of unearned stock-based compensation estimated to be expensed primarily from 2022 through 2024. 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 both 2021 and 2020 and $11,200 in 2019. Our non-U.S. employees are covered by other savings plans. For the years ended December 31, 2021, 2020, and 2019, the matching contribution expense for our U.S. and international savings plans was approximately $81 million, $72 million, and $59 million, respectively.

Note 16—Income Taxes

The components of income before income taxes are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
United States	$ 290	$ 1,504	$ 8
International	3,809	3,561	2,990
INCOME BEFORE INCOME TAXES	**$ 4,099**	**$ 5,065**	**$ 2,998**

The income tax (benefit) expense is composed of the following:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Current:			
Federal	$ 6	$ 310	$ 132
State and local	80	143	47
Foreign	326	245	629
Total current portion of income tax expense	$ 412	$ 698	$ 808
Deferred:			
Federal	$ (401)	$ 259	$ (107)
State and local	(45)	(32)	(39)
Foreign	(36)	(62)	(123)
Total deferred portion of income tax (benefit) expense	(482)	165	(269)
INCOME TAX (BENEFIT) EXPENSE	**$ (70)**	**$ 863**	**$ 539**

The following is a reconciliation of the difference between the effective income tax rate and the federal statutory rate:

	Year Ended December 31,		
	2021	2020	2019
Federal statutory rate	21.0%	21.0%	21.0%
Domestic income taxed at different rates	(1.7)%	—%	—%
State taxes, net of federal benefit	0.9%	2.2%	0.3%
Foreign income taxed at different rates	(13.4)%	(7.4)%	(5.0)%
Stock-based compensation expense	(7.3)%	(1.2)%	(3.9)%
Tax credits	(2.4)%	(2.0)%	(2.4)%
Change in valuation allowances	0.5%	0.1%	0.1%
Intra-group transfer of intellectual property	0.7%	4.1%	7.6%
Other	—%	0.2%	0.3%
EFFECTIVE INCOME TAX RATE	**(1.7)%**	**17.0%**	**18.0%**

For the year ended December 31, 2021, the difference between the effective income tax rate and the U.S. federal statutory rate of 21% to income before income taxes was primarily the result of foreign income taxed at different rates and stock-based compensation deductions. 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 was 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 was 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.

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:

	As of December 31,	
	2021	2020
	(In millions)	
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 317	$ 201
Accruals, allowances, and prepaids	622	413
Lease liabilities	176	188
Partnership investment	5	6
Stock-based compensation	188	196
Net unrealized losses	23	4
Fixed assets and other intangibles	84	—
TOTAL DEFERRED TAX ASSETS	**1,415**	**1,008**
Valuation allowance	(274)	(166)
NET DEFERRED TAX ASSETS	**$ 1,141**	**$ 842**
Deferred tax liabilities:		
Unremitted foreign earnings	$ (35)	$ (21)
Fixed assets and other intangibles	—	(70)
Acquired intangibles	(240)	(72)
ROU lease assets	(154)	(172)
Net unrealized gains	(351)	(440)
TOTAL DEFERRED TAX LIABILITIES	**(780)**	**(775)**
NET DEFERRED TAX ASSETS	**$ 361**	**$ 67**

The following table shows the deferred tax assets and liabilities within our consolidated balance sheets:

	Balance Sheet Location	As of December 31, 2021	2020
		(In millions)	
Total deferred tax assets (non-current)	Other assets	$ 547	$ 142
Total deferred tax liabilities (non-current)	Deferred tax liability and other long-term liabilities	(186)	(75)
TOTAL NET DEFERRED TAX ASSETS		**$ 361**	**$ 67**

As of December 31, 2021, our federal, state, and foreign net operating loss carryforwards for income tax purposes were approximately $9 million, $301 million, and $525 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 2023. Approximately $119 million of the foreign net operating loss carryforwards will begin to expire in 2022, $136 million will begin to expire in 2024, $57 million will begin to expire in 2034, and $213 million has no expiration date and may be carried forward indefinitely. As of December 31, 2021, our federal and state tax credit carryforwards for income tax purposes were approximately $15 million and $332 million, respectively. If not utilized, the federal tax credits will begin to expire in 2029. Approximately $19 million of the state tax credits will begin to expire in 2022, $26 million will begin to expire in 2028, $8 million will begin to expire in 2037, and $279 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 years ended December 31, 2021 and 2019, we increased our valuation allowance by $108 million and $52 million, respectively, and during the year ended December 31, 2020, we decreased our valuation allowance by $18 million. At December 31, 2021, 2020, and 2019, we maintained a valuation allowance with respect to our net deferred tax assets in certain states, operating losses in certain state and foreign jurisdictions, and certain federal and state tax credits that we believe are not likely to be realized.

At December 31, 2021, none of our approximately $8.4 billion of unremitted foreign earnings are considered to be indefinitely reinvested. We have accrued $35 million of deferred U.S. state income and foreign withholding taxes on the $8.4 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 $327 million, $596 million, and $472 million in 2021, 2020, and 2019, respectively. The benefit of these agreements on our net income per share (diluted) was approximately $0.28, $0.50, and $0.40 in 2021, 2020, and 2019, respectively.

The following table reflects changes in unrecognized tax benefits for the periods presented below:

	Year Ended December 31, 2021	2020	2019
		(In millions)	
Gross amounts of unrecognized tax benefits as of the beginning of the period	$ 1,479	$ 1,141	$ 800
Increases related to prior period tax positions	172	92	97
Decreases related to prior period tax positions	(187)	(78)	(28)
Increases related to current period tax positions	232	360	336
Settlements	(15)	(34)	(63)
Statute of limitation expirations	(3)	(2)	(1)
GROSS AMOUNTS OF UNRECOGNIZED TAX BENEFITS AS OF THE END OF THE PERIOD	**$ 1,678**	**$ 1,479**	**$ 1,141**

If the remaining balance of unrecognized tax benefits were realized in a future period, it would result in a tax benefit of $1.2 billion.

For the years ended December 31, 2021, 2020, and 2019, we recognized net interest and penalties of $6 million, $40 million, and $63 million, respectively, related to uncertain tax positions in income tax expense. The amount of interest and penalties accrued as of December 31, 2021 and 2020 was approximately $212 million and $211 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 2010 to 2020 tax years. The material jurisdictions in which we are subject to examination by tax authorities for tax years after 2009 primarily include the U.S. (Federal and California), Germany, India, Israel, and Singapore. During 2021, we settled income tax audits in various jurisdictions including Germany and India. 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, 2021 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 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 year ended December 31, 2020, management approved a strategic reduction of the existing global workforce, which resulted in restructuring charges of $27 million and $109 million in 2021 and 2020, respectively. In the first quarter of the year ended December 31, 2019, management approved strategic reductions of the existing global workforce, which resulted in a restructuring charge of $78 million.

The approved strategic reduction in 2020 was 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, substantially all of which have been accrued as of the second quarter of 2021.

The following table summarizes the restructuring reserve activity during the year ended December 31, 2021:

	Employee Severance and Benefits and Other Associated Costs
	(In millions)
Accrued liability as of January 1, 2021	$ 55
Charges	27
Payments	(77)
ACCRUED LIABILITY AS OF DECEMBER 31, 2021	**$ 5**

Additionally, in 2021 and 2020, we incurred asset impairment charges of $26 million and $30 million, respectively, due to the exiting of certain leased properties which resulted in a reduction of certain ROU lease assets and related leasehold improvements. 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.

Financial Statement Schedule

The Financial Statement Schedule II—VALUATION AND QUALIFYING ACCOUNTS is filed as part of this Annual Report on Form 10-K.

	Balance at Beginning of Period	Charged/ (Credited) to Net Income	Charged to Other Accounts[2]	Charges Utilized/ (Write-offs)	Balance at End of Period
			(In millions)		
Allowance for Transaction Losses and Negative Customer Balances					
Year Ended December 31, 2019	$ 344	$ 1,092	$ —	$ (1,037)	$ 399
Year Ended December 31, 2020	$ 399	$ 1,135	$ —	$ (1,120)	$ 414
Year Ended December 31, 2021	$ 414	$ 1,153	$ —	$ (1,212)	$ 355
Allowance for Loans and Interest Receivable					
Year Ended December 31, 2019[1]	$ 172	$ 325	$ —	$ (239)	$ 258
Year Ended December 31, 2020	$ 258	$ 689	$ 210	$ (319)	$ 838
Year Ended December 31, 2021	$ 838	$ (104)	$ —	$ (243)	$ 491

(1) Allowance for loans and interest receivable for the year end December 31, 2019 was based on accounting guidance which was superseded by the adoption of the Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"), effective January 1, 2020.

(2) The amount is related to the impact of the adjustment recorded for adoption of CECL.

Exhibit Index

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference	
			Form	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

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference	
			Form	Date Filed
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
4.12	Form of 2050 Note (included in Exhibit 4.08)		8-K	5/18/2020
10.01	Tax Matters Agreement by and between eBay Inc. and PayPal Holdings, Inc. dated July 17, 2015		8-K	7/20/2015
10.02	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
10.03	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
10.04+	PayPal Employee Incentive Plan, as amended and restated.		DEF 14A	4/14/2016
10.05+	PayPal Holdings, Inc. Amended and Restated 2015 Equity Incentive Award Plan		8-K	5/25/2018
10.06+	PayPal Holdings, Inc. Amended and Restated Deferred Compensation Plan effective November 6, 2018		10-K	2/7/2019
10.07+	PayPal Holdings, Inc. Executive Change in Control and Severance Plan, as amended and restated, effective as of September 27, 2021		10-Q	11/9/2021
10.08+	Form of Indemnity Agreement between PayPal Holdings, Inc. and individual directors and officers		10-12B/A	5/14/2015
10.09+	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
10.10+	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
10.11+	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
10.12+	Form of Director Annual Award Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan		10-12B/A	5/14/2015
10.13+	Form of Electing Director Quarterly Award Agreement under the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan		10-12B/A	5/14/2015
10.14+	PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan		8-K	5/25/2018
10.15+	Amendment to PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan		10-Q	11/9/2021
10.16+	Offer Letter dated September 29, 2014 between eBay Inc. and Daniel Schulman		10-12B/A	5/14/2015
10.17+	Amendment dated December 31, 2014 to Offer Letter between eBay Inc. and Daniel Schulman		10-12B/A	5/14/2015
10.18+	Letter dated April 7, 2015 from eBay Inc. to Louise Pentland		10-K	2/11/2016
10.19+	Letter dated April 13, 2015 from eBay Inc. to Jonathan Auerbach		10-K	2/11/2016
10.20+	Letter Agreement dated July 29, 2015 between John Rainey and PayPal Holdings, Inc.		10-Q	10/29/2015
10.21+	Letter Agreement, dated April 17, 2016, between Aaron Karczmer and PayPal Holdings, Inc.		10-Q	4/27/2017
10.22+	Letter Agreement effective February 20, 2019 between Mark Britto and PayPal Holdings, Inc.		10-Q	4/25/2019
10.23+	Independent Director Compensation Policy		10-K	2/5/2021
10.24+	PayPal Holdings, Inc. Executive Change in Control and Severance Plan, as amended and restated		10-Q	7/29/2021

Exhibit Number	Exhibit Description	Incorporated by Reference: Filed with this Form 10-K	Incorporated by Reference: Form	Incorporated by Reference: Date Filed
10.25	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
10.26	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
10.27	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
10.28	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
10.29	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
10.30	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
10.31	Second Amendment, dated as of January 7, 2022, 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 AG, as the Administrative Agents	X		
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, 2021, 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 3, 2022.

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, Bimal Patel, 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 3, 2022.

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/ Enrique Lores*

Enrique Lores
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

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Our Values

Inclusion

Respect and value uniqueness and diversity of thought. We're talking everyone, everywhere, at all times, regardless of background, level or circumstance. Ideas are richer and execution is stronger when everyone feels included.

Innovation

Create amazing experiences for our customers–whether merchant, consumer or the PayPal community. Think differently, look end-to-end and practice empathy by putting yourself in our customers' shoes.

Collaboration

Work as a team, drive ownership and accountability, make decisions and get results. Foster trust, have integrity, champion each other and have each others' backs. Eradicate silos and win as a team.

Wellness

Care for and actively support each other's well-being. Create a super energizing workplace that brings out the best in our employees by nourishing our mental, physical and emotional balance.



PayPal funded certified carbon credit projects to compensate
for the climate impact of this publication.