



**Subject:**

**Stock Ownership Guidelines**

**Last Approved: January 12, 2017**

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**I. Purpose**

The Board of Directors (the “Board”) of PayPal Holdings, Inc. (“PayPal” or the “Company”) believes that non-employee directors (“directors”), executive officers, and certain other officers of the Company should own and hold PayPal common stock to further align their interests with the long-term interests of stockholders and further promote the Company’s commitment to sound corporate governance.

**II. Scope**

All directors and Covered Officers (as defined below in Section III) of the Company are subject to these stock ownership guidelines for as long as they continue to serve as a director or Covered Officer of the Company, as the case may be.

**III. Definitions**

- “average closing price” means the higher of (i) the closing price of PayPal common stock as reported on the NASDAQ Global Select Market on the trading day immediately preceding the date of calculation and (ii) the average closing price of PayPal common stock as reported on the NASDAQ Global Select Market, for the three-year period immediately preceding (and ending on the trading date immediately prior to) the date of calculation. If PayPal common stock has been trading for less than three years, then the calculation of the average closing price shall use the period beginning on the first day of regular-way trading of PayPal common stock and ending on the trading date immediately prior to the date of calculation.
- “Covered Officers” means, collectively, (i) the Chief Executive Officer, (ii) all Executive Vice Presidents, and (iii) all Senior Vice Presidents who are members of the Senior Leadership Team.
- “guideline level” means the individual stock ownership guideline level applicable to an individual director or Covered Officer.
- “net shares” means those shares that remain after shares are sold or withheld, as the case may be, to (i) pay any applicable exercise price for an equity award (e.g., stock options, stock appreciation rights) or (ii) satisfy any tax obligations, including withholding taxes, arising in connection with the exercise, vesting or payment of an equity award (e.g., stock options, stock appreciation rights, restricted stock units, restricted stock).

**IV. Covered Officer Stock Ownership Guidelines**

- Calculation of Guideline Level

The individual guideline level for each Covered Officer is determined as the number of shares equivalent to (a) the applicable individual guideline level set forth in the table below, divided by (b) the average closing price, rounded to the nearest 100 shares.

Position	Individual Guideline Level
Chief Executive Officer	6x annual base salary
Executive Vice Presidents	3x annual base salary
Senior Vice Presidents who are members of the Senior Leadership Team	2x annual base salary

The individual guideline level for each Covered Officer is initially calculated using the Covered Officer's base salary as of the date the person first becomes a Covered Officer. This guideline level is then recalculated at: (a) the date on which the pay grade of a Covered Officer changes, and (b) each January 1<sup>st</sup> immediately following the third anniversary of the most recent calculation of such Covered Officer's guideline level.

**Example.** A person is appointed as a Covered Officer on September 30, 2015. The Covered Officer changes pay grade on March 1, 2016. The Covered Officer's guideline would be initially determined on September 30, 2015 (the date such person was first appointed as an Covered Officer), and recalculated as of March 1, 2016 (the date on which the Covered Officer's pay grade changed), and January 1, 2020 (the January 1 immediately following the third anniversary of the recalculation of the guideline level).

- Time to Become Compliant. It is expected that each Covered Officer will meet his or her applicable guideline level within five years of his or her appointment to their position.
- Requirement to Retain Net Shares Until Guideline Level is Satisfied

Unless and until a Covered Officer has satisfied his or her applicable guideline level, the Covered Officer is required to retain an amount equal to 25% of the net shares received as the result of the exercise, vesting or payment of any PayPal equity awards granted to the Covered Officer. This amount is calculated using the closing price of PayPal common stock as reported on the NASDAQ Global Select Market on the trading day immediately preceding the date of exercise, vesting or payment of the equity award, as applicable. See Exhibits A and B for sample calculations.

## V. Non-Employee Director Stock Ownership Guidelines

- Calculation of Guideline Level

The individual guideline level for each director of the Company is determined as the number of shares equivalent to (a) five (5) times the annual retainer payable to such director (but not including any additional retainer paid as a result of service as a Board chair, lead independent director, committee chair or committee member), divided by (b) the average closing price, rounded to the nearest 100 shares.

The guideline level is calculated as of the later of (i) September 29, 2015 (i.e., the date these stock ownership guidelines were initially established) and (ii) the date the director is first appointed or elected to the Board. Once established, a director's guideline level does not change

as a result of changes in the amount of the annual retainer payable to such director or fluctuations in PayPal's common stock price.

Directors are required to satisfy their guideline level within five (5) years of joining the Board, and are expected to continuously own sufficient shares to satisfy the guideline once attained for as long as they remain a member of PayPal's Board.

## **VI. Shares Counted**

Shares that count towards satisfaction of the stock ownership guidelines for directors and Covered Officers include the following:

- Shares owned outright by the director or Covered Officer, or his or her immediate family members residing in the same household;
- Shares held in trust for the benefit of the director or Covered Officer, or his or her immediate family members; and
- Vested deferred stock units, deferred restricted stock units or deferred performance stock units that may only be settled in shares.

For the avoidance of doubt, the following do not count towards satisfaction of the stock ownership guidelines for directors and Covered Officers:

- Unvested shares of restricted stock, deferred stock units, restricted stock units, or performance share units;
- Shares pledged as collateral for a loan;
- Unexercised stock options (whether vested or unvested); and
- Long-term incentive performance awards that may be settled in cash (whether vested or unvested).

## **VII. Exceptions**

The stock ownership guidelines may be waived, at the discretion of the Compensation Committee of the Board (the "Compensation Committee"), for directors joining the Board from government, academia, or similar professions. The stock ownership guidelines may also be waived for directors or Covered Officers, at the discretion of the Compensation Committee, if compliance would create severe hardship or prevent a director or Covered Officer from complying with a court order, as in the case of a divorce settlement. It is expected that these instances will be rare. If an exception is granted in whole or in part, the Compensation Committee will, in consultation with the affected director or Covered Officer, develop an alternative stock ownership guideline for such individual that reflects both the intention of this policy and such individual's particular circumstances.

## **VIII. Administration**

The stock ownership guidelines shall be administered, interpreted, and construed by PayPal's Chief Business Affairs and Legal Officer, who shall have the authority to implement and carry out these guidelines in accordance with their terms and conditions, subject to oversight by the Compensation Committee. The Compensation Committee has the authority to amend the stock ownership guidelines or approve exceptions, including as described in Section VII.

## EXHIBIT A

### Sample Calculation – Sale of PayPal Shares Received Upon Stock Option Exercise

#### Assumptions

- A Covered Officer seeks to exercise a stock option for 10,000 shares of PayPal stock with a strike price of \$25.00 per share
- The prior day's closing price on the NASDAQ Global Select Market is \$45.00
- The Covered Officer's withholding tax rate is 42.95%
- The option exercise is structured as a same-day sale (i.e., cashless exercise)
- The Covered Officer has not yet met his or her applicable guideline level

#### Calculations

Pre-tax gain on option exercise = number of shares * (closing price – strike price) = 10,000 * (\$45.00 - \$25.00)	\$200,000
Less taxes withheld on option exercise = withholding tax rate * pre-tax gain on option exercise = 42.95% * \$200,000	(\$85,900)
After-tax gain on option exercise = pre-tax gain - taxes withheld = \$200,000 - \$85,900	\$114,100
25% of after-tax gain on option exercise	\$28,525
Net shares required to be retained = 25% of after-tax gain on option exercise / closing price on immediately prior trading day (with quotient rounded down) = \$28,525 / \$45.00 (with quotient rounded down)	633 shares

The Covered Officer is required to retain 633 shares of PayPal stock.

## **EXHIBIT B**

### **Sample Calculation – Sale of Shares of PayPal Stock Received Upon RSU Vesting**

#### **Assumptions**

- A Covered Officer receives 25,000 shares of PayPal stock upon vesting of his/her restricted stock units (after PayPal withholds and/or sells shares to satisfy associated tax withholding obligations)
- The Covered Officer has not yet met his or her applicable guideline level

#### **Calculation**

- The Covered Officer is required to retain 6,250 shares of PayPal stock (25% of 25,000).