Q2 2023 Results

August 3rd, 2023

Safe Harbor Statement

This presentation contains forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding Green Dot’s 2023 guidance, Green Dot’s ability to realize cost savings and the other expected benefits of Green Dot’s technology transformation, and other future events that involve risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements contained in this presentation, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from those projected include, among other things, Green Dot’s ability to timely and successfully complete its technology transformation and achieve the expected cost savings and other benefits therefrom, impacts from and changes in general economic conditions on Green Dot’s business, results of operations and financial condition, including any continuing impacts of the COVID-19 pandemic, and the U.S. government’s response thereto, shifts in consumer behavior towards electronic payments, the timing and impact of revenue growth activities, Green Dot's dependence on revenues derived from Walmart, the timing and impact of non-renewals or terminations of agreements with other large partners, impact of competition, Green Dot's reliance on retail distributors for the promotion of its products and services, demand for Green Dot's new and existing products and services, continued and improving returns from Green Dot's investments in strategic initiatives, Green Dot's ability to operate in a highly regulated environment, including with respect to any restrictions imposed on its business, changes to governmental policies or rulemaking or enforcement priorities affecting financial institutions or to existing laws or regulations affecting Green Dot's operating methods or economics, Green Dot's reliance on third-party vendors, changes in credit card association or other network rules or standards, changes in card association and debit network fees or products or interchange rates, instances of fraud developments in the prepaid financial services industry that impact prepaid debit card usage generally, business interruption or systems failure, economic, political and other conditions may adversely affect trends in consumer spending and Green Dot's involvement in litigation or investigations. These and other risks are discussed in greater detail in Green Dot's Securities and Exchange Commission filings, including its most recent annual report on Form 10-K, which is available on Green Dot's investor relations website at ir.greendot.com and on the SEC website at www.sec.gov. All information provided in this presentation and in the attachments is as of August 3, 2023 and Green Dot assumes no obligation to update this information as a result of future events or developments, except as required by law.

This presentation includes non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures. For example, other companies may calculate similarly-titled non-GAAP financial measures differently. Refer to the Appendix for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

Key Q2 2023 Highlights and Themes

2Q23 Results

Results impacted by client de-conversions, tough expense comps and rising interest rates

Non-GAAP Revenue[1] up 2%

Adjusted EBITDA[1] Down 42%

2Q23 Non-GAAP EPS[1] Down 50%

In Final Stages of Platform Conversions; Focus on Efficiency

Executed 7 conversion events from legacy processors with final activities expected to be completed in August

With completion of the conversions GDOT expects to be positioned to recognize at least $35M of annualized cost savings

GAAP general and administrative expenses were down ~12% versus 2Q22

GO2bank, Green Dot Network See Solid Momentum

GO2bank saw strong momentum with revenue up ~40% in 2Q and now accounts for ~60% of the direct channel and ~20% of Consumer Services

Green Dot Network transactions declined at a mid single-digit rate while 3rd party transactions were up in the mid-teens and now comprise ~60% of the division

Launched new BaaS Partner, Signed new FSC Partner

Launched a new BaaS partner, expected to ramp up over the next several quarters

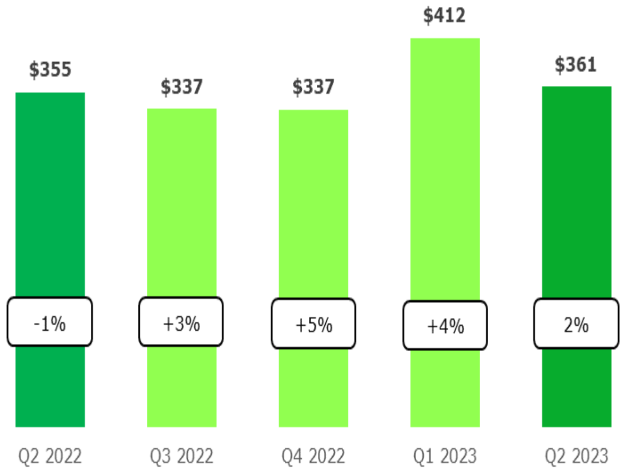
Signed a sizable financial service center (FSC) partner. Expected to launch in early 2024

Rapid! PayCard signed over 300 new partners and Green Dot Network signed 6 new partners

[1] Please see appendix at end of presentation for a reconciliation of GAAP to Non-GAAP Measures

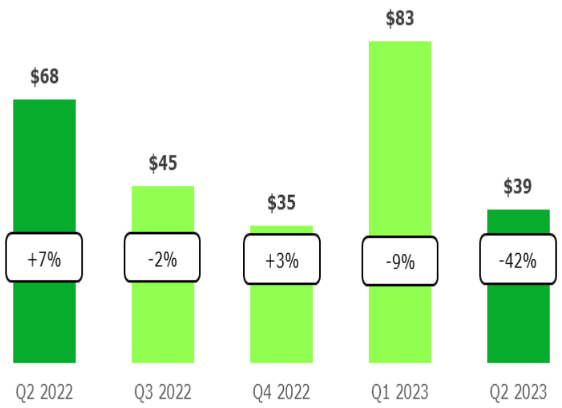
Q2 2023 Results

Non-GAAP Revenue[1]



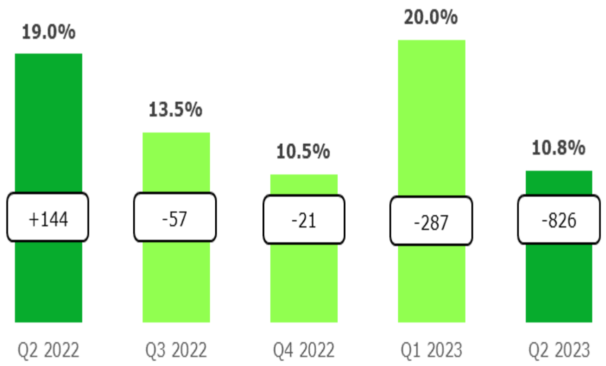
in millions, reflects change versus the prior year

Adjusted EBITDA[1]



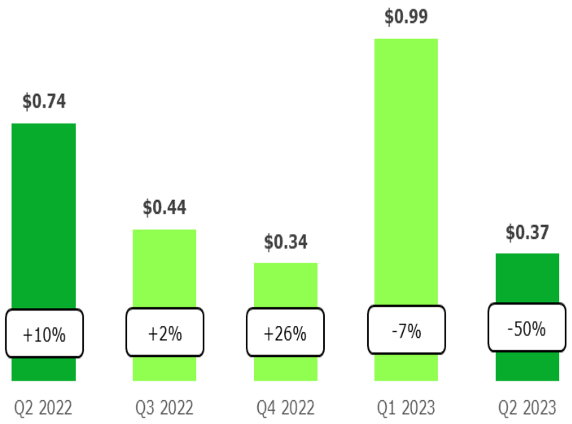
in millions, reflects change versus the prior year

Adjusted EBITDA Margin[1]



reflects change in basis points versus the prior year

Non-GAAP EPS[1]



reflects change versus the prior year

Non-GAAP Revenue[1] increased 2%

- Consumer Services down 14%
- B2B Services up 26%
- Money Movement down 8%

Adjusted EBITDA[1] down 42%

- Adjusted EBITDA Margin of ~10.8%, down 826 bps as the company works through de-conversion of BaaS partners, the impact of rising interest rates and difficult comparisons in 2Q22 when there were several one-time benefits in segment operating expenses
- Consumer Services segment profit down 27%
- B2B Services segment profit was down 22%
- Money Movement segment profit down 1%
- Corporate and Other Expense up 4%, the slowest growth in over 6 quarters as cost cutting efforts of set ongoing investments in our technology conversion

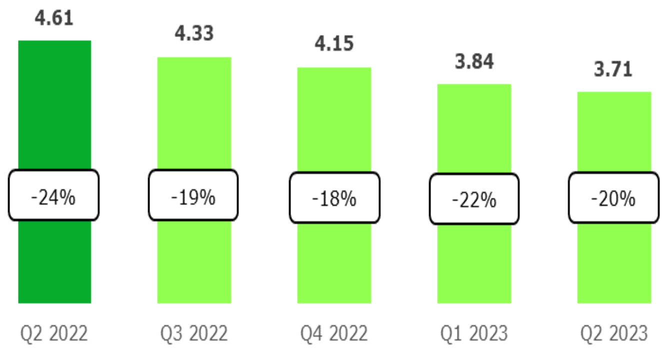
Non-GAAP EPS[1] declined 50%

- Non-GAAP Effective Tax Rate essentially flat with prior year
- Share count of 52.4M benefitted from buyback activity in 2022

[1] Please see appendix at end of presentation for a reconciliation of GAAP to Non-GAAP Measures

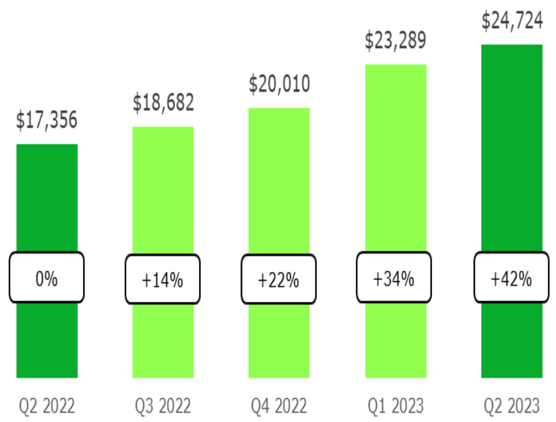
Q2 2023 Key Metrics

Actives[1]



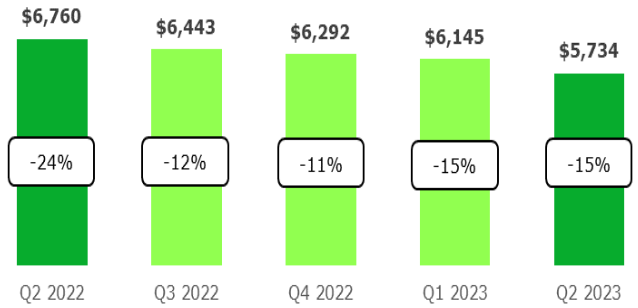
in millions, reflects change versus the prior year

Gross Dollar Volume



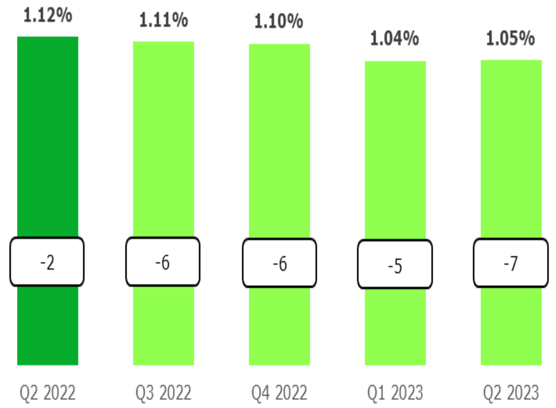
in millions, reflects change versus the prior year

Purchase Volume



in millions, reflects change versus the prior year

Net Interchange Rate[2]



reflects change in basis points versus the prior year

Actives[1] declined 20%

- Consumer Services actives were down 15%, the slowest rate of decline in over a year. The retail channel continues to face secular headwinds while the direct channel continues to focus on growth of GO2bank while legacy brands decline due to natural attrition
- Consumer Services Direct Deposit Actives[1] down 12% from last year with the declines continuing to moderate and posting the slowest rate of decline in over a year
- B2B Services down 26% as the division began to see the impact of previously announced client de-conversions

Gross Dollar Volume up 42% over last year

- Consumer Services down 10%
- B2B Services up 68%

Purchase Volume declined 15%

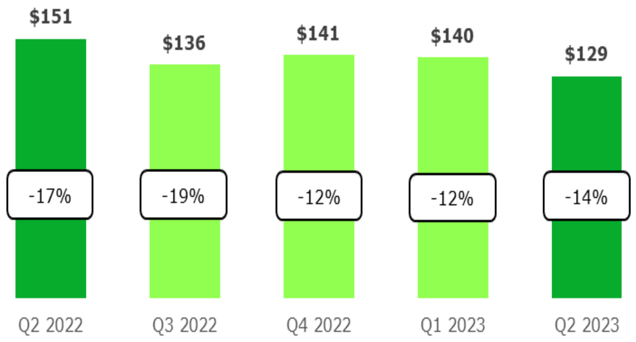
- Consumer Services down 13%
- B2B Services down 19%

Net Interchange Rate[2] declined 7 bps due to transaction mix and higher average transaction size

[1] Measured as the total number of accounts that have been active in the last 90 days as of quarter end
[2] Net Interchange Rate equals Interchange revenues divided by Purchase Volume

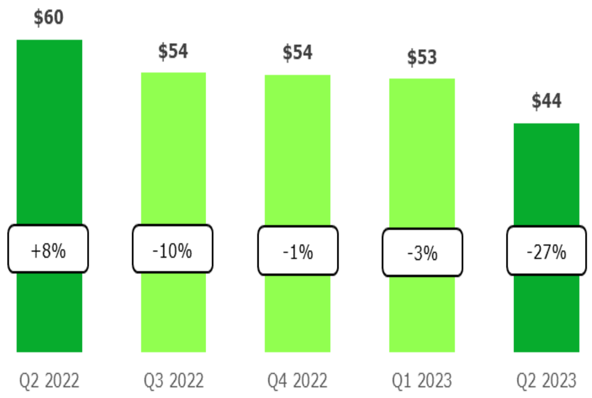
Consumer Services

Segment Revenue



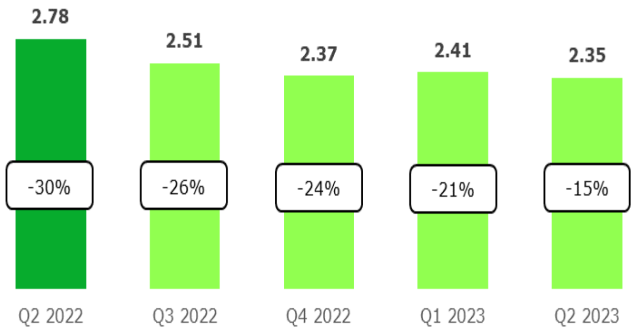
in millions, reflects change versus the prior year

Segment Profit



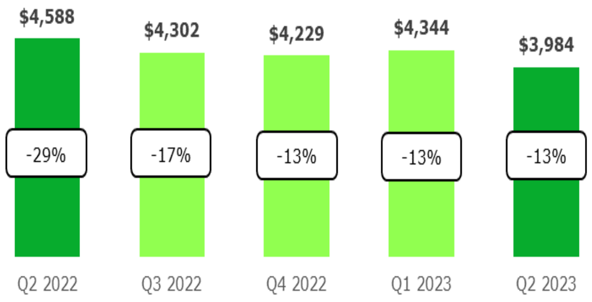
in millions, reflects change versus the prior year

Actives[2]



in millions, reflects change versus the prior year

Purchase Volume



in millions, reflects change versus the prior year

Segment Revenue declined 14%

- Declines were driven largely by headwinds in retail in addition to the de-conversion of a retail program
- Revenue declined in the direct channel at a mid-single digit rate and continues to moderate. GO2bank saw solid growth in the quarter with revenue up ~40% and is now ~20% of the consumer services segment
- Revenue per active[1] increased 1% over the prior year, driven by improved mix of consumer accounts and continued adoption of profitable features by our customer base. Excluding the impact of the de-conversion of a retail program, revenue per active was up 4%

Segment Profit decreased 27%

- Segment Profit was under pressure due to revenue declines, the timing of expenses and difficult comparisons with 2Q22, which had a variety of one-time expense benefits

Actives[2] declined 15%; Direct Deposit Actives declined 12%

- The decline in active as continued to moderate in both the retail and direct channels. While retail and direct continue to experience declines, GO2bank continues to see growth in active accounts and solid double-digit growth in direct deposit accounts

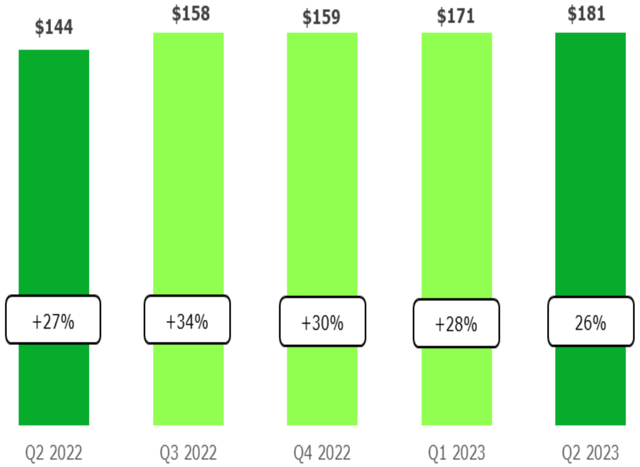
Purchase Volume declined 13% and Gross Dollar Volume declined 10%

- Declines remain more moderate than the decline in actives as we retain and acquire more engaged, higher value accounts

[1] Equals segment revenue divided by the total number of accounts that have been active in the last 90 days as of quarter end
[2] Equals the total number of accounts that have been active in the last 90 days as of quarter end
Please see appendix at end of presentation for a reconciliation of segment measures

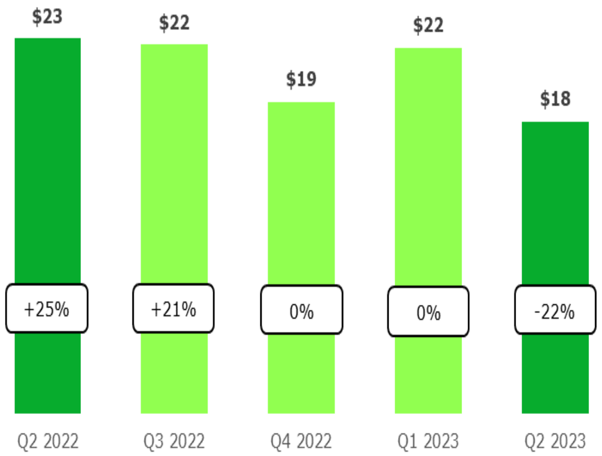
B2B Services

Segment Revenue



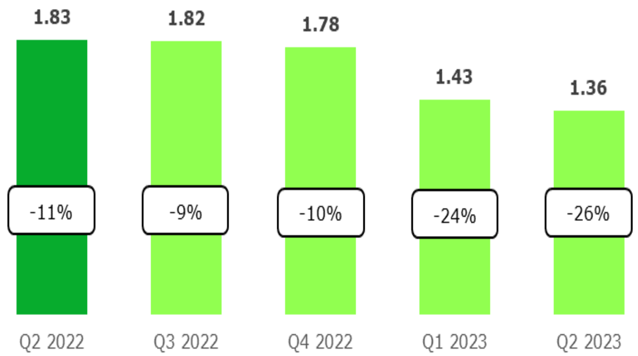
in millions, reflects change versus the prior year

Segment Profit



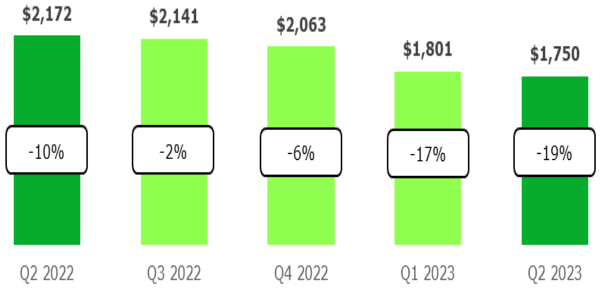
in millions, reflects change versus the prior year

Actives[1]



in millions, reflects change versus the prior year

Purchase Volume



in millions, reflects change versus the prior year

Segment Revenue increased 26%

- Strong growth from a key BaaS partner remains partially offset by previously announced partner de-conversions
- Rapid! PayCard saw solid growth in GDV and purchase volumes while interchange rates remained under pressure

Segment Profit declined 22%

- Segment Profit Margin declined 607 bps
- Margin pressure driven by growth of a key BaaS partner. In addition, segment profits and margins in the remaining BaaS business, excluding key partner were under pressure due to client de-conversions.
- Pay card margin was also under pressure as expenses grew to support solid growth in accounts and volumes despite the moderation in revenue due to lower interchange yields.

Actives[1] declined 26%

- De-converting BaaS partners continue to present a substantial headwind for growth in actives.

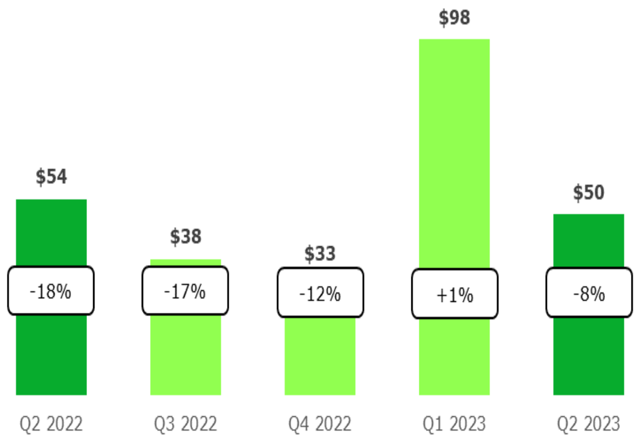
Gross Dollar Volume increased 68% and Purchase Volume declined 19%.

- Growth in GDV was driven by several key BaaS partners and Rapid! PayCard though declines in PV were driven by de-converting BaaS partners

[1] Measured as the total number of accounts that have been active in the last 90 days as of quarter end
Please see appendix at end of presentation for a reconciliation of segment measures

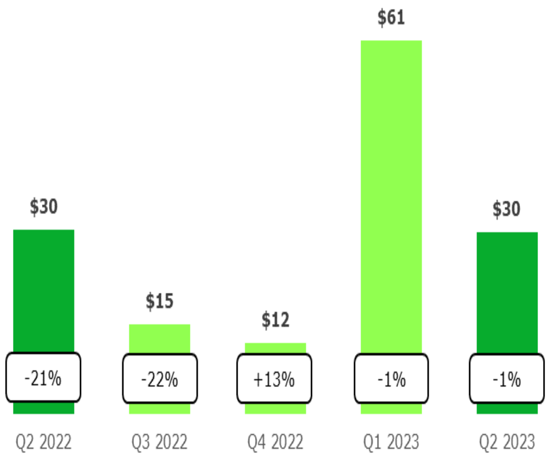
Money Movement Services

Segment Revenue



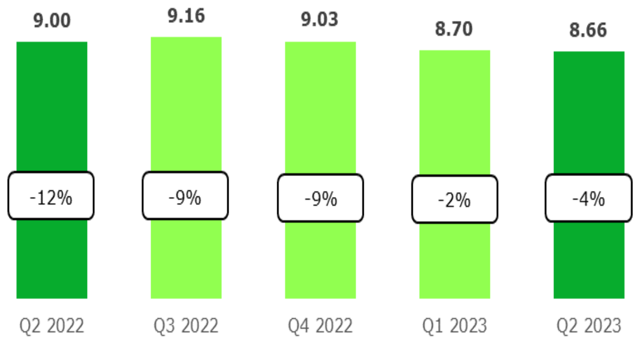
in millions, reflects change versus the prior year

Segment Profit



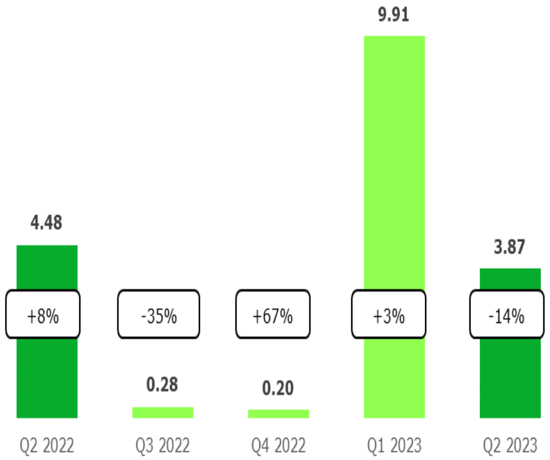
in millions, reflects change versus the prior year

Cash Transfers



in millions, reflects change versus the prior year

Tax Refunds



in millions, reflects change versus the prior year

Segment Revenue decreased 8%

- Tax was down from last year but is still up YTD while the Green Dot Network (GDN) saw mid-single digit declines though the declines are moderating. The moderation in growth in GDN revenue is attributable to the growing contribution from third-party partner programs.

Segment Profit decreased 1%

- Segment margin was up 390bp. Tax profits were up slightly despite a decline in revenue. Green Dot Network had a modest decline in profits but was able to drive some modest margin expansion to limit the impact of declining revenues

Cash Transfers were down 4%

- While the decline in actives[1] remains a headwind for transactions, growth in 3rd party partner volumes has resulted in a notable moderation in declines
- 3rd party volumes grew in the mid-teens as more partners were added to the network and now account for ~60% of total transactions

Tax Refunds declined 14%

[1] Measured as the total number of accounts that have been active in the last 90 days as of quarter end
Please see appendix at end of presentation for a reconciliation of segment measures

Updated 2023 Guidance

	Low	High
Non-GAAP Operating Revenue[1]	$1,376.0	$1,462.0
Adjusted EBITDA[1]	$182.0	$188.0
Non-GAAP diluted EPS[1]	$1.80	$1.90

in millions, except for Non-GAAP EPS
[1] Please see an appendix at the end of the presentation for a reconciliation of GAAP to Non-GAAP Measures
[2] Excludes the impact of amortization of acquired intangible assets
[3] Assumes a non-GAAP effective tax rate of approximately 23.5% for full year

Appendix: Reportable Segments

Green Dot's segment reporting is based on how its Chief Operating Decision Maker ("CODM") manages its businesses, including resource allocation and performance assessment. Its CODM (who is the Chief Executive Officer) organizes and manages the business primarily on the basis of the channels in which its product and services are offered and uses net revenue and segment profit to assess profitability. Segment profit reflects each segment's net revenue less direct costs, such as sales and marketing expenses, processing expenses, third-party call center support and transaction losses. Green Dot's operations are aggregated amongst three reportable segments: 1) Consumer Services, 2) Business to Business ("B2B") Services and 3) Money Movement Services.

The Corporate and Other segment primarily consists of net interest income, certain other investment income earned by Green Dot's bank, interest profit sharing arrangements with certain BaaS partners (a reduction of revenue), eliminations of inter-segment revenues and expenses, and unallocated corporate expenses, which include Green Dot's fixed expenses, such as salaries, wages and related benefits for its employees, professional services fees, software licenses, telephone and communication costs, rent, utilities, and insurance that are not considered when Green Dot's CODM evaluates segment performance. Non-cash expenses such as stock-based compensation, depreciation and amortization of long-lived assets, impairment charges and other non-recurring expenses that are not considered by Green Dot's CODM when evaluating overall consolidated financial results are excluded from its unallocated corporate expenses. Green Dot does not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

Appendix: Reportable Segments

	2022			2023	
	Q2	Q3	Q4	Q1	Q2
Segment Revenue			(In millions)		
Consumer Services	$ 151.0	$ 135.8	$ 141.3	$ 139.8	$ 129.1
B2B Services	143.5	158.2	158.8	171.3	180.7
Money Movement Services	54.1	37.7	33.1	98.2	50.0
Corporate and Other	6.5	5.5	3.4	3.0	1.4
Total segment revenues	355.1	337.2	336.6	412.4	361.1
BaaS commission and processing expenses (8)	8.4	7.3	6.6	4.8	5.4
Other income (9)	(0.8)	(0.8)	(0.8)	(0.7)	(0.7)
Total operating revenues	$ 362.8	$ 343.7	$ 342.4	$ 416.4	$ 365.9

	2022			2023	
	Q2	Q3	Q4	Q1	Q2
Segment Profit			(In millions)		
Consumer Services	$ 60.4	$ 53.9	$ 53.5	$ 52.8	$ 44.3
B2B Services	22.8	22.4	18.9	22.2	17.7
Money Movement Services	30.2	14.7	11.6	61.0	29.8
Corporate and Other	(45.8)	(45.5)	(48.6)	(53.5)	(52.9)
Total segment profit*	67.5	45.5	35.4	82.5	38.9
Reconciliation to income before income taxes					
Depreciation and amortization of property, equipment and internal-use software	14.6	14.5	14.2	13.7	13.9
Stock based compensation and related employer taxes	5.8	10.9	3.6	9.5	10.7
Amortization of acquired intangible assets	5.7	5.7	5.7	5.7	7.3
Impairment charges	1.9	-	0.1	-	-
Legal settlement expenses	13.9	2.9	(0.3)	0.1	1.3
Other expense	1.8	0.8	4.0	2.5	0.9
Operating income	23.9	10.8	8.1	51.0	4.8
Interest expense, net	0.0	0.0	0.1	1.6	0.2
Other (expense), net	(4.0)	(4.2)	(1.1)	(3.0)	(2.2)
Income before income taxes	$ 19.9	$ 6.5	$ 6.8	$ 46.3	$ 2.3

* Total segment profit is also referred to herein as adjusted EBITDA in its non-GAAP measures. Additional information about the Company's non-GAAP financial measures

Appendix: Non-GAAP Financial Measures

About Non-GAAP Financial Measures

To supplement Green Dot's consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), Green Dot uses measures of operating results that are adjusted for, among other things, non-operating net interest income and expense; other non-interest investment income earned by its bank; income tax benefit and expense; depreciation and amortization, including amortization of acquired intangibles; certain legal settlement gains and charges; stock-based compensation and related employer payroll taxes; changes in the fair value of contingent consideration; transaction costs from acquisitions; amortization attributable to deferred financing costs; impairment charges; extraordinary severance expenses; earnings or losses from equity method investments; changes in the fair value of loans held for sale; commissions and certain processing-related costs associated with Banking as a Service ("BaaS") products and services where Green Dot does not control customer acquisition; realized gains on investment securities; other charges and income not reflective of ongoing operating results; and income tax effects. This earnings release includes non-GAAP total operating revenues, adjusted EBITDA, non-GAAP net income, and non-GAAP diluted earnings per share. These non-GAAP financial measures are not calculated or presented in accordance with, and are not alternatives or substitutes for, financial measures prepared in accordance with GAAP, and should be read only in conjunction with Green Dot's financial measures prepared in accordance with GAAP. Green Dot's non-GAAP financial measures may be different from similarly-titled non-GAAP financial measures used by other companies. Green Dot believes that the presentation of non-GAAP financial measures provides useful information to management and investors regarding underlying trends in its consolidated financial condition and results of operations. Green Dot's management regularly uses these supplemental non-GAAP financial measures internally to understand, manage and evaluate Green Dot's business and make operating decisions. For additional information regarding Green Dot's use of non-GAAP financial measures and the items excluded by Green Dot from one or more of its historic and projected non-GAAP financial measures, investors are encouraged to review the reconciliations of Green Dot's historic and projected non-GAAP financial measures to the comparable GAAP financial measures, which are included herein, or can be found by clicking on “Financial Information” in the Investor Relations section of Green Dot's website at http://ir.greendot.com/.

Appendix: Non-GAAP Financial Measures

Reconciliation of Total Operating Revenues to Non-GAAP Total Operating Revenues (1)	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
	(In millions)				
Total operating revenues	$ 362.8	$ 343.7	$ 342.4	$ 416.4	$ 365.9
BaaS commission and processing expenses (8)	(8.4)	(7.3)	(6.6)	(4.8)	(5.4)
Other income (9)	0.8	0.8	0.8	0.7	0.7
Non-GAAP total operating revenues	$ 355.1	$ 337.2	$ 336.6	$ 412.4	$ 361.1

Reconciliation of Net Income to Non-GAAP Net Income (1)	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
	(In millions, except per share data)				
Net income	$ 15.0	$ 4.7	$ 5.9	$ 36.0	$ 0.6
Stock-based compensation and related employer payroll taxes (3)	5.8	10.9	3.6	9.5	10.7
Amortization of acquired intangible assets (4)	5.7	5.7	5.7	5.7	7.3
Change in fair value of contingent consideration (4)	-	-	-	-	-
Transaction and related acquisition costs (4)	0.3	(0.0)	0.0	(0.0)	-
Amortization of deferred financing costs (5)	0.0	0.0	0.0	0.0	0.0
Impairment charges (5)	1.9	-	0.1	-	-
Extraordinary severance expenses (6)	0.4	0.0	2.9	1.8	0.7
Legal settlement expenses (gain) (5)	13.9	2.9	(0.3)	0.1	1.3
Losses in equity method investments (5)	4.9	5.2	3.8	4.1	3.5
Change in fair value of loans held for sale (2)(5)	(0.2)	(0.2)	(1.7)	(0.2)	(0.7)
Realized gain on sale of of investment securities (5)	-	-	(0.1)	-	-
Other (income) expense, net (5)	0.3	0.0	0.3	(0.0)	(0.4)
Income tax effect (7)	(7.7)	(5.9)	(2.4)	(5.6)	(3.9)
Non-GAAP net income	$ 40.4	$ 23.3	$ 17.7	$ 51.3	$ 19.2
Diluted earnings per share					
GAAP	$ 0.27	$ 0.09	$ 0.11	$ 0.69	$ 0.01
Non-GAAP	$ 0.74	$ 0.44	$ 0.34	$ 0.99	$ 0.37
Diluted weighted-average shares issued and outstanding					
GAAP	54.4	53.4	52.3	52.0	52.4
Non-GAAP	54.6	53.5	52.3	52.0	52.4

Appendix: Non-GAAP Financial Measures

	2022			2023	
Reconciliation of Net Income to Adjusted EBITDA (1)	Q2	Q3	Q4	Q1	Q2
			(In millions)		
Net income	$ 15.0	$ 4.7	$ 5.9	$ 36.0	$ 0.6
Interest expense, net (2)	0.0	0.0	0.1	1.6	0.2
Income tax expense	4.9	1.8	0.9	10.3	1.7
Depreciation and amortization of property, equipment and internal-use software (2)	14.6	14.5	14.2	13.7	13.9
Stock-based compensation and related employer payroll taxes (2)(3)	5.8	10.9	3.6	9.5	10.7
Amortization of acquired intangible assets (2)(4)	5.7	5.7	5.7	5.7	7.3
Change in fair value of contingent consideration (2)(4)	-	-	-	-	-
Transaction and related acquisition costs (2)(4)	0.3	(0.0)	0.0	(0.0)	-
Impairment charges (2)(5)	1.9	-	0.1	-	-
Extraordinary severance expenses (2)(6)	0.4	0.0	2.9	1.8	0.7
Losses in equity method investments (2)(5)	4.9	5.2	3.8	4.1	3.5
Change in fair value of loans held for sale (2)(5)	(0.2)	(0.2)	(1.7)	(0.2)	(0.7)
Realized gain on sale of of investment securities (2)(5)	-	-	(0.1)	-	-
Legal settlement expenses (gain) (2)(5)	13.9	2.9	(0.3)	0.1	1.3
Other expense (income), net (2)(5)	0.3	0.0	0.3	(0.0)	(0.4)
Adjusted EBITDA	$ 67.5	$ 45.5	$ 35.4	$ 82.5	$ 38.9
Non-GAAP total operating revenues	$ 355.1	$ 337.2	$ 336.6	$ 412.4	$ 361.1
Adjusted EBITDA/Non-GAAP total operating revenues (adjusted EBITDA margin)	19.0%	13.5%	10.5%	20.0%	10.8%

Appendix: Non-GAAP Financial Measures

Reconciliation of GAAP to Non-GAAP Diluted Weighted-Average Shares Issued and Outstanding	2022			2023	
	Q2	Q3	Q4	Q1	Q2
			(In millions)		
Diluted weighted-average shares issued and outstanding	54.4	53.4	52.3	52.0	52.4
Weighted-average unvested Walmart restricted shares (10)	0.2	0.1	0.0	-	-
Non-GAAP diluted weighted-average shares issued and outstanding	54.6	53.5	52.3	52.0	52.4

Supplemental Detail on Non-GAAP Diluted Weighted-Average Shares Issued and Outstanding	2022			2023	
	Q2	Q3	Q4	Q1	Q2
			(In millions)		
Total stock outstanding at end of period:	53.7	52.5	51.7	52.0	52.3
Weighting adjustment	0.4	0.7	0.3	(0.2)	(0.1)
Dilutive potential shares:					
Stock options	0.1	0.0	0.0	-	-
Restricted and performance based restricted stock units	0.3	0.3	0.4	0.2	0.2
Employee stock purchase plan	0.0	0.0	0.0	0.0	0.0
Non-GAAP diluted weighted-average shares issued and outstanding	54.6	53.5	52.3	52.0	52.4

Appendix: Non-GAAP Financial Measures

Reconciliation of Forward Looking Guidance for Non-GAAP Financial Measures to Projected GAAP Total Operating Revenues

	FY 2023 Range Low	FY 2023 Range High
	(In millions)	
Total operating revenues	$ 1,393	$ 1,479
Adjustments (8)(9)	(17)	(17)
Non-GAAP total operating revenues	$ 1,376	$ 1,462

Reconciliation of Forward Looking Guidance for Non-GAAP Financial Measures to Projected GAAP Net Income

	FY 2023 Range Low	FY 2023 Range High
	(In millions)	
Net income	$ 27.1	$ 31.6
Adjustments (11)	154.9	156.4
Adjusted EBITDA	$ 182.0	$ 188.0
Non-GAAP total operating revenues	$ 1,462	$ 1,376
Adjusted EBITDA / Non-GAAP total operating revenues (Adjusted EBITDA margin)	12.4%	13.7%

Reconciliation of Forward Looking Guidance for Non-GAAP Financial Measures to Projected GAAP Net Income and GAAP Diluted Weighted-Average Shares Issued and Outstanding

	FY 2023 Range Low	FY 2023 Range High
	(In millions, except per share data)	
Net income	$ 27.1	$ 31.6
Adjustments (11)	67.3	67.5
Non-GAAP net income	$ 94.4	$ 99.1
Diluted earnings per share		
GAAP	$ 0.52	$ 0.60
Non-GAAP	$ 1.80	$ 1.90
Diluted weighted-average shares issued and outstanding		
GAAP	52.4	52.4

Appendix: Non-GAAP Financial Measures

1) To supplement Green Dot's consolidated financial statements presented in accordance with GAAP, Green Dot uses measures of operating results that are adjusted to exclude various, primarily non-cash, expenses and charges. These financial measures are not calculated or presented in accordance with GAAP and should not be considered as alternatives to or substitutes for operating revenues, operating income, net income or any other measure of financial performance calculated and presented in accordance with GAAP. These financial measures may not be comparable to similarly-titled measures of other organizations because other organizations may not calculate their measures in the same manner as Green Dot does. These financial measures are adjusted to eliminate the impact of items that Green Dot does not consider indicative of its core operating performance. You are encouraged to evaluate these adjustments and the reasons Green Dot considers them appropriate.

Green Dot believes that the non-GAAP financial measures it presents are useful to investors in evaluating Green Dot's operating performance for the following reasons:

- adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to items, such as non-operating net interest income and expense, income tax benefit and expense, depreciation and amortization, stock-based compensation and related employer payroll taxes, changes in the fair value of contingent consideration, transaction costs, impairment charges, extraordinary severance expenses, certain legal settlement charges, earnings or losses from equity method investments, changes in the fair value of loans held for sale, and other charges and income that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired;

- securities analysts use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies; and

- Green Dot records stock-based compensation from period to period, and recorded stock-based compensation expenses and related employer payroll taxes, net of forfeitures, of approximately $10.7 million and $5.8 million for the three months ended June 30, 2023 and 2022, respectively. By comparing Green Dot's adjusted EBITDA, non-GAAP net income and non-GAAP diluted earnings per share in different historical periods, investors can evaluate Green Dot's operating results without the additional variations caused by stock-based compensation expense and related employer payroll taxes, which may not be comparable from period to period due to changes in the fair market value of Green Dot's Class A common stock (which is influenced by external factors like the volatility of the public markets and the financial performance of Green Dot's peers) and is not a key measure of Green Dot's operations.

Green Dot's management uses the non-GAAP financial measures:

- as measures of operating performance, because they exclude the impact of items not directly resulting from Green Dot's core operations;

- for planning purposes, including the preparation of Green Dot's annual operating budget;

- to allocate resources to enhance the financial performance of Green Dot's business;

- to evaluate the effectiveness of Green Dot's business strategies;

- to establish metrics for variable compensation; and

- in communications with Green Dot's board of directors concerning Green Dot's financial performance.

Appendix: Non-GAAP Financial Measures

Green Dot understands that, although adjusted EBITDA and other non-GAAP financial measures are frequently used by investors and securities analysts in their evaluations of companies, these measures have limitations as an analytical tool, and you should not consider them in isolation or as substitutes for an analysis of Green Dot's results of operations as reported under GAAP. Some of these limitations are:

- that these measures do not reflect Green Dot's capital expenditures or future requirements for capital expenditures or other contractual commitments;
- that these measures do not reflect changes in, or cash requirements for, Green Dot's working capital needs;
- that these measures do not reflect non-operating interest expense or interest income;
- that these measures do not reflect cash requirements for income taxes;
- that, although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for these replacements; and
- that other companies in Green Dot's industry may calculate these measures differently than Green Dot does, limiting their usefulness as comparative measures.

2) Green Dot does not include any income tax impact of the associated non-GAAP adjustment to adjusted EBITDA, as the case may be, because each of these adjustments to the non-GAAP financial measure is provided before income tax expense.

3) This expense consists primarily of expenses for restricted stock units (including performance-based restricted stock units), performance-based stock options and related employer payroll taxes. Stock-based compensation expense is not comparable from period to period due to changes in the fair market value of Green Dot's Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of Green Dot's peers) and is not a key measure of Green Dot's operations. Green Dot excludes stock-based compensation expense from its non-GAAP financial measures primarily because it consists of non-cash expenses that Green Dot does not believe are reflective of ongoing operating results. Green Dot also believes that it is not useful to investors to understand the impact of stock-based compensation to its results of operations. Further, the related employer payroll taxes are dependent upon volatility in Green Dot's stock price, as well as the timing and size of option exercises and vesting of restricted stock units, over which Green Dot has limited to no control. This expense is included as a component of compensation and benefits expenses on Green Dot's consolidated statements of operations.

4) Green Dot excludes certain income and expenses that are the result of acquisitions. These acquisition-related adjustments include items such as transaction costs, the amortization of acquired intangible assets, changes in the fair value of contingent consideration, settlements of contingencies established at time of acquisition and other acquisition related charges, such as integration charges and professional and legal fees, which result in Green Dot recording expenses or fair value adjustments in its GAAP financial statements. Green Dot analyzes the performance of its operations without regard to these adjustments. In determining whether any acquisition-related adjustment is appropriate, Green Dot takes into consideration, among other things, how such adjustments would or would not aid in the understanding of the performance of its operations. These items are included as a component of other general and administrative expenses on Green Dot's consolidated statements of operations, as applicable for the periods presented.

Appendix: Non-GAAP Financial Measures

5) Green Dot excludes certain income and expenses that are not reflective of ongoing operating results. It is difficult to estimate the amount or timing of these items in advance. Although these events are reflected in Green Dot's GAAP financial statements, Green Dot excludes them in its non-GAAP financial measures because Green Dot believes these items may limit the comparability of ongoing operations with prior and future periods. These adjustments include items such as amortization attributable to deferred financing costs, impairment charges related to long-lived assets, earnings or losses from equity method investments, legal settlements, and related expenses, changes in the fair value of loans held for sale, realized gains on investment securities and other income and expenses, as applicable for the periods presented. In determining whether any such adjustment is appropriate, Green Dot takes into consideration, among other things, how such adjustments would or would not aid in the understanding of the performance of its operations. Each of these adjustments, except for amortization of deferred financing costs, earnings and losses from equity method investments, fair value changes on loans held for sale, and realized gains on investment securities, which are all included below operating income, are included within other general and administrative expenses on Green Dot's consolidated statements of operations.

6) During the three and six months ended June 30, 2023, Green Dot recorded charges of $0.7 million and $2.4 million, respectively, related to extraordinary severance expenses, which were paid out in connection with reductions in force and other extraordinary involuntary terminations of employment. Although severance expenses may arise throughout the fiscal year, Green Dot believes the nature of these extraordinary costs are not indicative of its core operating performance. This expense is included as a component of compensation and benefits expenses on Green Dot's consolidated statements of operations.

7) Represents the tax effect for the related non-GAAP measure adjustments using Green Dot's year to date non-GAAP effective tax rate. It also excludes both the impact of excess tax benefits related to stock-based compensation and the IRC Ю162(m) limitation that applies to performance-based restricted stock units and stock options expense as of June 30, 2023.

8) Represents commissions and certain processing-related costs associated with BaaS products and services where Green Dot does not control customer acquisition. This adjustment is netted against Green Dot's B2B Services revenues when evaluating segment performance.

9) Represents other non-interest investment income earned by Green Dot Bank. This amount is included along with operating interest income in Green Dot's Corporate and Other segment since the yield earned on these investments are generated on a recurring basis and earned similarly to its investment securities available for sale.

10) Represents the weighted average of the unvested balance of restricted shares issued to Walmart in January 2020. Walmart is entitled to voting rights and participate in any dividends paid on the unvested balance and therefore, the shares are included in the computation of non-GAAP diluted earnings per share.

11) These amounts represent estimated adjustments for items such as non-operating net interest income, income taxes, depreciation and amortization, employee stock-based compensation and related employer taxes, amortization attributable to deferred financing costs, extraordinary severance expenses, earnings and losses from equity method investments, changes in the fair value of loans held for sale, legal settlement gains and expenses, and other income and expenses. Employee stock-based compensation expense includes assumptions about the future fair value of the Company's Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers).