Assets under capital leases (net of amortization) recorded in net property and equipment follow.

in millions	January 28, 2018	January 29, 2017
Capital leases, net	$ 821	$ 730

Certain lease agreements include escalating rents over the lease terms. Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased property are our obligations under the lease agreements. We expense rent on a straight-line basis over the lease term, which commences on the date we have the right to control the property. The cumulative expense recognized on a straight-line basis in excess of the cumulative payments is included in other accrued expenses and other long-term liabilities.

Our total rent expense follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Total rent expense	$ 1,053	$ 984	$ 922

The approximate future minimum lease payments under capital and operating leases at January 28, 2018 follow.

in millions	Operating Leases	Capital Leases
Fiscal 2018	$ 921	$ 147
Fiscal 2019	869	142
Fiscal 2020	786	156
Fiscal 2021	696	132
Fiscal 2022	580	132
Thereafter through fiscal 2097	3,286	1,044
	$ 7,138	1,753
Less imputed interest		769
Net present value of capital lease obligations		984
Less current installments		52
Long-term capital lease obligations, excluding current installments		$ 932

4. DEBT AND DERIVATIVE INSTRUMENTS

Short-Term Debt

In December 2017, we increased the borrowing capacity of our commercial paper programs from $2.0 billion to $3.0 billion. All of our short-term borrowings in fiscal 2017 and fiscal 2016 were under these commercial paper programs. In connection with these programs, we have back-up credit facilities with a consortium of banks for borrowings up to $3.0 billion. In December 2017, we replaced our five-year $2.0 billion credit facility that was scheduled to expire in December 2019, with a new, substantially identical five-year $2.0 billion credit facility that expires in December 2022. In addition, we added a separate 364-day $1.0 billion credit facility that expires in December 2018.

Certain information on our commercial paper programs follows.

dollars in millions	January 28, 2018	January 29, 2017
Weighted average interest rate	1.45%	0.63%
Balance outstanding at fiscal year-end	$ 1,559	$ 710
Maximum amount outstanding at any month-end	1,559	710
Average daily short-term borrowings	173	51

Long-Term Debt

Components of our long-term debt follow.

in millions	January 28, 2018	January 29, 2017
Floating rate senior notes due September 2017; interest payable quarterly	$ —	$ 499
2.25% Senior notes due September 2018; interest payable semi-annually	1,137	1,151
2.00% Senior notes due June 2019; interest payable semi-annually	998	996
Floating rate senior notes due June 2020; interest payable quarterly	499	—
1.80% Senior notes due June 2020; interest payable semi-annually	748	—
3.95% Senior notes due September 2020; interest payable semi-annually	501	509
4.40% Senior notes due April 2021; interest payable semi-annually	998	997
2.00% Senior notes due April 2021; interest payable semi-annually	1,343	1,341
2.625% Senior notes due June 2022; interest payable semi-annually	1,243	1,241
2.70% Senior notes due April 2023; interest payable semi-annually	996	996
3.75% Senior notes due February 2024; interest payable semi-annually	1,093	1,092
3.35% Senior notes due September 2025; interest payable semi-annually	995	994
3.00% Senior notes due April 2026; interest payable semi-annually	1,287	1,286
2.125% Senior notes due September 2026; interest payable semi-annually	986	984
2.80% Senior notes due September 2027; interest payable semi-annually	993	—
5.875% Senior notes due December 2036; interest payable semi-annually	2,949	2,947
5.40% Senior notes due September 2040; interest payable semi-annually	495	495
5.95% Senior notes due April 2041; interest payable semi-annually	988	988
4.20% Senior notes due April 2043; interest payable semi-annually	988	988
4.875% Senior notes due February 2044; interest payable semi-annually	978	978
4.40% Senior notes due March 2045; interest payable semi-annually	977	976
4.25% Senior notes due April 2046; interest payable semi-annually	1,584	1,584
3.90% Senior notes due June 2047; interest payable semi-annually	738	—
3.50% Senior notes due September 2056; interest payable semi-annually	971	971
Capital lease obligations; payable in varying installments through January 31, 2055	984	878
Total long-term debt	25,469	22,891
Less current installments of long-term debt	1,202	542
Long-term debt, excluding current installments	$ 24,267	$ 22,349

September 2017 Issuance. In September 2017, we issued a single tranche of senior notes.

- The tranche consisted of $1.0 billion of 2.80% senior notes due September 14, 2027 (the "2027 notes") at a discount of $3 million.
- Issuance costs totaled $6 million.

Interest on the 2027 notes is due semi-annually on March 14 and September 14 of each year, beginning March 14, 2018. The net proceeds of the 2027 notes were used to repay our floating rate notes due September 15, 2017, and for general corporate purposes, including repurchases of our common stock.

June 2017 Issuance. In June 2017, we issued three tranches of senior notes.

- The first tranche consisted of $500 million of floating rate senior notes due June 5, 2020 (the "2020 floating rate notes"). The 2020 floating rate notes bear interest at a variable rate determined quarterly equal to the three-month LIBOR plus 15 basis points.
- The second tranche consisted of $750 million of 1.80% senior notes due June 5, 2020 (the "2020 notes") at a discount of $1 million.

- The third tranche consisted of $750 million of 3.90% senior notes due June 15, 2047 (the "2047 notes") at a discount of $5 million (together with the 2020 floating rate notes and 2020 notes, the "June 2017 issuance").
- Issuance costs totaled $12 million.

Interest on the 2020 floating rate notes is due quarterly on March 5, June 5, September 5, and December 5 of each year, beginning September 5, 2017. Interest on the 2020 notes is due semi-annually on June 5 and December 5 of each year, beginning December 5, 2017. Interest on the 2047 notes is due semi-annually on June 15 and December 15 of each year, beginning December 15, 2017. The net proceeds of the June 2017 issuance were used for general corporate purposes, including repurchases of our common stock.

September 2016 Issuance. In September 2016, we issued two tranches of senior notes.

- The first tranche consisted of $1.0 billion of 2.125% senior notes due September 15, 2026 (the "September 2026 notes") at a discount of $11 million.
- The second tranche consisted of $1.0 billion of 3.50% senior notes due September 15, 2056 (the "2056 notes") at a discount of $19 million (together with the September 2026 notes, the "September 2016 issuance").
- Issuance costs totaled $16 million.

Interest on the September 2026 notes and the 2056 notes is due semi-annually on March 15 and September 15 of each year, beginning March 15, 2017. The net proceeds of the September 2016 issuance were used for general corporate purposes, including repurchases of our common stock.

February 2016 Issuance. In February 2016, we issued three tranches of senior notes.

- The first tranche consisted of $1.35 billion of 2.00% senior notes due April 1, 2021 (the "2021 notes") at a discount of $5 million;
- The second tranche consisted of $1.3 billion of 3.00% senior notes due April 1, 2026 (the "April 2026 notes") at a discount of $8 million.
- The third tranche consisted of $350 million of 4.25% senior notes due April 1, 2046 (the "2046 notes") at a premium of $2 million (together with the 2021 notes and the April 2026 notes, the "February 2016 issuance"). The 2046 notes form a single series with our $1.25 billion of 4.25% senior notes due April 1, 2046 that were issued in May 2015, and have the same terms. The aggregate principal amount outstanding of our senior notes due April 1, 2046 is $1.6 billion.
- Issuance costs totaled $17 million.

Interest on the 2021 notes and the April 2026 notes is due semi-annually on April 1 and October 1 of each year, beginning October 1, 2016. Interest on the 2046 notes is due semi-annually on April 1 and October 1 of each year, beginning April 1, 2016, with interest accruing from October 1, 2015. The net proceeds of the February 2016 issuance were used to repay our 5.40% senior notes due March 1, 2016.

Redemption. All of our senior notes, other than our outstanding floating rate notes, may be redeemed by us at any time, in whole or in part, at the redemption price plus accrued interest up to the redemption date. The redemption price is equal to the greater of (1) 100% of the principal amount of the notes to be redeemed, or (2) the sum of the present values of the remaining scheduled payments of principal and interest to the Par Call Date, as defined in the respective notes. Additionally, if a Change in Control Triggering Event occurs, as defined in the notes, holders of all notes have the right to require us to redeem those notes at 101% of the aggregate principal amount of the notes plus accrued interest up to the redemption date. We are generally not limited under the indentures governing the notes in our ability to incur additional indebtedness or required to maintain financial ratios or specified levels of net worth or liquidity. The indentures governing the notes contain various customary covenants; however, none are expected to impact our liquidity or capital resources.

Maturities of Long-Term Debt. Our long-term debt maturities, excluding capital leases, follow.

in millions	Principal
Fiscal 2018	$ 1,150
Fiscal 2019	1,000
Fiscal 2020	1,750
Fiscal 2021	2,350
Fiscal 2022	1,250
Thereafter	17,250

Derivative Instruments

At both January 28, 2018 and January 29, 2017, we had outstanding cross currency swap agreements with a combined notional amount of $626 million, accounted for as cash flow hedges, to hedge foreign currency fluctuations on certain intercompany debt. The approximate fair values of these agreements were assets of $233 million at January 28, 2018 and $258 million at January 29, 2017, which were the estimated amounts we would have received to settle the agreements, and were included in other assets.

We had outstanding interest rate swap agreements with combined notional amounts of $1.25 billion at January 28, 2018 and $1.0 billion at January 29, 2017. These agreements were accounted for as fair value hedges that swap fixed for variable rate interest to hedge changes in the fair values of certain senior notes. The fair values of these agreements were not material at January 28, 2018 and January 29, 2017, respectively.

At January 28, 2018, we had outstanding foreign currency forward contracts with a combined notional amount of $300 million, accounted for as net investment hedges, that hedge against foreign currency exposure on our net investment in certain subsidiaries. At January 28, 2018, the fair values of these agreements were not material.

5. INCOME TAXES

Our earnings before the provision for income taxes follow.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
U.S.	$ 12,682	$ 11,568	$ 10,207
Foreign	1,016	923	814
Total	$ 13,698	$ 12,491	$ 11,021

Our provision for income taxes follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Current:			
Federal	$ 4,128	$ 3,870	$ 3,228
State	499	462	466
Foreign	331	315	296
Total current	4,958	4,647	3,990
Deferred:			
Federal	(67)	(102)	21
State	89	13	10
Foreign	88	(24)	(9)
Total deferred	110	(113)	22
Provision for income taxes	$ 5,068	$ 4,534	$ 4,012

Our combined federal, state, and foreign effective tax rates follow.

	Fiscal 2017	Fiscal 2016	Fiscal 2015
Combined federal, state, and foreign effective tax rates	37.0%	36.3%	36.4%

The reconciliation of our provision for income taxes at the federal statutory rates of approximately 34% for fiscal 2017, 35% for fiscal 2016, and 35% for fiscal 2015 to the actual tax expense follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Income taxes at federal statutory rate	$ 4,648	$ 4,372	$ 3,857
State income taxes, net of federal income tax benefit	369	309	309
Tax on mandatory deemed repatriation	400	—	—
Other, net	(349)	(147)	(154)
Total	$ 5,068	$ 4,534	$ 4,012

On December 22, 2017, the U.S. enacted comprehensive tax legislation with the Tax Act, making broad and complex changes to U.S. tax law, including lowering the U.S. corporate income tax rate to 21%, transitioning to a modified territorial system, and providing for current expensing of certain qualifying capital expenditures. As a result of enactment of the Tax Act, our fiscal 2017 tax provision reflects additional net tax expense of $127 million.

As part of the transition to the new territorial tax system, the Tax Act imposes a one-time tax on deemed repatriation of historical earnings of foreign subsidiaries. For fiscal 2017, these impacts resulted in a provisional charge in the fourth quarter of approximately $400 million, comprising U.S. repatriation taxes, foreign withholding taxes, and state taxes.

The lower corporate income tax rate of 21% is effective January 1, 2018, resulting in a U.S. statutory federal tax rate of approximately 34% for fiscal 2017, and 21% for subsequent fiscal years, which provided a benefit to our fiscal 2017 tax provision of approximately $126 million.

The reduction of the U.S. corporate tax rate requires a remeasurement of our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. This resulted in a provisional benefit of $147 million for fiscal 2017.

The Tax Act also added a new provision for a tax on global intangible low-taxed income (“GILTI”). Due to the complexity of the new tax rules, we are considering available accounting policy alternatives to adopt, to either record the U.S. income tax effect of future GILTI inclusions in the period in which they arise or establish deferred taxes with respect to the expected future tax liabilities associated with future GILTI inclusions. We have not made an accounting policy election and will do so after we complete an analysis of those provisions.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. In accordance with SAB 118, we were able to make reasonable estimates of certain effects and, therefore, recorded provisional amounts for the remeasurement of deferred tax assets and liabilities and the tax on the mandatory deemed repatriation of foreign earnings.

For the remeasurement of our deferred tax assets and liabilities, we have recorded a provisional benefit of $147 million for the year ended January 28, 2018. While we are able to make a reasonable estimate of the impact of the reduction in corporate rate, it may be affected by other factors, including, but not limited to, changes to our calculation of deemed repatriation of deferred foreign income and changes to the current year deferred tax balance estimates.

To determine the amount of the income tax on mandatory deemed repatriation of foreign earnings, we must determine, in addition to other factors, the amount of post-1986 earnings and profits ("E&P") of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. We are able to make a reasonable estimate of the tax and recorded a provisional obligation of $400 million. However, we are continuing to gather additional information to more precisely compute the amount of the tax.

We expect additional regulatory guidance and technical clarifications from the U.S. Department of the Treasury and IRS within the next 12 months. Any subsequent adjustment to these amounts will be recorded to income tax expense from continuing operations in the quarter of fiscal year 2018 in which the analysis is complete.

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and deferred tax liabilities follow.

in millions	January 28, 2018	January 29, 2017
Assets:		
Deferred compensation	$ 185	$ 284
Accrued self-insurance liabilities	295	440
State income taxes	109	152
Non-deductible reserves	220	328
Net operating losses	19	33
Other	124	268
Total deferred tax assets	952	1,505
Valuation allowance	—	(3)
Total deferred tax assets after valuation allowance	952	1,502
Liabilities:		
Merchandise inventories	(9)	(64)
Property and equipment	(770)	(1,128)
Goodwill and other intangibles	(243)	(368)
Other	(251)	(147)
Total deferred tax liabilities	(1,273)	(1,707)
Net deferred tax liabilities	$ (321)	$ (205)

Our noncurrent deferred tax assets and noncurrent deferred tax liabilities, netted by tax jurisdiction, follow.

in millions	January 28, 2018	January 29, 2017
Other assets	$ 119	$ 91
Deferred income taxes	(440)	(296)
Net deferred tax liabilities	$ (321)	$ (205)

We believe that the realization of the deferred tax assets is more likely than not, based upon the expectation that we will generate the necessary taxable income in future periods.

At January 28, 2018, we had federal, state, and foreign net operating loss carryforwards available to reduce future taxable income, expiring at various dates beginning in 2018 to 2037. We have concluded that it is more likely than not that the tax benefits related to the federal and state net operating losses will be realized. As of January 29, 2017, a valuation allowance of $3 million had been provided to reduce the deferred tax asset related to foreign net operating losses to an amount that is more likely than not to be realized. As of January 28, 2018, we are no longer active in the foreign jurisdictions in which the valuation allowance relates; therefore, the valuation allowance of $3 million was released this year when the related deferred tax asset was written off.

We intend to reinvest substantially all of the unremitted earnings of our non-U.S. subsidiaries in excess of working capital and strategic requirements and postpone their remittance indefinitely. Accordingly, no provision for withholding taxes was recorded on these unremitted earnings in the accompanying consolidated statements of earnings. It is impracticable for us to determine the amount of unrecognized deferred tax liabilities on these indefinitely reinvested earnings. We have reevaluated our investment position with respect to certain cash balances and we do not intend to indefinitely reinvest cash in excess of working capital and strategic requirements. Accordingly, we have recorded a provisional deferred tax expense for these unremitted earnings in the accompanying consolidated statements of earnings.

Our income tax returns are routinely examined by domestic and foreign tax authorities. For fiscal years 2005 through 2009, a transfer pricing issue remains open pending negotiations between the U.S. and Mexican tax authorities. Our U.S. federal tax returns for fiscal years 2010 through 2012 are currently under examination by the IRS. During fiscal 2016, the IRS issued a proposed adjustment relating to transfer pricing between our entities in the U.S. and China for fiscal years 2010 through 2012. We intend to defend our position using all available remedies including bi-lateral relief. There are also ongoing U.S. state and local and other foreign audits covering fiscal years 2005 through 2015. We do not expect the results from any ongoing income tax audit to have a material impact on our consolidated financial condition, results of operations, or cash flows.

Over the next twelve months, it is reasonably possible that the resolution of federal and state tax examinations could reduce our unrecognized tax benefits by $187 million. Final settlement of these audit issues may result in payments that are more or less than this amount, but we do not anticipate the resolution of these matters will result in a material change to our consolidated financial condition or results of operations.

Reconciliations of the beginning and ending amount of our gross unrecognized tax benefits follow.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Unrecognized tax benefits balance at beginning of fiscal year	$ 659	$ 689	$ 765
Additions based on tax positions related to the current year	74	147	169
Additions for tax positions of prior years	15	14	126
Reductions for tax positions of prior years	(93)	(161)	(350)
Reductions due to settlements	(1)	(16)	(14)
Reductions due to lapse of statute of limitations	(17)	(14)	(7)
Unrecognized tax benefits balance at end of fiscal year	$ 637	$ 659	$ 689

Unrecognized tax benefits that if recognized would affect our annual effective income tax rate on net earnings were $483 million at January 28, 2018; $382 million at January 29, 2017; and $382 million at January 31, 2016.

Net adjustments to accruals for interest and penalties associated with uncertain tax positions resulted in expenses of $24 million in fiscal 2017, $20 million in fiscal 2016, and $5 million in fiscal 2015. Interest and penalties are included in interest expense and SG&A, respectively.

Our total accrued interest and penalties follow.

in millions	January 28, 2018	January 29, 2017
Total accrued interest and penalties	$ 134	$ 109

6. STOCKHOLDERS' EQUITY

Stock Rollforward

A reconciliation of the number of shares of our common stock follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Common stock:			
Balance at beginning of year	1,776	1,772	1,768
Shares issued under employee stock plans	4	4	4
Balance at end of year	1,780	1,776	1,772
Treasury stock:			
Balance at beginning of year	(573)	(520)	(461)
Repurchases of common stock	(49)	(53)	(59)
Balance at end of year	(622)	(573)	(520)
Shares outstanding at end of year	1,158	1,203	1,252

Accelerated Share Repurchase Agreements. We enter into ASR agreements from time to time with third-party financial institutions to repurchase shares of our common stock. Under an ASR agreement, we pay a specified amount to the financial institution and receive an initial delivery of shares. This initial delivery of shares represents the minimum number of shares that we may receive under the agreement. Upon settlement of the ASR agreement, the financial institution delivers additional shares, with the final number of shares delivered determined with reference to the volume weighted average price per share of our common stock over the term of the agreement, less a negotiated discount. The transactions are accounted for as equity transactions and are included in treasury stock when the shares are received, at which time there is an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share.

The terms of each ASR agreement entered into during the last three fiscal years, structured as outlined above, follow (in millions).

Agreement Date	Settlement Date	Agreement Amount	Initial Shares Delivered	Additional Shares Delivered	Total Shares Delivered
Q1 2015	Q1 2015	$ 850	7.0	0.5	7.5
Q2 2015	Q3 2015	1,500	12.0	1.3	13.3
Q3 2015	Q4 2015	1,375	10.1	1.3	11.4
Q4 2015	Q4 2015	1,500	9.7	1.7	11.4
Q2 2017	Q2 2017	1,650	9.7	1.1	10.8
Q3 2017	Q4 2017	1,200	6.7	0.7	7.4

7. FAIR VALUE MEASUREMENTS

The fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability’s fair value is defined as the amount that would be paid to transfer the liability to a new obligor, rather than the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities that are measured at fair value on a recurring basis follow.

in millions	Fair Value at January 28, 2018 Using			Fair Value at January 29, 2017 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative agreements – assets	$ —	$ 235	$ —	$ —	$ 271	$ —
Derivative agreements – liabilities	—	(12)	—	—	—	—
Total	$ —	$ 223	$ —	$ —	$ 271	$ —

We use derivative financial instruments from time to time in the management of our interest rate exposure on long-term debt and our exposure on foreign currency fluctuations. The fair value of our derivative financial instruments was measured using observable market information (level 2). Our derivative agreements are discussed further in Note 4.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The carrying amounts of cash and cash equivalents, receivables, short-term debt, and accounts payable approximate fair value due to the short-term maturities of these financial instruments.

Long-lived assets, goodwill, and other intangible assets were analyzed for impairment on a nonrecurring basis using fair value measurements with unobservable inputs (level 3).

The estimated fair values of the assets acquired and liabilities assumed for Interline, which was acquired in the third quarter of fiscal 2015, were measured using unobservable inputs (level 3). See Note 12 for further discussion of the Interline acquisition.

The aggregate fair values and carrying values of our senior notes follow.

in millions	January 28, 2018		January 29, 2017	
	Fair Value (Level 1)	Carrying Value	Fair Value (Level 1)	Carrying Value
Senior notes	$ 26,617	$ 24,485	$ 23,620	$ 22,013

8. EMPLOYEE STOCK PLANS

Omnibus Stock Incentive Plans

The Home Depot, Inc. Amended and Restated 2005 Omnibus Stock Incentive Plan (the "2005 Plan") and The Home Depot, Inc. 1997 Omnibus Stock Incentive Plan (the "1997 Plan" and collectively with the 2005 Plan, the "Plans") provide that incentive and nonqualified stock options, stock appreciation rights, restricted stock, performance shares, performance units, and deferred shares may be issued to certain of our associates, officers, and directors. Under the 2005 Plan, the maximum number of shares of our common stock authorized for issuance is 255 million shares, with any award other than a stock option or stock appreciation right reducing the number of shares available for issuance by 2.11 shares. At January 28, 2018, there were 130 million shares available for future grants under the 2005 Plan. No additional equity awards could be issued from the 1997 Plan after the adoption of the 2005 Plan on May 26, 2005.

Stock Options. Under the terms of the Plans, incentive stock options and nonqualified stock options must have an exercise price at or above the fair market value of our stock on the date of the grant. Typically, incentive stock options and nonqualified stock options vest at the rate of 25% per year commencing on the first or second anniversary date of the grant, and expire on the tenth anniversary date of the grant. Additionally, certain stock options may become non-forfeitable upon the associate reaching age 60, provided the associate has had five years of continuous service.

Stock-based compensation expense and the total intrinsic value of stock options exercised follow.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Stock-based compensation expense related to stock options	$ 20	$ 26	$ 26
Total intrinsic value of stock options exercised	223	140	206

The per share weighted average fair value of stock options granted and the assumptions used in determining fair value at the date of grant using the Black-Scholes option-pricing model follow.

	Fiscal 2017	Fiscal 2016	Fiscal 2015
Per share weighted average fair value	$ 21.85	$ 20.26	$ 18.54
Risk-free interest rate	1.9%	1.4%	1.4%
Assumed volatility	19.4%	20.7%	20.8%
Assumed dividend yield	2.4%	2.1%	2.0%
Assumed lives of options	5 years	5 years	5 years

A summary of stock option activity by number of shares and weighted average exercise price follows.

shares in thousands	Number of Shares	Weighted Average Exercise Price
Outstanding at January 29, 2017	8,720	$ 70.69
Granted	648	148.04
Exercised	(2,029)	48.64
Forfeited	(143)	122.43
Outstanding at January 28, 2018	7,196	82.85

Details regarding outstanding and exercisable stock options at the end of fiscal 2017 follow.

shares in thousands, dollars in millions, except for per share amounts	Number of Shares	Intrinsic Value	Weighted Average Remaining Life	Weighted Average Exercise Price
Outstanding	7,196	$ 895	6 years	$ 82.85
Exercisable	3,757	575	4 years	54.13

At January 28, 2018, there were approximately 6 million stock options vested or expected to ultimately vest. At January 28, 2018, there was $23 million of unamortized stock-based compensation expense related to stock options, which is expected to be recognized over a weighted average period of two years.

Restricted Stock and Performance Shares. Restrictions on the restricted stock issued under the Plans generally lapse according to one of the following schedules:

- the restrictions on the restricted stock lapse over various periods up to five years;
- the restrictions on 25% of the restricted stock lapse upon the third and sixth anniversaries of the date of issuance with the remaining 50% of the restricted stock lapsing upon the associate’s attainment of age 62; or
- the restrictions on 25% of the restricted stock lapse upon the third and sixth anniversaries of the date of issuance with the remaining 50% of the restricted stock lapsing upon the earlier of the associate’s attainment of age 60 or the tenth anniversary of the grant date.

We have also granted performance shares under the Plans, the payout of which is dependent on our performance against target average ROIC and operating profit over a three-year performance cycle. Additionally, certain awards may become non-forfeitable upon the associate's attainment of age 60, provided the associate has had five years of continuous service. The fair value of the restricted stock and performance shares is expensed over the period during which the restrictions lapse.

Recognized stock-based compensation expense related to restricted stock and performance shares is presented below.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Stock-based compensation expense related to restricted stock and performance shares	$ 209	$ 199	$ 180

A summary of restricted stock and performance shares activity by number of shares and weighted average grant date fair value is presented below.

shares in thousands	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 29, 2017	5,452	$ 103.41
Granted	1,769	144.12
Vested	(2,093)	90.25
Forfeited	(399)	120.38
Outstanding at January 28, 2018	4,729	123.03

At January 28, 2018, there was $337 million of unamortized stock-based compensation expense related to restricted stock and performance shares, which is expected to be recognized over a weighted average period of two years. The total fair value of restricted stock and performance shares that vested during the fiscal year follow.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Total fair value vested	$ 309	$ 354	$ 382

Deferred Shares. In fiscal 2017, there were an aggregate of 122,000 deferred shares granted under the Plans compared to 139,000 in fiscal 2016 and 152,000 in fiscal 2015. Each deferred share entitles the associate to one share of common stock to be received up to five years after the grant date of the deferred shares, subject to certain deferral rights of the associate. Additionally, certain awards may become non-forfeitable upon the associate reaching age 60, provided the associate has had five years of continuous service. Recorded stock-based compensation expense related to deferred shares follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Stock-based compensation expense related to deferred shares	$ 16	$ 16	$ 15

Employee Stock Purchase Plans

We maintain two ESPPs (U.S. and non-U.S. plans). The plan for U.S. associates is a tax-qualified plan under Section 423 of the Internal Revenue Code. The non-U.S. plan is not a Section 423 plan. At January 28, 2018, there were 20 million shares available under the U.S. plan and 19 million shares available under the non-U.S. plan. The purchase price of shares under the ESPPs is equal to 85% of the stock's fair market value on the last day of the purchase period, which is a six-month period ending on December 31 and June 30 of each year. During fiscal 2017, there were 1 million shares purchased under the ESPPs at an average price of $143.71. Under the outstanding ESPPs at January 28, 2018, employees have contributed $17 million to purchase shares at 85% of the stock's fair market value on the last day of the current purchase period (June 30, 2018). Recognized stock-based compensation expense related to ESPPs follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Stock-based compensation expense related to ESPPs	$ 28	$ 26	$ 23

9. EMPLOYEE BENEFIT PLANS

We maintain active defined contribution retirement plans for our employees (the "Benefit Plans"). All associates satisfying certain service requirements are eligible to participate in the Benefit Plans. We make cash contributions each payroll period up to specified percentages of associates' contributions as approved by our Board of Directors.

We also maintain the Restoration Plan to provide certain associates deferred compensation that they would have received under the Benefit Plans as a matching contribution if not for the maximum compensation limits under the Internal Revenue Code. We fund the Restoration Plan through contributions made to a grantor trust, which are then used to purchase shares of our common stock in the open market.

Our contributions to the Benefit Plans and the Restoration Plan follow.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Contributions to the Benefits Plans and the Restoration Plan	$ 202	$ 195	$ 186

At January 28, 2018, the Benefit Plans and the Restoration Plan held a total of 7 million shares of our common stock in trust for plan participants.

10. WEIGHTED AVERAGE COMMON SHARES

The reconciliation of our basic to diluted weighted average common shares follows.

in millions	Fiscal 2017	Fiscal 2016	Fiscal 2015
Basic weighted average common shares	1,178	1,229	1,277
Effect of potentially dilutive securities	6	5	6
Diluted weighted average common shares	1,184	1,234	1,283
Anti-dilutive securities excluded from diluted weighted average common shares	1	1	1

11. COMMITMENTS AND CONTINGENCIES

At January 28, 2018, we were contingently liable for approximately $447 million under outstanding letters of credit and open accounts issued for certain business transactions, including insurance programs, trade contracts, and construction contracts. Our letters of credit are primarily performance-based and are not based on changes in variable components, a liability or an equity security of the other party.

In addition to the Data Breach described below, we are involved in litigation arising in the normal course of business. In management's opinion, any such litigation is not expected to have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

Data Breach

As previously reported, in the third quarter of fiscal 2014, we confirmed that our payment data systems were breached, which potentially impacted customers who used payment cards at self-checkout systems in our U.S. and Canadian stores (the "Data Breach"). The Data Breach resulted in a number of claims and investigations, a significant number of which had been resolved prior to fiscal 2017. During fiscal 2017, the United States District Court for the Northern District of Georgia approved settlement agreements that resolved and dismissed the claims asserted in the two remaining litigation matters, the financial institution class actions and the purported shareholder derivative actions.

We previously recorded accruals for estimated probable losses in connection with the matters described above. As of the end of fiscal 2017, we had resolved the consumer, financial institution, and shareholder derivative claims, representing the significant majority of the claims relating to the Data Breach, and there were no material changes during fiscal 2017 to our loss contingency assessment relating to any remaining matters. Further, we do not believe that the ultimate amounts to be paid with respect to any remaining matters will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows in future periods. As a result, in future filings we do not anticipate providing separate reporting with respect to the Data Breach.

12. INTERLINE ACQUISITION

In August 2015, we completed our acquisition of Interline, which established a platform in the MRO market. The aggregate purchase price was $1.7 billion, a portion of which was used for the repayment of substantially all of Interline's indebtedness at that time. We have consolidated Interline's results of operations in our financial statements since the date of acquisition. Pro forma results of operations for the period prior to the acquisition in fiscal 2015 would not be materially different as a result of the acquisition and therefore are not presented.

We finalized our purchase price allocation during the fourth quarter of fiscal 2015. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for Interline follow.

in millions	Fair Value
Current assets	$ 593
Long-lived assets other than goodwill	619
Goodwill	788
Other assets	49
Total assets acquired	2,049
Current liabilities	199
Other long-term liabilities	178
Total liabilities assumed	377
Net assets acquired	$ 1,672

Intangible assets acquired consist of customer relationships of $310 million, with a weighted average useful life of 12 years, and trade names of $253 million, with an indefinite life, which are included in other assets. The goodwill of $788 million represents future economic benefits expected to arise from our expanded presence in the MRO market and expected revenue and purchasing synergies. Neither the intangible assets nor the goodwill acquired are deductible for income tax purposes.

13. INVESTMENT IN HD SUPPLY

In fiscal 2015, the remaining principal shareholder of HD Supply elected to sell its shares of common stock in a secondary public offering, and we exercised our rights under a registration rights agreement to include our shares in this offering. As a result, we sold our remaining shares of HD Supply common stock (with zero cost basis) and recognized a pretax gain of $144 million in interest and investment income in fiscal 2015.

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of our quarterly consolidated results of operations follows.

in millions, except per share data	First Fiscal Quarter	Second Fiscal Quarter	Third Fiscal Quarter	Fourth Fiscal Quarter
Fiscal 2017:				
Net sales	$ 23,887	$ 28,108	$ 25,026	$ 23,883
Gross profit	8,154	9,461	8,648	8,093
Net earnings	2,014	2,672	2,165	1,779
Basic earnings per share	1.68	2.26	1.85	1.53
Diluted earnings per share	1.67	2.25	1.84	1.52
Fiscal 2016:				
Net sales	$ 22,762	$ 26,472	$ 23,154	$ 22,207
Gross profit	7,791	8,927	8,042	7,553
Net earnings	1,803	2,441	1,969	1,744
Basic earnings per share	1.45	1.98	1.61	1.45
Diluted earnings per share	1.44	1.97	1.60	1.44