

PayPal Holdings, Inc.
Unaudited Condensed Consolidated Balance Sheet
(In Millions)

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 1,590	\$ 1,369	\$ 2,018	\$ 2,583	\$ 1,393	\$ 1,880	\$ 2,562	\$ 2,365	\$ 2,201
Short-term investments	3,385	3,719	2,939	2,184	2,018	2,419	1,846	10	29
Accounts receivable, net	214	187	167	159	137	173	81	53	65
Loans and interest receivable, net	5,348	4,815	4,507	4,224	4,184	3,602	3,152	3,566	3,586
Funds receivable and customer accounts	14,363	13,320	13,034	12,232	12,261	11,802	11,386	10,945	10,612
Notes and receivables from eBay	—	—	—	—	—	—	103	788	694
Prepaid expenses and other current assets	833	751	792	586	655	678	583	480	378
Total current assets	25,733	24,161	23,457	21,968	20,648	20,554	19,713	18,207	17,565
Long-term investments	1,539	1,339	1,315	1,661	2,348	2,392	2,258	31	31
Property and equipment, net	1,482	1,451	1,412	1,345	1,344	1,298	1,291	989	922
Goodwill	4,059	4,068	4,069	4,071	4,069	3,415	3,409	3,184	3,189
Intangible assets, net	211	245	281	320	358	174	186	138	156
Other assets	79	92	97	105	114	63	54	30	54
Total assets	\$ 33,103	\$ 31,356	\$ 30,631	\$ 29,470	\$ 28,881	\$ 27,896	\$ 26,911	\$ 22,579	\$ 21,917
LIABILITIES AND EQUITY									
Current liabilities:									
Accounts payable	\$ 192	\$ 174	\$ 169	\$ 158	\$ 145	\$ 114	\$ 188	\$ 125	\$ 115
Funds payable and amounts due to customers	15,163	14,120	13,834	13,032	12,261	11,802	11,386	10,945	10,612
Notes and payables to eBay	—	—	—	—	—	—	102	868	1,093
Accrued expenses and other current liabilities	1,459	1,272	1,181	1,145	1,179	1,089	877	1,565	1,434
Income taxes payable	64	50	39	27	32	67	31	46	29
Total current liabilities	16,878	15,616	15,223	14,362	13,617	13,072	12,584	13,549	13,283
Deferred tax liability and other long-term liabilities	1,513	1,548	1,591	1,510	1,505	1,610	1,587	390	386
Total liabilities	18,391	17,164	16,814	15,872	15,122	14,682	14,171	13,939	13,669
Equity:									
Net parent investment	—	—	—	—	—	—	12,716	8,498	8,138
Treasury stock at cost	(995)	(945)	(896)	(596)	—	—	—	—	—
Common stock	—	—	—	—	—	—	—	—	—
Additional paid-in-capital	13,579	13,419	13,305	13,188	13,100	12,910	—	—	—
Retained earnings	2,069	1,679	1,356	1,033	668	301	—	—	—
Accumulated other comprehensive income (loss)	59	39	52	(27)	(9)	3	24	142	110
Total equity	14,712	14,192	13,817	13,598	13,759	13,214	12,740	8,640	8,248
Total liabilities and equity	\$ 33,103	\$ 31,356	\$ 30,631	\$ 29,470	\$ 28,881	\$ 27,896	\$ 26,911	\$ 22,579	\$ 21,917

As of January 26, 2017

PayPal Holdings, Inc.
Unaudited Condensed Consolidated Statement of Income - GAAP
(In Millions, Except Percentages and Per Share Amounts)

	Three Months Ended									Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Net revenues	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 10,842	\$ 9,248	\$ 8,025
Operating expenses:												
Transaction expense	954	830	810	752	750	651	634	575	594	3,346	2,610	2,170
Transaction and loan losses	307	271	255	255	245	201	185	178	193	1,088	809	646
Customer support and operations ⁽¹⁾	328	325	318	296	299	284	278	249	264	1,267	1,110	991
Sales and marketing ⁽¹⁾	253	233	250	233	255	226	234	222	258	969	937	954
Product development ⁽¹⁾	215	215	209	195	208	197	202	185	201	834	792	747
General and administrative ⁽¹⁾	275	261	261	231	225	216	215	217	203	1,028	873	733
Depreciation and amortization	189	184	176	175	164	153	150	141	132	724	608	516
Restructuring	—	—	—	—	(1)	—	1	48	—	—	48	—
Total operating expenses	2,521	2,319	2,279	2,137	2,145	1,928	1,899	1,815	1,845	9,256	7,787	6,757
Operating income	460	348	371	407	411	330	398	322	348	1,586	1,461	1,268
Other income (expense), net	9	12	9	15	7	20	1	(1)	(1)	45	27	(7)
Income before income taxes	469	360	380	422	418	350	399	321	347	1,631	1,488	1,261
Income tax expense	79	37	57	57	51	49	94	66	61	230	260	842
Net income (loss)	\$ 390	\$ 323	\$ 323	\$ 365	\$ 367	\$ 301	\$ 305	\$ 255	\$ 286	\$ 1,401	\$ 1,228	\$ 419
Net income (loss) per basic share	\$ 0.32	\$ 0.27	\$ 0.27	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 1.16	\$ 1.00	\$ 0.34
Net income (loss) per diluted share	\$ 0.32	\$ 0.27	\$ 0.27	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 1.15	\$ 1.00	\$ 0.34
Weighted average shares:												
Basic	1,207	1,207	1,210	1,216	1,223	1,221	1,218	1,218	1,218	1,210	1,222	1,218
Diluted	1,216	1,214	1,215	1,225	1,230	1,227	1,224	1,224	1,224	1,218	1,229	1,224
Operating Margin	15.4%	13.0%	14.0%	16.0%	16.1%	14.6%	17.3%	15.1%	15.9%	14.6%	15.8%	15.8%

⁽¹⁾ Amounts have been reclassified to conform to the current presentation.

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In millions)	Note	Three Months Ended								Year Ended December 31,			
		December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
GAAP operating expenses:													
Transaction expense		\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
Transaction and loan losses		307	271	255	255	245	201	185	178	193	1,088	809	646
Customer support and operations	(1)	328	325	318	296	299	284	278	249	264	1,267	1,110	991
Sales and marketing	(1)	253	233	250	233	255	226	234	222	258	969	937	954
Product development	(1)	215	215	209	195	208	197	202	185	201	834	792	747
General and administrative	(1)	275	261	261	231	225	216	215	217	203	1,028	873	733
Depreciation and amortization		189	184	176	175	164	153	150	141	132	724	608	516
Restructuring		—	—	—	—	(1)	—	1	48	—	—	48	—
Total operating expenses		\$ 2,521	\$ 2,319	\$ 2,279	\$ 2,137	\$ 2,145	\$ 1,928	\$ 1,899	\$ 1,815	\$ 1,845	\$ 9,256	\$ 7,787	\$ 6,757
Non-GAAP operating expense adjustments:													
Customer support and operations	(a)	\$ (24)	\$ (21)	\$ (22)	\$ (18)	\$ (18)	\$ (16)	\$ (15)	\$ (13)	\$ (13)	\$ (85)	\$ (62)	\$ (52)
	(e)	—	—	—	—	—	—	(2)	(1)	—	—	(3)	—
Sales and marketing	(a)	(25)	(21)	(22)	(16)	(10)	(18)	(11)	(13)	(19)	(84)	(52)	(59)
Product development	(a)	(37)	(34)	(35)	(33)	(35)	(33)	(35)	(29)	(28)	(139)	(132)	(108)
General and administrative	(a)	(39)	(31)	(33)	(27)	(26)	(25)	(21)	(22)	(19)	(130)	(94)	(75)
	(b)	—	(1)	(9)	(1)	—	(1)	(5)	(3)	(1)	(11)	(9)	(11)
	(d)	—	—	—	—	—	—	—	—	(1)	—	—	(1)
	(e)	—	—	—	—	2	(3)	(7)	(4)	—	—	(12)	—
	(f)	—	—	—	—	(5)	(2)	(3)	—	—	—	(10)	—
Depreciation and amortization	(a)	(2)	(2)	(1)	(1)	(1)	(2)	(2)	(2)	(1)	(6)	(7)	(4)
	(c)	(32)	(32)	(35)	(34)	(29)	(20)	(20)	(16)	(17)	(133)	(85)	(70)
Restructuring	(d)	—	—	—	—	1	—	(1)	(48)	—	—	(48)	—
Total operating expenses		\$ (159)	\$ (142)	\$ (157)	\$ (130)	\$ (121)	\$ (120)	\$ (122)	\$ (151)	\$ (99)	\$ (588)	\$ (514)	\$ (380)
Non-GAAP operating expenses:													
Transaction expense		\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
Transaction and loan losses		307	271	255	255	245	201	185	178	193	1,088	809	646
Customer support and operations	(1)	304	304	296	278	281	268	261	235	251	1,182	1,045	939
Sales and marketing	(1)	228	212	228	217	245	208	223	209	239	885	885	895
Product development	(1)	178	181	174	162	173	164	167	156	173	695	660	639
General and administrative	(1)	236	229	219	203	196	185	179	188	182	887	748	646
Depreciation and amortization		155	150	140	140	134	131	128	123	114	585	516	442
Restructuring		—	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses		\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 2,024	\$ 1,808	\$ 1,777	\$ 1,664	\$ 1,746	\$ 8,668	\$ 7,273	\$ 6,377

(1) Amounts have been reclassified to conform to the current presentation.

(e) Separation

(a) Stock-based compensation expense

(f) Acquisition related transaction expense

(b) Employer payroll taxes on stock-based compensation

(c) Amortization of acquired intangible assets

(d) Restructuring

Reconciliation of Non-GAAP Operating Expenses to Non-GAAP Pro Forma Operating Expenses

(In Millions)	Note	Three Months Ended								Year Ended December 31,			
		December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Non-GAAP operating expenses:													
Transaction expense		\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
Transaction and loan losses		307	271	255	255	245	201	185	178	193	1,088	809	646
Customer support and operations	(1)	304	304	296	278	281	268	261	235	251	1,182	1,045	939
Sales and marketing	(1)	228	212	228	217	245	208	223	209	239	885	885	895
Product development	(1)	178	181	174	162	173	164	167	156	173	695	660	639
General and administrative	(1)	236	229	219	203	196	185	179	188	182	887	748	646
Depreciation and amortization		155	150	140	140	134	131	128	123	114	585	516	442
Total operating expenses		\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 2,024	\$ 1,808	\$ 1,777	\$ 1,664	\$ 1,746	\$ 8,668	\$ 7,273	\$ 6,377
Pro forma adjustments:													
Transaction and loan losses	(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12	\$ 10	\$ 11	\$ —	\$ 22	\$ 43
Customer support and operations	(a)(b)(c)	—	—	—	—	—	—	5	3	5	—	8	13
Sales and marketing	(d)	—	—	—	—	—	—	(12)	(13)	(15)	—	(25)	(60)
General and administrative	(a)	—	—	—	—	—	—	2	1	2	—	3	6
Depreciation and amortization	(e)	—	—	—	—	—	—	4	4	4	—	8	16
Total non-GAAP pro forma adjustments		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11	\$ 5	\$ 7	\$ —	\$ 16	\$ 18
Non-GAAP pro forma operating expenses:													
Transaction expense		\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
Transaction and loan losses		307	271	255	255	245	201	197	188	204	1,088	831	689
Customer support and operations	(1)	304	304	296	278	281	268	266	238	256	1,182	1,053	952
Sales and marketing	(1)	228	212	228	217	245	208	211	196	224	885	860	835
Product development	(1)	178	181	174	162	173	164	167	156	173	695	660	639
General and administrative	(1)	236	229	219	203	196	185	181	189	184	887	751	652
Depreciation and amortization		155	150	140	140	134	131	132	127	118	585	524	458
Total operating expenses		\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 2,024	\$ 1,808	\$ 1,788	\$ 1,669	\$ 1,753	\$ 8,668	\$ 7,289	\$ 6,395

(1) Amounts have been reclassified to conform to the current presentation.

(a) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.

(b) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.

(c) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

(d) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.

(e) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

PayPal Holdings, Inc.
Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin and Non-GAAP Pro Forma Operating Margin

(In Millions, Except Percentages)	Note	Three Months Ended									Year Ended December 31,		
		December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
GAAP operating income		\$ 460	\$ 348	\$ 371	\$ 407	\$ 411	\$ 330	\$ 398	\$ 322	\$ 348	\$ 1,586	\$ 1,461	\$ 1,268
Stock-based compensation expense and related employer payroll taxes		127	110	122	96	90	95	89	82	81	455	356	309
Acquisition related transaction expense		—	—	—	—	5	2	3	—	—	—	10	—
Separation		—	—	—	—	(2)	3	9	5	—	—	15	—
Restructuring		—	—	—	—	(1)	—	1	48	1	—	48	1
Amortization of acquired intangible assets		32	32	35	34	29	20	20	16	17	133	85	70
Total non-GAAP operating income adjustments		159	142	157	130	121	120	122	151	99	588	514	380
Non-GAAP operating income		\$ 619	\$ 490	\$ 528	\$ 537	\$ 532	\$ 450	\$ 520	\$ 473	\$ 447	\$ 2,174	\$ 1,975	\$ 1,648
Non-GAAP operating margin		20.8%	18.4%	19.9%	21.1%	20.8%	19.9%	22.6%	22.1%	20.4%	20.1%	21.4%	20.5%
Pro forma adjustments:													
Net revenues	(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ (3)	\$ (4)	\$ —	\$ (7)	\$ (13)
Transaction and loan losses	(b)	—	—	—	—	—	—	(12)	(10)	(11)	—	(22)	(43)
Customer support and operations	(b)(c)(d)	—	—	—	—	—	—	(5)	(3)	(5)	—	(8)	(13)
Sales and marketing	(e)	—	—	—	—	—	—	12	13	15	—	25	60
General and administrative	(b)	—	—	—	—	—	—	(2)	(1)	(2)	—	(3)	(6)
Depreciation and amortization	(f)	—	—	—	—	—	—	(4)	(4)	(4)	—	(8)	(16)
Total non-GAAP pro forma operating income adjustments		—	—	—	—	—	—	(15)	(8)	(11)	—	(23)	(31)
Non-GAAP pro forma operating income		\$ 619	\$ 490	\$ 528	\$ 537	\$ 532	\$ 450	\$ 505	\$ 465	\$ 436	\$ 2,174	\$ 1,952	\$ 1,617
Non-GAAP pro forma operating margin		20.8%	18.4%	19.9%	21.1%	20.8%	19.9%	22.0%	21.8%	19.9%	20.1%	21.1%	20.2%

- (a) Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.
- (b) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.
- (c) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.
- (d) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.
- (e) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.
- (f) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

PayPal Holdings, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income and Non-GAAP Pro Forma Net Income,
GAAP Diluted EPS to Non-GAAP Diluted EPS and Non-GAAP Pro Forma Diluted EPS,
and GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate and Non-GAAP Pro Forma Effective Tax Rate

(In Millions, Except Percentages and Per Share Amounts)	Three Months Ended										Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014	
GAAP income before income taxes	\$ 469	\$ 360	\$ 380	\$ 422	\$ 418	\$ 350	\$ 399	\$ 321	\$ 347	\$ 1,631	\$ 1,488	\$ 1,261	
GAAP income tax expense	79	37	57	57	51	49	94	66	61	230	260	842	
GAAP net income	\$ 390	\$ 323	\$ 323	\$ 365	\$ 367	\$ 301	\$ 305	\$ 255	\$ 286	\$ 1,401	\$ 1,228	\$ 419	
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	\$ 159	\$ 142	\$ 157	\$ 130	\$ 121	\$ 120	\$ 122	\$ 151	\$ 99	\$ 588	\$ 514	\$ 380	
Amortization of investments	—	—	—	—	—	—	—	—	—	—	—	4	
Other certain significant gains, losses, or charges	—	—	—	—	—	—	—	—	—	—	—	646	
Separation (Other income (expense), net)	—	—	—	—	—	(12)	—	—	—	—	(12)	—	
Tax effect of non-GAAP adjustments	(37)	(40)	(44)	(43)	(45)	(32)	(19)	(46)	(27)	(164)	(142)	(106)	
Non-GAAP net income	\$ 512	\$ 425	\$ 436	\$ 452	\$ 443	\$ 377	\$ 408	\$ 360	\$ 358	\$ 1,825	\$ 1,588	\$ 1,343	
Non-GAAP pro forma adjustments to net income:													
Non-GAAP pro forma operating income adjustments (see table above)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (15)	\$ (8)	\$ (11)	\$ —	\$ (23)	\$ (31)	
Tax effect of non-GAAP pro forma adjustments	—	—	—	—	—	—	2	1	1	—	3	3	
Non-GAAP pro forma net income	\$ 512	\$ 425	\$ 436	\$ 452	\$ 443	\$ 377	\$ 395	\$ 353	\$ 348	\$ 1,825	\$ 1,568	\$ 1,315	
Shares used in diluted share calculation	1,216	1,214	1,215	1,225	1,230	1,227	1,224	1,224	1,224	1,218	1,229	1,224	
Net income per diluted share:													
GAAP	\$ 0.32	\$ 0.27	\$ 0.27	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 1.15	\$ 1.00	\$ 0.34	
Non-GAAP	\$ 0.42	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.33	\$ 0.29	\$ 0.29	\$ 1.50	\$ 1.29	\$ 1.10	
Non-GAAP pro forma	\$ 0.42	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.32	\$ 0.29	\$ 0.28	\$ 1.50	\$ 1.28	\$ 1.07	
GAAP effective tax rate	17%	10%	15%	14%	12%	14%	24%	21%	18%	14%	17%	67%	
Tax effect of non-GAAP adjustments to net income	1%	5%	4%	4%	6%	4%	(2)%	3%	2%	4%	3%	(49)%	
Non-GAAP effective tax rate	18%	15%	19%	18%	18%	18%	22%	24%	20%	18%	20%	18%	
Tax effect of non-GAAP pro forma adjustments to net income	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	
Non-GAAP pro forma effective tax rate	18%	15%	19%	18%	18%	18%	22%	24%	20%	18%	20%	18%	

PayPal Holdings, Inc.
Unaudited Condensed Consolidated Statement of Cash Flows

(In Millions)	Three Months Ended									Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Cash flows from operating activities:												
Net income (loss)	\$ 390	\$ 323	\$ 323	\$ 365	\$ 367	\$ 301	\$ 305	\$ 255	\$ 286	\$ 1,401	\$ 1,228	\$ 419
Adjustments:												
Transaction and loan losses	307	271	255	255	245	201	185	178	193	1,088	809	646
Depreciation and amortization	189	185	176	174	164	153	150	141	132	724	608	516
Stock-based compensation	125	107	111	95	90	94	83	79	81	438	346	299
Deferred income taxes	(19)	(17)	66	22	40	(5)	43	49	3	52	127	680
Excess tax benefits from stock-based compensation	(4)	(4)	(31)	(1)	(2)	(8)	(8)	(8)	(6)	(40)	(26)	(41)
Gain on sale of principal loans receivable held for sale, net	(7)	(5)	(6)	(6)	(5)	(5)	(30)	—	—	(24)	(40)	—
Changes in assets and liabilities:												
Accounts receivable	(27)	(20)	(8)	(22)	76	(85)	(25)	12	(15)	(77)	(22)	(13)
Receivable from eBay	—	—	—	—	—	79	80	(38)	(48)	—	121	(24)
Principal loans receivable held for sale, net	7	5	6	6	5	5	4	—	—	24	14	—
Accounts payable	(17)	6	9	13	10	(36)	25	13	14	11	12	42
Payable to eBay	—	—	—	—	—	(96)	(8)	(113)	114	—	(217)	(2)
Income taxes payable	18	14	42	(5)	(35)	40	(7)	42	11	69	40	37
Other assets and liabilities	(39)	(64)	(247)	(158)	(227)	14	(175)	(66)	(134)	(508)	(454)	(339)
Net cash provided by operating activities	923	801	696	738	728	652	622	544	631	3,158	2,546	2,220
Cash flows from investing activities:												
Purchases of property and equipment	(152)	(183)	(201)	(133)	(164)	(133)	(231)	(194)	(123)	(669)	(722)	(492)
Proceeds from sales of property and equipment	—	—	—	—	—	15	11	—	—	—	26	—
Changes in principal loans receivable, net	(639)	(408)	(356)	(120)	(673)	(554)	427	(19)	(528)	(1,523)	(819)	(1,023)
Purchases of investments ⁽¹⁾	(4,057)	(6,775)	(6,118)	(4,091)	(4,373)	(6,001)	(8,891)	(2,361)	(3,306)	(21,041)	(21,626)	(8,744)
Maturities and sales of investments ⁽¹⁾	3,815	5,279	5,139	4,196	5,145	5,362	3,071	2,570	3,282	18,429	16,148	7,766
Acquisitions, net of cash acquired	—	—	—	(19)	(942)	(10)	(273)	—	(1)	(19)	(1,225)	(2)
Notes and receivable from eBay	—	—	—	—	—	—	631	(56)	(14)	—	575	(362)
Funds receivable and customer accounts ⁽¹⁾	(796)	398	(270)	492	(709)	(475)	1,316	(527)	(604)	(176)	(395)	(24)
Net cash (used in) provided by investing activities	(1,829)	(1,689)	(1,806)	325	(1,716)	(1,796)	(3,939)	(587)	(1,294)	(4,999)	(8,038)	(2,881)
Cash flows from financing activities:												
Proceeds from issuance of common stock	51	1	51	6	39	36	—	—	—	109	75	—
Purchases of treasury stock	(50)	(49)	(300)	(596)	—	—	—	—	—	(995)	—	—
Excess tax benefits from stock-based compensation	4	4	31	1	2	8	8	8	6	40	26	41
Contribution from (to) eBay	—	—	—	—	—	29	3,812	17	(69)	—	3,858	(71)
Tax withholdings related to net share settlements of equity awards	(23)	(1)	(79)	(15)	(11)	(7)	—	—	—	(118)	(18)	—
Borrowings (repayments) under financing arrangements	—	—	—	(21)	15	(4)	(754)	(119)	40	(21)	(862)	(21)
Funds payable and amounts due to customers	1,161	283	841	738	459	416	441	333	637	3,023	1,649	1,335
Net cash provided by financing activities	1,143	238	544	113	504	478	3,507	239	614	2,038	4,728	1,284
Effect of exchange rate changes on cash and cash equivalents	(16)	1	1	14	(3)	(16)	7	(32)	(9)	—	(44)	(26)
Net increase (decrease) in cash and cash equivalents	221	(649)	(565)	1,190	(487)	(682)	197	164	(58)	197	(808)	597
Cash and cash equivalents at beginning of period	1,369	2,018	2,583	1,393	1,880	2,562	2,365	2,201	2,259	1,393	2,201	1,604
Cash and cash equivalents at end of period	\$ 1,590	\$ 1,369	\$ 2,018	\$ 2,583	\$ 1,393	\$ 1,880	\$ 2,562	\$ 2,365	\$ 2,201	\$ 1,590	\$ 1,393	\$ 2,201
Supplemental cash flow disclosures:												
Cash paid for interest	\$ 1	\$ 1	\$ 1	\$ 1	\$ 2	\$ 2	\$ 5	\$ 7	\$ 6	\$ 4	\$ 16	\$ 19
Cash paid for income taxes	\$ 5	\$ 7	\$ 12	\$ 24	\$ 160	\$ 25	\$ 26	\$ 5	\$ 14	\$ 48	\$ 216	\$ 47

⁽¹⁾ Amounts have been reclassified to conform to the current presentation.

As of January 26, 2017

PayPal Holdings, Inc.
Supplemental Non-GAAP Measures - Free Cash Flow

(In Millions/Unaudited)	Three Months Ended									Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Supplemental non-GAAP Measures:												
Net cash provided by operating activities	\$ 923	\$ 801	\$ 696	\$ 738	\$ 728	\$ 652	\$ 622	\$ 544	\$ 631	\$ 3,158	\$ 2,546	\$ 2,220
Less: Purchases of property and equipment, net	(152)	(183)	(201)	(133)	(164)	(133)	(231)	(194)	(123)	(669)	(722)	(492)
Free cash flow	\$ 771	\$ 618	\$ 495	\$ 605	\$ 564	\$ 519	\$ 391	\$ 350	\$ 508	\$ 2,489	\$ 1,824	\$ 1,728

PayPal Holdings, Inc.
Unaudited Summary of Consolidated Net Revenues by Type
(In Millions, Except Percentages)

	Three Months Ended										Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014	
Transaction revenues⁽¹⁾⁽²⁾	\$ 2,615	\$ 2,314	\$ 2,323	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,966	\$ 1,911	\$ 1,963	\$ 9,490	\$ 8,121	\$ 7,094	
<i>Current quarter vs prior quarter</i>	13%	— %	4%	(1)%	14%	1 %	3%	(3)%	12%				
<i>Current quarter vs prior year quarter</i>	16%	17 %	18%	17 %	15%	13 %	15%	14 %	N/A				
<i>Percentage of total</i>	88%	87 %	88%	88 %	88%	88 %	86%	90 %	90%				
Other value added services⁽¹⁾⁽²⁾	366	353	327	306	294	276	327	223	226	1,352	1,120	918	
<i>Current quarter vs prior quarter</i>	4%	8 %	7%	4 %	7%	(16)%	47%	(1)%	2%				
<i>Current quarter vs prior year quarter</i>	24%	28 %	—%	37 %	30%	25 %	21%	12 %	N/A				
<i>Percentage of total</i>	12%	13 %	12%	12 %	12%	12 %	14%	10 %	10%				
Total net revenues⁽¹⁾⁽²⁾	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 10,842	\$ 9,241	\$ 8,012	
<i>Current quarter vs prior quarter</i>	12%	1 %	4%	— %	13%	(2)%	7%	(3)%	11%				
<i>Current quarter vs prior year quarter⁽²⁾</i>	17%	18 %	16%	19 %	17%	15 %	16%	14 %	N/A				

(1) Q4'14 - Q2'15, 2014 and 2015 net revenues are presented on a non-GAAP pro forma basis to reflect the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay. For a reconciliation to GAAP net revenues, please see "Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type, and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography" included in these website financials.

(2) Q4'14 - Q2'16 growth rates are presented on a non-GAAP pro forma basis. For a reconciliation to GAAP net revenues, please see "Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type, and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography" included in these website financials.

PayPal Holdings, Inc.
Unaudited Summary of Consolidated Net Revenues by Geography
(In Millions, Except Percentages)

	Three Months Ended										Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014	
U.S. net revenues⁽¹⁾⁽²⁾⁽³⁾	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,167	\$ 1,028	\$ 1,040	\$ 5,760	\$ 4,635	\$ 3,868	
<i>Current quarter vs prior quarter</i>	10%	2 %	5%	3 %	14%	(2)%	14%	(1)%	10%				
<i>Current quarter vs prior year quarter</i>	21%	26 %	21%	31 %	25%	20 %	19%	14 %	N/A				
<i>Percent of total</i>	53%	54 %	53%	53 %	51%	50 %	51%	48 %	48%				
International net revenues⁽¹⁾⁽²⁾⁽³⁾	1,407	1,231	1,243	1,201	1,254	1,120	1,126	1,106	1,149	5,082	4,606	4,144	
<i>Current quarter vs prior quarter</i>	14%	(1)%	3%	(4)%	12%	(1)%	2%	(4)%	12%				
<i>Current quarter vs prior year quarter</i>	12%	10 %	10%	9 %	9%	9 %	13%	14 %	N/A				
<i>(FXN) Current quarter vs prior year quarter</i>	17%	16 %	18%	15 %	18%	17 %	18%	20 %	N/A				
<i>Percent of total</i>	47%	46 %	47%	47 %	49%	50 %	49%	52 %	52%				
Total net revenues⁽¹⁾⁽²⁾⁽³⁾	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 10,842	\$ 9,241	\$ 8,012	
<i>Current quarter vs prior quarter</i>	12%	1 %	4%	— %	13%	(2)%	7%	(3)%	11%				
<i>Current quarter vs prior year quarter</i>	17%	18 %	16%	19 %	17%	15 %	16%	14 %	N/A				
<i>(FXN) Current quarter vs prior year quarter</i>	19%	21 %	19%	23 %	21%	19 %	19%	17 %	N/A				

(1) Net revenues are attributed to U.S. and international geographies primarily based upon the country in which the merchant is located, or in the case of a cross border transaction, may be earned from each of the respective countries in which the consumer and merchant reside. Net revenues earned from value added services are typically attributed to the country in which either the consumer or the merchant reside.

(2) Q4'14 - Q2'15, 2014 and 2015 net revenues are presented on a non-GAAP pro forma basis to reflect the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay. For a reconciliation to GAAP net revenues, please see "Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type, and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography" included in these website financials.

(3) Q4'14 - Q2'16 growth rates are presented on a non-GAAP pro forma basis. For a reconciliation to GAAP net revenues, please see "Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type, and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography" included in these website financials.

PayPal Holdings, Inc.
Unaudited Supplemental Operating Data
(In Millions, Except Percentages and Payment Transactions Per Active Account)

	Three Months Ended									Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Active customer accounts⁽¹⁾	197	192	188	184	179	173	169	165	162	197	179	162
<i>Current quarter vs prior quarter</i>	3%	2 %	2 %	2 %	4%	2%	2 %	2 %	3%			
<i>Current quarter vs prior year quarter</i>	10%	11 %	11 %	11 %	11%	10%	11 %	11 %	13%			
Number of payment transactions⁽²⁾	1,755	1,512	1,448	1,414	1,428	1,216	1,161	1,123	1,144	6,129	4,928	3,964
<i>Current quarter vs prior quarter</i>	16%	4 %	2 %	(1)%	17%	5%	3 %	(2)%	18%			
<i>Current quarter vs prior year quarter</i>	23%	24 %	25 %	26 %	25%	25%	25 %	22 %	23%			
Payment transactions per active account⁽³⁾	31.1	30.2	29.4	28.4	27.5	26.9	26.1	25.2	24.5	31.1	27.5	24.5
<i>Current quarter vs prior quarter</i>	3%	3 %	3 %	3 %	2%	3%	3 %	3 %	3%			
<i>Current quarter vs prior year quarter</i>	13%	13 %	13 %	12 %	12%	12%	11 %	9 %	7%			
Total Payment Volume⁽⁴⁾	\$ 99,348	\$ 87,403	\$ 86,208	\$ 81,056	\$ 81,523	\$ 69,738	\$ 67,482	\$ 63,021	\$ 66,039	\$ 354,014	\$ 281,764	\$ 234,635
<i>Current quarter vs prior quarter</i>	14%	1 %	6 %	(1)%	17%	3%	7 %	(5)%	14%			
<i>Current quarter vs prior year quarter</i>	22%	25 %	28 %	29 %	23%	20%	19 %	17 %	23%			
<i>(FXN) Current quarter vs prior year quarter</i>	25%	28 %	29 %	31 %	29%	27%	27 %	25 %	26%			
Transaction Expense Rate ⁽⁵⁾	0.96%	0.95 %	0.94 %	0.93 %	0.92%	0.93%	0.94 %	0.91 %	0.90%	0.95%	0.93%	0.92%
Transaction and Loan Loss Rate ⁽⁶⁾	0.31%	0.31 %	0.30 %	0.31 %	0.30%	0.29%	0.29 %	0.30 %	0.31%	0.31%	0.29%	0.29%
Transaction Margin⁽⁷⁾	57.7%	58.7 %	59.8 %	60.4 %	61.1%	62.3%	63.8 %	64.2 %	63.5%	59.1%	62.8%	64.3%

⁽¹⁾ An active customer account is a registered account that successfully sent or received at least one payment or payment reversal through our Payments Platform, excluding transactions processed through our gateway and Paydiant products, in the past 12 months.

⁽²⁾ Payment transactions is the total number of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.

⁽³⁾ Number of payment transactions per active customer account reflects the total number of payment transactions within the previous 12 month period, divided by active customer accounts at the end of the period.

⁽⁴⁾ Total Payment Volume or “TPV” is the value of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.

⁽⁵⁾ Transaction expense rate is calculated by dividing transaction expense by TPV.

⁽⁶⁾ Transaction and loan loss rate is calculated by dividing transaction and loan loss by TPV.

⁽⁷⁾ Transaction margin is total revenue less transaction expense and transaction and loan loss, divided by total revenue.

Q4'14 - Q2'15, 2014 and 2015 transaction expense rate, transaction and loan loss rate, and transaction margin include the impact of pro forma adjustments directly attributable to the separation of the company from eBay Inc. on July 17, 2015 had they existed historically.

PayPal Holdings, Inc.
Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type,
and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography

Net Revenues by Type	Three Months Ended									Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
	(In millions/Unaudited)											
Transaction revenues	\$ 2,615	\$ 2,314	\$ 2,323	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,970	\$ 1,914	\$ 1,967	\$ 9,490	\$ 8,128	\$ 7,107
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	(4)	(3)	(4)	—	(7)	(13)
Non-GAAP pro forma transaction revenues	\$ 2,615	\$ 2,314	\$ 2,323	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,966	\$ 1,911	\$ 1,963	\$ 9,490	\$ 8,121	\$ 7,094
Other value added services	\$ 366	\$ 353	\$ 327	\$ 306	\$ 294	\$ 276	\$ 327	\$ 223	\$ 226	\$ 1,352	\$ 1,120	\$ 918
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP pro forma other value added services	\$ 366	\$ 353	\$ 327	\$ 306	\$ 294	\$ 276	\$ 327	\$ 223	\$ 226	\$ 1,352	\$ 1,120	\$ 918
Total net revenues	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 10,842	\$ 9,248	\$ 8,025
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	(4)	(3)	(4)	—	(7)	(13)
Total non-GAAP pro forma net revenues	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 10,842	\$ 9,241	\$ 8,012

⁽¹⁾ Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

Net Revenues by Geography	Three Months Ended									Year Ended December 31,		
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
	(In millions/Unaudited)											
U.S. net revenues	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,170	\$ 1,030	\$ 1,043	\$ 5,760	\$ 4,640	\$ 3,877
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	(3)	(2)	(3)	—	(5)	(9)
Non-GAAP pro forma U.S. net revenues	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,167	\$ 1,028	\$ 1,040	\$ 5,760	\$ 4,635	\$ 3,868
International net revenues	\$ 1,407	\$ 1,231	\$ 1,243	\$ 1,201	\$ 1,254	\$ 1,120	\$ 1,127	\$ 1,107	\$ 1,150	\$ 5,082	\$ 4,608	\$ 4,148
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	(1)	(1)	(1)	—	(2)	(4)
Non-GAAP pro forma international net revenues	\$ 1,407	\$ 1,231	\$ 1,243	\$ 1,201	\$ 1,254	\$ 1,120	\$ 1,126	\$ 1,106	\$ 1,149	\$ 5,082	\$ 4,606	\$ 4,144
Total net revenues	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 10,842	\$ 9,248	\$ 8,025
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	(4)	(3)	(4)	—	(7)	(13)
Total non-GAAP pro forma net revenues	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 10,842	\$ 9,241	\$ 8,012

⁽¹⁾ Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

PayPal Holdings, Inc.

Non-GAAP Measures of Financial Performance

To supplement the condensed consolidated financial statements of PayPal Holdings, Inc. (the “Company”) presented in accordance with generally accepted accounting principles, or GAAP, the Company uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP operating expenses, non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin, non-GAAP effective tax rate, free cash flow, non-GAAP pro forma net revenues, non-GAAP pro forma net income, non-GAAP pro forma earnings per diluted share, and non-GAAP pro forma operating margin. 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. These non-GAAP measures are provided to enhance investors' overall understanding of the Company's current financial performance and its prospects for the future. Specifically, the Company believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of its core operating results and business outlook. In addition, because the Company has historically reported certain non-GAAP results to investors, the Company believes that the inclusion of non-GAAP measures provides consistency in the Company's financial reporting.

The Company also uses free cash flow, a non-GAAP measure. Free cash flow represents operating cash flows less purchases of property and equipment. The Company considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property, buildings, and equipment, which can then be used to, among other things, invest in the Company's business, make strategic acquisitions, and repurchase stock. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period.

The Company has also included certain pro forma adjustments in its presentation of certain non-GAAP financial measures. These adjustments reflect items that are factually supportable, directly attributable to the separation of the Company from eBay Inc. on July 17, 2015, and expected to have a continuing impact on our results of operations. The Company has included these pro forma adjustments because management believes that they help to facilitate comparisons of the Company's operating results between periods.

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. A reconciliation of the non-GAAP measures presented herein to the most directly comparable GAAP measures is provided above.