

PayPal Holdings, Inc.
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2016	2015
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,590	\$ 1,393
Short-term investments	3,385	2,018
Accounts receivable, net	214	137
Loans and interest receivable, net of allowances of \$339 in 2016 and \$233 in 2015	5,348	4,184
Funds receivable and customer accounts	14,363	12,261
Prepaid expenses and other current assets	833	655
Total current assets	25,733	20,648
Long-term investments	1,539	2,348
Property and equipment, net	1,482	1,344
Goodwill	4,059	4,069
Intangible assets, net	211	358
Other assets	79	114
Total assets	\$ 33,103	\$ 28,881
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 192	\$ 145
Funds payable and amounts due to customers	15,163	12,261
Accrued expenses and other current liabilities	1,459	1,179
Income taxes payable	64	32
Total current liabilities	16,878	13,617
Deferred tax liability and other long-term liabilities	1,513	1,505
Total liabilities	18,391	15,122
Commitments and contingencies (Note 12)		
Equity:		
Common stock, \$0.0001 par value; 4,000 shares authorized; 1,207 and 1,224 outstanding	—	—
Treasury stock at cost, 27 shares as of December 31, 2016	(995)	—
Additional paid-in-capital	13,579	13,100
Retained earnings	2,069	668
Accumulated other comprehensive income (loss)	59	(9)
Total equity	14,712	13,759
Total liabilities and equity	\$ 33,103	\$ 28,881

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

PayPal Holdings, Inc.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2016	2015	2014
	(In millions, except for per share amounts)		
Net revenues	\$ 10,842	\$ 9,248	\$ 8,025
Operating expenses:			
Transaction expense	3,346	2,610	2,170
Transaction and loan losses	1,088	809	646
Customer support and operations	1,267	1,110	991
Sales and marketing	969	937	954
Product development	834	792	747
General and administrative	1,028	873	733
Depreciation and amortization	724	608	516
Restructuring	—	48	—
Total operating expenses	9,256	7,787	6,757
Operating income	1,586	1,461	1,268
Other income (expense), net	45	27	(7)
Income before income taxes	1,631	1,488	1,261
Income tax expense	230	260	842
Net income	\$ 1,401	\$ 1,228	\$ 419
Net income per share:			
Basic	\$ 1.16	\$ 1.00	\$ 0.34
Diluted	\$ 1.15	\$ 1.00	\$ 0.34
Weighted average shares:			
Basic	1,210	1,222	1,218
Diluted	1,218	1,229	1,224

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

PayPal Holdings, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2016	2015	2014
	(In millions)		
Cash flows from operating activities:			
Net income	\$ 1,401	\$ 1,228	\$ 419
Adjustments:			
Transaction and loan losses	1,088	809	646
Depreciation and amortization	724	608	516
Stock-based compensation	438	346	299
Deferred income taxes	52	127	680
Excess tax benefits from stock-based compensation	(40)	(26)	(41)
Gain on sale of principal loans receivable held for sale, net	(24)	(40)	—
Changes in assets and liabilities:			
Accounts receivable	(77)	(22)	(13)
Receivable from eBay	—	121	(24)
Principal loans receivable held for sale, net	24	14	—
Transaction loss allowance for cash losses, net	(643)	(493)	(414)
Other current assets and non-current assets	(145)	(384)	(38)
Accounts payable	11	12	42
Payable to eBay	—	(217)	(2)
Income taxes payable	69	40	37
Other current liabilities and non-current liabilities	280	423	113
Net cash provided by operating activities	3,158	2,546	2,220
Cash flows from investing activities:			
Purchases of property and equipment	(669)	(722)	(492)
Proceeds from sales of property and equipment	—	26	—
Changes in principal loans receivable, net	(1,523)	(819)	(1,023)
Purchases of investments	(21,041)	(21,626)	(8,744)
Maturities and sales of investments	18,429	16,148	7,766
Acquisitions, net of cash acquired	(19)	(1,225)	(2)
Funds receivable and customer accounts	(176)	(395)	(24)
Notes payable and receivable from eBay	—	575	(362)
Net cash used in investing activities	(4,999)	(8,038)	(2,881)
Cash flows from financing activities:			
Proceeds from issuance of common stock	109	75	—
Purchases of treasury stock	(995)	—	—
Excess tax benefits from stock-based compensation	40	26	41
Contribution from (to) eBay	—	3,858	(71)
Tax withholdings related to net share settlements of restricted stock units and restricted stock awards	(118)	(18)	—
Borrowings (repayments) under financing arrangements	(21)	(862)	(21)
Funds payable and amounts due to customers	3,023	1,649	1,335
Net cash provided by financing activities	2,038	4,728	1,284
Effect of exchange rate changes on cash and cash equivalents	—	(44)	(26)
Net increase (decrease) in cash and cash equivalents	197	(808)	597
Cash and cash equivalents at beginning of period	1,393	2,201	1,604
Cash and cash equivalents at end of period	\$ 1,590	\$ 1,393	\$ 2,201