UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-34819

GREEN DOT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**95-4766827**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
3465 E. Foothill Blvd.	
Pasadena, California 91107	**(626) 765-2000**
(Address of principal executive offices, including zip code)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Class A Common Stock, $0.001 par value	GDOT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

There were 51,819,818 shares of Class A common stock outstanding, par value $.001 per share as of July 31, 2019.

GREEN DOT CORPORATION
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PART I

ITEM 1. Financial Statements

GREEN DOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	June 30, 2019	December 31, 2018
	(unaudited)	
Assets	(In thousands, except par value)	
Current assets:		
Unrestricted cash and cash equivalents	**$ 1,096,498**	$ 1,094,728
Restricted cash	**4,117**	490
Investment securities available-for-sale, at fair value	**20,017**	19,960
Settlement assets	**334,788**	153,992
Accounts receivable, net	**28,199**	40,942
Prepaid expenses and other assets	**49,548**	57,070
Income tax receivable	**—**	8,772
Total current assets	**1,533,167**	1,375,954
Investment securities available-for-sale, at fair value	**223,968**	181,223
Loans to bank customers, net of allowance for loan losses of $970 and $1,144 as of June 30, 2019 and December 31, 2018, respectively	**21,403**	21,363
Prepaid expenses and other assets	**7,034**	8,125
Property and equipment, net	**131,710**	120,269
Operating lease right-of-use assets	**31,251**	—
Deferred expenses	**7,567**	21,201
Net deferred tax assets	**10,984**	7,867
Goodwill and intangible assets	**534,964**	551,116
Total assets	**$ 2,502,048**	$ 2,287,118
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 35,015**	$ 38,631
Deposits	**1,171,676**	1,005,485
Obligations to customers	**169,139**	58,370
Settlement obligations	**27,509**	5,788
Amounts due to card issuing banks for overdrawn accounts	**542**	1,681
Other accrued liabilities	**82,293**	134,000
Operating lease liabilities	**7,990**	—
Deferred revenue	**16,072**	34,607
Note payable	**—**	58,705
Income tax payable	**12,247**	67
Total current liabilities	**1,522,483**	1,337,334
Other accrued liabilities	**15,411**	30,927
Operating lease liabilities	**29,445**	—
Net deferred tax liabilities	**12,796**	9,045
Total liabilities	**1,580,135**	1,377,306
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Class A common stock, $0.001 par value; 100,000 shares authorized as of June 30, 2019 and December 31, 2018; 51,809 and 52,917 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	**52**	53
Additional paid-in capital	**291,958**	380,753
Retained earnings	**627,878**	529,143
Accumulated other comprehensive income (loss)	**2,025**	(137)
Total stockholders' equity	**921,913**	909,812
Total liabilities and stockholders' equity	**$ 2,502,048**	$ 2,287,118

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	$ 121,613	$ 120,783	$ 251,190	$ 250,843
Processing and settlement service revenues	67,073	60,618	174,652	160,858
Interchange revenues	81,334	76,948	173,875	161,646
Interest income, net	8,306	5,443	19,123	10,787
Total operating revenues	278,326	263,792	618,840	584,134
Operating expenses:				
Sales and marketing expenses	87,432	82,478	186,133	174,446
Compensation and benefits expenses	48,298	54,478	109,773	108,985
Processing expenses	49,222	46,363	100,854	94,788
Other general and administrative expenses	49,411	47,849	96,732	91,567
Total operating expenses	234,363	231,168	493,492	469,786
Operating income	43,963	32,624	125,348	114,348
Interest expense, net	165	1,280	1,636	2,540
Income before income taxes	43,798	31,344	123,712	111,808
Income tax expense	9,106	1,517	24,977	11,950
Net income	$ 34,692	$ 29,827	$ 98,735	$ 99,858
Basic earnings per common share:	$ 0.66	$ 0.57	$ 1.87	$ 1.93
Diluted earnings per common share:	$ 0.64	$ 0.55	$ 1.82	$ 1.84
Basic weighted-average common shares issued and outstanding:	52,588	52,105	52,818	51,774
Diluted weighted-average common shares issued and outstanding:	53,811	54,390	54,154	54,301

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Net income	**$ 34,692**	$ 29,827	**$ 98,735**	$ 99,858
Other comprehensive income (loss)				
Unrealized holding gain (loss), net of tax	**996**	193	**2,162**	(361)
Comprehensive income	**$ 35,688**	$ 30,020	**$ 100,897**	$ 99,497

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended June 30, 2019					
	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
Balance at March 31, 2019	**53,148**	**$ 53**	**$ 384,447**	**$ 593,186**	**$ 1,029**	**$ 978,715**
Common stock issued under stock plans, net of withholdings and related tax effects	**327**	**1**	**(918)**	**—**	**—**	**(917)**
Stock-based compensation	**—**	**—**	**8,427**	**—**	**—**	**8,427**
Repurchases of Class A common stock	**(1,666)**	**(2)**	**(99,998)**	**—**	**—**	**(100,000)**
Net income	**—**	**—**	**—**	**34,692**	**—**	**34,692**
Other comprehensive income	**—**	**—**	**—**	**—**	**996**	**996**
Balance at June 30, 2019	**51,809**	**$ 52**	**$ 291,958**	**$ 627,878**	**$ 2,025**	**$ 921,913**

	Three Months Ended June 30, 2018					
	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
Balance at March 31, 2018	51,841	$ 52	$ 356,052	$ 480,471	$ (1,284)	$ 835,291
Common stock issued under stock plans, net of withholdings and related tax effects	549	—	160	—	—	160
Stock-based compensation	—	—	11,242	—	—	11,242
Net income	—	—	—	29,827	—	29,827
Other comprehensive income	—	—	—	—	193	193
Balance at June 30, 2018	52,390	$ 52	$ 367,454	$ 510,298	$ (1,091)	$ 876,713

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
(UNAUDITED)

	Six Months Ended June 30, 2019					
	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
Balance at December 31, 2018	**52,917**	**$ 53**	**$ 380,753**	**$ 529,143**	**$ (137)**	**$ 909,812**
Common stock issued under stock plans, net of withholdings and related tax effects	**558**	**1**	**(12,039)**	**—**	**—**	**(12,038)**
Stock-based compensation	**—**	**—**	**23,242**	**—**	**—**	**23,242**
Repurchases of Class A common stock	**(1,666)**	**(2)**	**(99,998)**	**—**	**—**	**(100,000)**
Net income	**—**	**—**	**—**	**98,735**	**—**	**98,735**
Other comprehensive income	**—**	**—**	**—**	**—**	**2,162**	**2,162**
Balance at June 30, 2019	**51,809**	**$ 52**	**$ 291,958**	**$ 627,878**	**$ 2,025**	**$ 921,913**

	Six Months Ended June 30, 2018					
	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
Balance at December 31, 2017	51,136	$ 51	$ 354,789	$ 410,440	$ (730)	$ 764,550
Common stock issued under stock plans, net of withholdings and related tax effects	1,254	1	(7,937)	—	—	(7,936)
Stock-based compensation	—	—	20,602	—	—	20,602
Net income	—	—	—	99,858	—	99,858
Other comprehensive loss	—	—	—	—	(361)	(361)
Balance at June 30, 2018	52,390	$ 52	$ 367,454	$ 510,298	$ (1,091)	$ 876,713

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2019	2018
	(In thousands)	
Operating activities		
Net income	$ 98,735	$ 99,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and internal-use software	23,003	18,216
Amortization of intangible assets	16,349	16,411
Provision for uncollectible overdrawn accounts	45,445	41,817
Employee stock-based compensation	23,242	20,602
Amortization of (discount) premium on available-for-sale investment securities	(224)	704
Amortization of deferred financing costs	1,124	797
Impairment of capitalized software	104	175
Changes in operating assets and liabilities:		
Accounts receivable, net	(32,702)	(31,380)
Prepaid expenses and other assets	8,051	5,278
Deferred expenses	13,634	12,443
Accounts payable and other accrued liabilities	(31,207)	(16,383)
Deferred revenue	(18,799)	(9,992)
Income tax receivable/payable	20,929	7,460
Other, net	(616)	1,684
Net cash provided by operating activities	167,068	167,690
Investing activities		
Purchases of available-for-sale investment securities	(90,216)	(79,026)
Proceeds from maturities of available-for-sale securities	50,354	29,283
Proceeds from sales of available-for-sale securities	101	11,028
Payments for acquisition of property and equipment	(37,746)	(27,376)
Net increase in loans	(1,296)	(4,292)
Net cash used in investing activities	(78,803)	(70,383)
Financing activities		
Repayments of borrowings from notes payable	(60,000)	(11,250)
Proceeds from exercise of options	4,836	16,440
Taxes paid related to net share settlement of equity awards	(16,874)	(24,376)
Net increase in deposits	140,110	45,887
Net decrease in obligations to customers	(48,306)	(12,715)
Contingent consideration payments	(2,634)	(2,694)
Repurchase of Class A common stock	(100,000)	—
Net cash (used in) provided by financing activities	(82,868)	11,292
Net increase in unrestricted cash, cash equivalents and restricted cash	5,397	108,599
Unrestricted cash, cash equivalents and restricted cash, beginning of period	1,095,218	1,010,095
Unrestricted cash, cash equivalents and restricted cash, end of period	$ 1,100,615	$ 1,118,694
Cash paid for interest	$ 1,604	$ 2,345
Cash paid for income taxes	$ 3,702	$ 4,285
Reconciliation of unrestricted cash, cash equivalents and restricted cash at end of period:		
Unrestricted cash and cash equivalents	$ 1,096,498	$ 1,117,937
Restricted cash	4,117	757
Total unrestricted cash, cash equivalents and restricted cash, end of period	$ 1,100,615	$ 1,118,694

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Organization

Green Dot Corporation (“we,” “our,” or “us” refer to Green Dot Corporation and its consolidated subsidiaries), is a financial technology leader and bank holding company with a mission to power the banking industry’s branchless future. Enabled by proprietary technology and our wholly-owned commercial bank charter, our “Banking as a Service,” or "BaaS" platform is used by a growing list of America’s most prominent consumer and technology companies to design and deploy their own bespoke banking solutions to their customers and partners, while we use that same integrated technology and banking platform to design and deploy our own leading collection of banking and financial services products directly to consumers through one of the largest retail banking distribution platforms in America. Our products are marketed under brand names such as Green Dot, GoBank, MoneyPak, AccountNow, RushCard and RapidPay, and can be acquired through more than 100,000 retailers nationwide, thousands of corporate paycard partners, several “direct-2-consumer” branded websites, thousands of tax return preparation offices and accounting firms, thousands of neighborhood check cashing locations and both of the leading app stores. We are headquartered in Pasadena, California, with additional facilities throughout the United States and in Shanghai, China.

As the regulated entity and issuing bank for substantially all products and services we provide, whether our own or on behalf of a BaaS platform partner, we are directly accountable for all aspects of each program’s integrity, inclusive of ensuring the program’s compliance with all applicable banking regulations, applicable state and federal law and our various internal governance policies and procedures related to all areas of risk and compliance, in addition to deploying enterprise-class risk management practices and procedures to ensure each program’s initial and ongoing safety and soundness.

Our products and services:

We offer consumers a broad collection of financial products and services managed through several diverse business lines which are then made available to consumers through a widely-available “branchless" distribution network in the United States. Many of the products and services we internally create and distribute are marketed under the Green Dot brand name, which we believe is both a well-known and highly trusted brand name for millions of consumers. Our branchless network consists of:

- distribution arrangements with more than 100,000 mostly major chain retail locations, which we refer to as “retail distributors” and thousands of neighborhood Financial Service Center locations;
- several differently branded, Green Dot-owned and operated direct-to-consumer online and direct mail customer acquisition platforms;
- corporate distribution partnerships with businesses that provide payroll cards to their employees to receive wage disbursements;
- more than 25,000 small and large tax preparation companies and individual tax preparers, which are sometimes referred to as electronic return originators, or “EROs”, who are able to offer our products and services to their customers through the use of various tax preparation industry software packages with which our products are integrated;
- apps compatible with the iOS and Android operating systems downloaded through the corresponding app store; and
- platform partners’ distribution channels that those partners use to acquire customers for their bespoke products and services that are powered by our BaaS Platform.

Our products and services include several deposit account programs, such as network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, which we collectively refer to as "GPR cards," consumer checking accounts, small business checking accounts, network-branded gift cards (known as open-loop), secured credit cards and other financial services.

We also offer several products and services that specialize in facilitating the movement of cash on behalf of consumers and businesses. These products and services include: our proprietary swipe reload system for crediting cash onto an enabled payment card by swiping the payment card at the point of sale at any Green Dot Network participating retailer; MoneyPak, a product that allows a consumer to add funds to accounts we issue or accounts issued by affiliated United States chartered and regulated third party banks; and e-cash remittance services, a service that allows a consumer to transfer money to a smartphone for fulfillment at a Green Dot participating retailer. We refer to these services collectively as our "cash transfer products." We also provide disbursement services through our Simply Paid platform that enables a payment solution for companies to pay their workforce and customers in the time

Note 1—Organization (continued)

and manner they desire and provide tax refund transfers that provide the processing technology to facilitate receipt of a taxpayers' refund proceeds.

Our BaaS Platform:

Our BaaS Platform, which is used by several of America's largest retail, consumer, technology and financial services companies, includes the following products, services and bespoke capabilities:

- Mobile banking;
- Loan disbursement accounts;
- Spend-based Mobile P2P services, such as Apple Pay Cash;
- Money transfer services;
- GPR cards;
- Network branded "open loop" gift cards;
- Instant payment and wage disbursements;
- Small business checking accounts and debit cards; and
- Consumer checking accounts.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP. We consolidated our wholly-owned subsidiaries and eliminated all significant intercompany balances and transactions.

We have also prepared the accompanying unaudited consolidated financial statements in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X and, consequently, they do not include all of the annual disclosures required by GAAP. Reference is made to our Annual Report on Form 10-K for the year ended December 31, 2018 for additional disclosures, including a summary of our significant accounting policies. There have been no material changes to our significant accounting policies during the six months ended June 30, 2019, other than the adoption of the accounting pronouncements discussed herein. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal and recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented.

Reclassifications

Beginning with the first quarter of 2019, we present net interest income generated from operations at Green Dot Bank, our subsidiary bank, as a component of our total operating revenues. Prior year amounts, formerly reported below operating income on our consolidated statements of operations, have been reclassified to conform to our current year presentation on our consolidated statements of operations. This reclassification changed our previously reported total operating revenues, but had no impact on our previously reported consolidated net income or cash flows for any comparative periods presented.

Net interest income at Green Dot Bank has become an increasingly important revenue component as Green Dot Bank's ability to invest its growing customer balances and generate interest income is one of several unique advantages we have as both a leading financial technology company and a federally regulated bank. Net interest income or expense generated outside of Green Dot Bank continues to be reported below operating income on our consolidated statements of operations.

Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. The guidance has been modified through additional technical corrections since its original issuance, including optional transition relief as provided for under

Note 2—Summary of Significant Accounting Policies (continued)

ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments and a right-of-use ("ROU") asset representing its right to use the underlying asset for leases with a term greater than 12 months.

We adopted the new lease standard effective January 1, 2019, electing the optional transition method that permits the new standard to be applied prospectively, as of the effective date, without restating comparative periods presented. As a result, prior periods continue to be reported in accordance with our historical lease accounting policies. We elected the package of practical expedients under the new standard, which allows us to not reassess 1) whether any expired or existing contracts as of the adoption date are or contain a lease, 2) lease classification for any expired or existing leases as of the adoption date and 3) initial direct costs for any existing leases as of the adoption date. We did not elect to use the hindsight practical expedient under the new standard when determining the lease term and assessing any impairment of ROU assets.

The adoption of ASU 2016-02 resulted in the recognition of operating ROU assets of approximately $17.9 million on our consolidated balance sheet and a corresponding lease liability of approximately $25.1 million. The difference between the lease assets and liabilities recognized on our consolidated balance sheets primarily relates to accrued rent on existing leases that were offset against the ROU asset upon adoption. The adoption of the standard did not have any impact on our consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows. See *Note 15 — Leases*, for discussion on updates to our lease accounting policies and additional disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which amends ASC 350-40 to address implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. ASU 2018-15 aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. As a result, certain implementation costs incurred by companies under hosting arrangements will be deferred and amortized. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. We adopted the standard effective January 1, 2019 on a prospective basis, the effect of which did not have a material impact on our consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other* ("ASU 2017-04")*: Simplifying the Test for Goodwill Impairment*, which simplifies the existing two-step guidance for goodwill impairment testing by eliminating the second step resulting in a write-down to goodwill equal to the initial amount of impairment determined in step one. The ASU is to be applied prospectively for reporting periods beginning after December 15, 2019. We do not anticipate the new ASU will have any impact upon adoption and intend to adopt the new accounting pronouncement upon its effective date on January 1, 2020.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") that requires financial assets measured at amortized cost be presented at the net amount expected to be collected. Credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited by the amount that the fair value is less than amortized cost. The amendments of ASU 2016-13 eliminate the probable incurred loss recognition model under current GAAP and introduces a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts. The new ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models, and methods for estimating expected credit losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of ASU 2016-13 on our consolidated financial statements and intend to adopt the new accounting pronouncement upon its effective date on January 1, 2020.

Note 3—Revenues

Disaggregation of Revenues

Our products and services are offered only to customers within the United States. We determine our operating segments based on how our chief operating decision maker manages our operations, makes operating decisions and evaluates operating performance. Within our segments, we believe that the nature, amount, timing and uncertainty of our revenue and cash flows and how they are affected by economic factors can be further illustrated based on the timing in which revenue for each of our products and services is recognized.

The following table disaggregates our revenues by the timing in which the revenue is recognized:

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
	Account Services	**Processing and Settlement Services**	**Account Services**	**Processing and Settlement Services**
Timing of revenue recognition		(In thousands)		
Transferred at a point in time	**$ 123,152**	**$ 67,071**	$ 124,785	$ 60,613
Transferred over time	**77,564**	**2,233**	72,070	881
Operating revenues (1)	**$ 200,716**	**$ 69,304**	$ 196,855	$ 61,494

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	Account Services	**Processing and Settlement Services**	**Account Services**	**Processing and Settlement Services**
Timing of revenue recognition		(In thousands)		
Transferred at a point in time	**$ 264,074**	**$ 174,647**	$ 261,311	$ 160,848
Transferred over time	**157,331**	**3,665**	149,416	1,772
Operating revenues (1)	**$ 421,405**	**$ 178,312**	$ 410,727	$ 162,620

(1) Excludes net interest income, a component of total operating revenues, as it remains outside the scope of *ASC 606, Revenues*

Within our Account Services segment, revenues recognized at a point in time are comprised of ATM fees, interchange, and other similar transaction-based fees. Revenues recognized over time consists of new card fees, monthly maintenance fees and revenue earned from gift cards. Substantially all of our processing and settlement services are recognized at a point in time.

Refer to *Note 18 — Segment Informatio*n for our revenues disaggregated by our products and services and the components to our total operating revenues on our Consolidated Statements of Operations for additional information.

Contract Balances

As disclosed on our Consolidated Balance Sheets, we record deferred revenue for any upfront payments received in advance of our performance obligations being satisfied. These contract liabilities consist principally of unearned new card fees and monthly maintenance fees. We recognized approximately $10.2 million and $9.4 million in revenue during the three months ended June 30, 2019 and 2018, respectively, and $31.4 million and $28.3 million in revenue for the six months ended June 30, 2019 and 2018, respectively, that were included in deferred revenue at the beginning of the periods and did not recognize any revenue during these periods from performance obligations satisfied in previous periods. Changes in the deferred revenue balance are driven primarily by the amount of new card fees recognized during the period, and the degree to which these reductions to the deferred revenue balance are offset by the deferral of new card fees associated with cards sold during the period.

Note 4—Investment Securities

Our available-for-sale investment securities were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
June 30, 2019				
Corporate bonds	**$ 10,000**	**$ 21**	**$ —**	**$ 10,021**
Negotiable certificate of deposit	**5,000**	**—**	**—**	**5,000**
Agency bond securities	**19,745**	**24**	**—**	**19,769**
Agency mortgage-backed securities	**143,338**	**2,095**	**(126)**	**145,307**
Municipal bonds	**406**	**2**	**(3)**	**405**
Asset-backed securities	**63,155**	**329**	**(1)**	**63,483**
Total investment securities	**$ 241,644**	**$ 2,471**	**$ (130)**	**$ 243,985**
December 31, 2018				
Negotiable certificate of deposit	$ 15,000	$ —	$ —	$ 15,000
Agency bond securities	19,723	6	(36)	19,693
Agency mortgage-backed securities	87,156	53	(396)	86,813
Municipal bonds	507	—	(24)	483
Asset-backed securities	79,274	14	(94)	79,194
Total investment securities	$ 201,660	$ 73	$ (550)	$ 201,183

As of June 30, 2019 and December 31, 2018, the gross unrealized losses and fair values of available-for-sale investment securities that were in unrealized loss positions were as follows:

	Less than 12 months		12 months or more			
	Fair value	Unrealized loss	Fair value	Unrealized loss	Total fair value	Total unrealized loss
	(In thousands)					
June 30, 2019						
Agency mortgage-backed securities	**$ 4,558**	**$ (30)**	**$ 9,402**	**$ (96)**	**$ 13,960**	**$ (126)**
Municipal bonds	**—**	**—**	**122**	**(3)**	**122**	**(3)**
Asset-backed securities	**5,023**	**(1)**	**—**	**—**	**5,023**	**(1)**
Total investment securities	**$ 9,581**	**$ (31)**	**$ 9,524**	**$ (99)**	**$ 19,105**	**$ (130)**
December 31, 2018						
Agency bond securities	$ 14,937	$ (36)	$ —	$ —	$ 14,937	$ (36)
Agency mortgage-backed securities	28,939	(103)	8,743	(293)	37,682	(396)
Municipal bonds	353	(14)	130	(10)	483	(24)
Asset-backed securities	50,980	(70)	7,333	(24)	58,313	(94)
Total investment securities	$ 95,209	$ (223)	$ 16,206	$ (327)	$ 111,415	$ (550)

We did not record any other-than-temporary impairment losses during the three and six months ended June 30, 2019 or 2018 on our available-for-sale investment securities. We do not intend to sell these investments and we have determined that it is more likely than not that we will not be required to sell these investments before recovery of their amortized cost bases, which may be at maturity.

Note 4—Investment Securities (continued)

As of June 30, 2019, the contractual maturities of our available-for-sale investment securities were as follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$ 19,995	$ 20,017
Due after one year through five years	14,750	14,773
Due after five years through ten years	—	—
Due after ten years	406	405
Mortgage and asset-backed securities	206,493	208,790
Total investment securities	$ 241,644	$ 243,985

The expected payments on mortgage-backed and asset-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

Note 5—Accounts Receivable

Accounts receivable, net consisted of the following:

	June 30, 2019	December 31, 2018
	(In thousands)	
Overdrawn account balances due from cardholders	**$ 19,197**	$ 17,848
Reserve for uncollectible overdrawn accounts	**(15,854)**	(13,888)
Net overdrawn account balances due from cardholders	**3,343**	3,960
Trade receivables	**9,337**	6,505
Reserve for uncollectible trade receivables	**(83)**	(59)
Net trade receivables	**9,254**	6,446
Receivables due from card issuing banks	**6,899**	6,688
Fee advances	**216**	19,576
Other receivables	**8,487**	4,272
Accounts receivable, net	**$ 28,199**	$ 40,942

Activity in the reserve for uncollectible overdrawn accounts consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Balance, beginning of period	**$ 17,125**	$ 15,796	**$ 13,888**	$ 14,471
Provision for uncollectible overdrawn accounts:				
Fees	**20,321**	20,353	**41,398**	36,132
Purchase transactions	**1,551**	3,079	**4,047**	5,685
Charge-offs	**(23,143)**	(22,141)	**(43,479)**	(39,201)
Balance, end of period	**$ 15,854**	$ 17,087	**$ 15,854**	$ 17,087

Note 6—Loans to Bank Customers

The following table presents total outstanding loans, gross of the related allowance for loan losses, and a summary of the related payment status:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Total Outstanding
	(In thousands)					
June 30, 2019						
Residential	**$ —**	**$ 4**	**$ —**	**$ 4**	**$ 2,987**	**$ 2,991**
Commercial	**—**	**—**	**—**	**—**	**124**	**124**
Installment	**1**	**—**	**—**	**1**	**728**	**729**
Secured credit card	**1,265**	**1,172**	**554**	**2,991**	**15,538**	**18,529**
Total loans	**$ 1,266**	**$ 1,176**	**$ 554**	**$ 2,996**	**$ 19,377**	**$ 22,373**
Percentage of outstanding	**5.7%**	**5.3%**	**2.5%**	**13.4%**	**86.6%**	**100.0%**
December 31, 2018						
Residential	$ 2	$ —	$ 7	$ 9	$ 3,329	$ 3,338
Commercial	—	—	—	—	193	193
Installment	—	2	—	2	905	907
Secured credit card	1,383	1,315	1,114	3,812	14,257	18,069
Total loans	$ 1,385	$ 1,317	$ 1,121	$ 3,823	$ 18,684	$ 22,507
Percentage of outstanding	6.2%	5.9%	5.0%	17.0%	83.0%	100.0%

Nonperforming Loans

The following table presents the carrying value, gross of the related allowance for loan losses, of our nonperforming loans. See *Note 2 — Summary of Significant Accounting Policies* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2018 for further information on the criteria for classification as nonperforming.

	June 30, 2019	December 31, 2018
	(In thousands)	
Residential	**$ 321**	$ 403
Installment	**158**	169
Secured credit card	**554**	1,114
Total loans	**$ 1,033**	$ 1,686

Credit Quality Indicators

We closely monitor and assess the credit quality and credit risk of our loan portfolio on an ongoing basis. We continuously review and update loan risk classifications. We evaluate our loans using non-classified or classified as the primary credit quality indicator. Classified loans are those loans that have demonstrated credit weakness where we believe there is a heightened risk of principal loss, including all impaired loans. Classified loans are generally internally categorized as substandard, doubtful or loss, consistent with regulatory guidelines.

Note 6—Loans to Bank Customers (continued)

The table below presents the carrying value, gross of the related allowance for loan losses, of our loans within the primary credit quality indicators related to our loan portfolio:

	June 30, 2019		December 31, 2018	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Residential	**$ 2,670**	**$ 321**	$ 2,935	$ 403
Commercial	**124**	**—**	193	—
Installment	**490**	**239**	632	275
Secured credit card	**17,975**	**554**	16,955	1,114
Total loans	**$ 21,259**	**$ 1,114**	$ 20,715	$ 1,792

Impaired Loans and Troubled Debt Restructurings

When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a Troubled Debt Restructuring, or TDR. Our TDR modifications involve an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk. The following table presents our impaired loans and loans that we modified as TDRs as of June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Residential	**$ 321**	**$ 261**	$ 403	$ 329
Installment	**175**	**47**	190	53

Allowance for Loan Losses

Activity in the allowance for loan losses consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Balance, beginning of period	**$ 948**	$ 451	**$ 1,144**	$ 291
Provision for loans	**590**	966	**1,256**	1,234
Loans charged off	**(637)**	(328)	**(1,549)**	(634)
Recoveries of loans previously charged off	**69**	84	**119**	282
Balance, end of period	**$ 970**	$ 1,173	**$ 970**	$ 1,173

Note 7—Employee Stock-Based Compensation

We currently grant restricted equity awards to employees and directors under our 2010 Equity Incentive Plan. Additionally, through our 2010 Employee Stock Purchase Plan, employees are able to purchase shares of our Class A common stock at a discount through payroll deductions. We have reserved shares of our Class A common stock for issuance under these plans.

Restricted Stock Units

The following table summarizes restricted stock units subject to only service conditions granted under our 2010 Equity Incentive Plan:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Restricted stock units granted	**53**	120	**89**	183
Weighted-average grant-date fair value	**$ 48.63**	$ 71.20	**$ 55.92**	$ 67.17

Note 7—Employee Stock-Based Compensation (continued)

Performance Based Restricted Stock Units

We grant performance-based restricted stock units to certain employees which are subject to the attainment of pre-established annual performance targets for, among other things, non-GAAP earnings per share for the grant year. The actual number of shares subject to the award is determined at the end of the annual performance period and may range from 0% to 150% of the target shares granted. These awards contain an additional service component after each annual performance period is concluded and the unvested balance of the shares determined at the end of the annual performance period will vest over the remaining requisite service period. Compensation expense related to these awards is recognized using the accelerated attribution method over the vesting period (generally, a period of four years) based on the fair value of the closing market price of our Class A common stock on the date of the grant and the estimated performance that is expected to be achieved. In the case of our Chief Executive Officer, vesting of his awards is based on our achievement of total shareholder return ("TSR") relative to the S&P 600 index over a three-year performance period, with awards eligible for a maximum payout up to 150% of the target shares for awards granted prior to 2019 or 200% of the target shares for awards granted in 2019, respectively. Compensation expense related to these awards is recognized over the performance period based on the grant date fair value through the use of a Monte Carlo simulation and are not subsequently re-measured.

Under our retirement policy adopted in April 2018, following a qualified retirement, any substantial risk of forfeiture of the award by the eligible employee is eliminated. Accordingly, the related compensation expense is recognized immediately for qualifying awards granted to eligible employees, or in the case of ineligible employees, over the period from the grant date to the date a qualifying retirement is achieved, if earlier than the standard vesting dates.

The following table summarizes the performance-based restricted stock units granted under our 2010 Equity Incentive Plan:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Performance based restricted stock units granted (1)	**627**	168	**883**	612
Weighted-average grant-date fair value	**$ 49.17**	$ 71.47	**$ 50.15**	$ 49.04

(1) Performance awards granted also reflects the issuance of any shares awarded in excess of their original target amount based on the Compensation Committee's certification of completed performance years. The grant date fair value for these awards are based on the grant price at the time of the original award.

The total stock-based compensation expense recognized was $8.4 million and $11.2 million for the three months ended June 30, 2019 and 2018, respectively, and $23.2 million and $20.6 million for the six months ended June 30, 2019 and 2018, respectively. Total stock-based compensation expense includes amounts related to awards of restricted stock units (including performance-based restricted stock units) and purchases under our 2010 Employee Stock Purchase Plan, and reflects, as applicable, accelerated expense recognition associated with our retirement policy.

In June 2019, we modified the performance targets for certain performance-based restricted stock units issued at the beginning of the three months ended June 30, 2019. The modification for these awards was classified as improbable to probable, and resulted in a lower grant date fair value at the time of modification and an overall decrease in stock-based compensation expense recognized for the three months ended June 30, 2019. The performance targets for these modified awards and the related stock-based compensation expense will be reassessed each reporting period based on the estimated performance that is expected to be achieved under the revised targets.

Note 8—Deposits

Deposits are categorized as non-interest or interest-bearing deposits as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Non-interest bearing deposit accounts		
GPR deposits	$ 885,122	$ 817,124
Other demand deposits	127,968	97,442
Total non-interest bearing deposit accounts	1,013,090	914,566
Interest-bearing deposit accounts		
Checking accounts	134,182	67,758
Savings	8,613	8,894
GPR deposits	11,136	9,224
Time deposits, denominations greater than or equal to $100	3,485	3,796
Time deposits, denominations less than $100	1,170	1,247
Total interest-bearing deposit accounts	158,586	90,919
Total deposits	$ 1,171,676	$ 1,005,485

The scheduled contractual maturities for total time deposits are presented in the table below:

	June 30, 2019
	(In thousands)
Due in 2019	$ 626
Due in 2020	1,764
Due in 2021	1,238
Due in 2022	589
Due in 2023	334
Thereafter	104
Total time deposits	$ 4,655

Note 9—Note Payable

In October 2014, we entered into a $225.0 million secured credit agreement with Bank of America, N.A., as an administrative agent, Wells Fargo Bank, National Association, and other lenders party thereto. The credit agreement provided for: 1) a $75.0 million five-year revolving facility (the "Revolving Facility") and 2) a five-year $150.0 million term loan facility ("Term Facility" and, together with the Revolving Facility, the “Senior Credit Facility"). The credit agreement also included an accordion feature that, subject to securing additional commitments from existing lenders or new lending institutions, would allow us to increase the aggregate amount of these facilities by up to an additional $50.0 million.

Quarterly principal payments of $5.6 million were payable under the Term Facility, with any remaining balance outstanding due upon maturity on October 23, 2019. In March 2019, we elected to make a voluntary prepayment of $60.0 million to retire the Term Facility without penalty or additional premium. The Revolving Facility remains available for use until the Senior Credit Facility matures in October 2019.

Our outstanding debt, net of deferred financing costs, consisted of the following as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(In thousands)	
Term facility	$ —	$ 58,705
Revolving facility	—	—
Total notes payable	$ —	$ 58,705

Note 9—Note Payable (Continued)

Interest

At our election, loans made under the credit agreement bear interest at 1) a LIBOR rate (the “LIBOR Rate") or 2) a base rate determined by reference to the highest of (a) the Bank of America prime rate, (b) the United States federal funds rate plus 0.50% and (c) a daily rate equal to one-month LIBOR rate plus 1.0% (the “Base Rate"), plus in either case an applicable margin. The applicable margin for borrowings depends on our total leverage ratio and varies from 2.50% to 3.00% for LIBOR Rate loans and 1.50% to 2.00% for Base Rate loans. Excluding the amortization of debt issuance costs, interest expense related to our Senior Credit Facility was $0 and $0.9 million for the three months ended June 30, 2019 and 2018, respectively, and $0.6 million and $1.7 million for the six months ended June 30, 2019 and 2018, respectively.

Covenants and restrictions

The Senior Credit Facility contains customary representations and warranties relating to us and our subsidiaries. Obligations under the Senior Credit Facility are secured by first priority liens on, and security interests in, substantially all of our company assets and each Guarantor, as defined in the agreement. The Senior Credit Facility also contains certain affirmative and negative covenants, including negative covenants that limit or restrict, among other things, liens, indebtedness, investments and acquisitions, mergers and fundamental changes, asset sales, restricted payments, changes in the nature of the business, transactions with affiliates and other matters customarily restricted in such agreements. We must maintain a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as set forth in the credit agreement. At June 30, 2019, we were in compliance with all such covenants.

Note 10—Income Taxes

Income tax expense for the six months ended June 30, 2019 and 2018 differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	Six Months Ended June 30,	
	2019	**2018**
U.S. federal statutory tax rate	**21.0 %**	21.0 %
State income taxes, net of federal tax benefit	**1.7**	0.6
General business credits	**(1.5)**	(0.7)
Employee stock-based compensation	**(3.7)**	(12.2)
IRC 162(m) limitation	**2.4**	1.8
Other	**0.3**	0.1
Effective tax rate	**20.2 %**	10.6 %

The effective tax rate for the six months ended June 30, 2019 and 2018 differs from the statutory federal income tax rate of 21%, primarily due to state income taxes, net of federal tax benefits, general business credits, employee stock-based compensation, and the IRC 162(m) limitation on executive compensation. The increase in the effective tax rate for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 is primarily due to a $9.1 million decline in benefit on the recognition of excess tax benefits from stock-based compensation and additional expenses related to state taxes, net of federal tax benefits. For the six months ended June 30, 2019 and 2018, we recognized discrete tax benefits related to the excess tax benefits from stock-based compensation of $4.5 million and $13.6 million, respectively.

We establish a valuation allowance when we consider it more-likely-than-not that some portion or all of the deferred tax assets will not be realized. As of June 30, 2019 and 2018, we did not have a valuation allowance on any of our deferred tax assets as we believed it was more-likely-than-not that we would realize the benefits of our deferred tax assets.

We are subject to examination by the Internal Revenue Service, or IRS, and various state tax authorities. We remain subject to examination of our federal income tax return for the years ended December 31, 2015 through 2018. We generally remain subject to examination of our various state income tax returns for a period of four to five years from the respective dates the returns were filed.

Note 10—Income Taxes (Continued)

As of June 30, 2019, we have net operating loss carryforwards of approximately $34.7 million and $33.7 million for federal and state tax purposes, respectively, which will be available to offset future income. If not used, these carryforwards will expire between 2020 and 2035. These net operating losses are subject to an annual IRC Section 382 limitation which restricts their utilization against taxable income in future periods. In addition, we have state business tax credits of approximately $14.2 million that can be carried forward indefinitely and other state business tax credits of approximately $1.1 million that will expire between 2023 and 2027.

As of June 30, 2019 and December 31, 2018, we had a liability of $8.5 million and $6.9 million, respectively, for unrecognized tax benefits related to various federal and state income tax matters excluding interest, penalties and related tax benefits. The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is as follows:

	Six Months Ended June 30,	
	2019	**2018**
	(In thousands)	
Beginning balance	**$ 6,965**	$ 5,560
Increases related to positions taken during prior years	**—**	—
Increases related to positions taken during the current year	**1,569**	1,099
Decreases related to positions settled with tax authorities	**—**	—
Decreases as a result of a lapse of applicable statute of limitations	**—**	—
Ending balance	**$ 8,534**	$ 6,659
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	**$ 8,481**	$ 6,659

As of June 30, 2019 and 2018, we recognized accrued interest and penalties related to unrecognized tax benefits of approximately $0.5 million and $0.6 million, respectively.

Note 11—Stockholders' Equity

Stock Repurchase Program

In May 2017, our Board of Directors authorized, subject to regulatory approval, expansion of our stock repurchase program by an additional $150 million. We sought and received regulatory approval during the second quarter of 2019, at which point we entered into an accelerated share repurchase agreement, as discussed below.

Accelerated Share Repurchases

We have entered into accelerated share repurchase arrangements (“ASRs”) with a financial institution from time to time under our stock repurchase program. The following table summarizes our ASR activity under our current repurchase program:

	Purchase Period End Date	Number of Shares (In thousands)		Average repurchase price per share	ASR Amount (In thousands)
May 2019 ASR	September 2019	1,666	(1)	(1)	$ 100,000

(1) "Number of Shares" represents shares delivered in the beginning of the purchase period and does not represent the final number of shares to be delivered under the ASR. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period based on the volume-weighted average price of our Class A common stock during that period. We expect the May 2019 ASR purchase to settle by September 2019.

In exchange for an up-front payment in May 2019, the financial institution delivered approximately 1.7 million shares of our Class A common stock. Upon settlement, we will either receive additional shares from the financial institution or we may be required to deliver additional shares or cash to the financial institution, at our election. The final number of shares received upon settlement for the ASR is determined based on the volume-weighted average price of our common stock over the term of the agreement less an agreed upon discount and subject to adjustments pursuant to the terms and conditions of the ASR. The shares received are retired in the periods they are delivered, but remain authorized for registration and issuance in the future.

Note 11—Stockholders' Equity (Continued)

The up-front payments are accounted for as a reduction to shareholders' equity on our consolidated balance sheets in the periods the payments are made. The ASRs are accounted for in two separate transactions: 1) a treasury stock repurchase for the initial shares received and 2) a forward stock purchase contract indexed to our own stock for the unsettled portion of the ASR. The par value of the shares received are recorded as a reduction to common stock with the remainder recorded as a reduction to additional paid-in capital and retained earnings. The ASRs meet all of the applicable criteria for equity classification, and therefore are not accounted for as derivative instruments. The initial repurchase of shares result in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted earnings per share.

Note 12—Earnings per Common Share

The calculation of basic and diluted EPS was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Basic earnings per Class A common share				
Numerator:				
Net income	**$ 34,692**	$ 29,827	**$ 98,735**	$ 99,858
Denominator:				
Weighted-average Class A shares issued and outstanding	**52,588**	52,105	**52,818**	51,774
Basic earnings per Class A common share	**$ 0.66**	$ 0.57	**$ 1.87**	$ 1.93
Diluted earnings per Class A common share				
Numerator:				
Net income	**$ 34,692**	$ 29,827	**$ 98,735**	$ 99,858
Denominator:				
Weighted-average Class A shares issued and outstanding	**52,588**	52,105	**52,818**	51,774
Dilutive potential common shares:				
Stock options	**131**	343	**150**	441
Restricted stock units	**456**	1,236	**586**	1,296
Performance based restricted stock units	**630**	705	**592**	789
Employee stock purchase plan	**6**	1	**8**	1
Diluted weighted-average Class A shares issued and outstanding	**53,811**	54,390	**54,154**	54,301
Diluted earnings per Class A common share	**$ 0.64**	$ 0.55	**$ 1.82**	$ 1.84

For the periods presented, we excluded certain restricted stock units and stock options outstanding (as applicable) which could potentially dilute basic EPS in the future, from the computation of diluted EPS as their effect was anti-dilutive. Additionally, we have excluded any performance based restricted stock units for which the performance contingency has not been met as of the end of the period. The following table shows the weighted-average number of shares excluded from the diluted EPS calculation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Class A common stock				
Restricted stock units	**329**	—	**226**	—
Performance based restricted stock units	**431**	134	**217**	101
Total restricted and performance based stock units	**760**	134	**443**	101

Note 13—Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value.

For more information regarding the fair value hierarchy and how we measure fair value, see *Note 2–Summary of Significant Accounting Policies* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2018.

As of June 30, 2019 and December 31, 2018, our assets and liabilities carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
June 30, 2019		(In thousands)		
Assets				
Corporate bonds	**$ —**	**$ 10,021**	**$ —**	**$ 10,021**
Negotiable certificate of deposit	**—**	**5,000**	**—**	**5,000**
Agency bond securities	**—**	**19,769**	**—**	**19,769**
Agency mortgage-backed securities	**—**	**145,307**	**—**	**145,307**
Municipal bonds	**—**	**405**	**—**	**405**
Asset-backed securities	**—**	**63,483**	**—**	**63,483**
Total assets	**$ —**	**$ 243,985**	**$ —**	**$ 243,985**
Liabilities				
Contingent consideration	**$ —**	**$ —**	**$ 13,166**	**$ 13,166**
December 31, 2018				
Assets				
Negotiable certificate of deposit	$ —	$ 15,000	$ —	$ 15,000
Agency bond securities	—	19,693	—	19,693
Agency mortgage-backed securities	—	86,813	—	86,813
Municipal bonds	—	483	—	483
Asset-backed securities	—	79,194	—	79,194
Total assets	$ —	$ 201,183	$ —	$ 201,183
Liabilities				
Contingent consideration	$ —	$ —	$ 15,800	$ 15,800

We based the fair value of our fixed income securities held as of June 30, 2019 and December 31, 2018 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets or liabilities during the three and six months ended June 30, 2019 or 2018.

The following table presents changes in our contingent consideration payable for the three and six months ended June 30, 2019 and 2018, which is categorized in Level 3 of the fair value hierarchy:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Balance, beginning of period	**$ 15,800**	$ 17,156	**$ 15,800**	$ 17,358
Payments of contingent consideration	**(2,634)**	(2,492)	**(2,634)**	(2,694)
Balance, end of period	**$ 13,166**	$ 14,664	**$ 13,166**	$ 14,664

Note 14—Fair Value of Financial Instruments

The following describes the valuation technique for determining the fair value of financial instruments, whether or not such instruments are carried at fair value on our consolidated balance sheets.

Short-term Financial Instruments

Our short-term financial instruments consist principally of unrestricted and restricted cash and cash equivalents, settlement assets and obligations, and obligations to customers. These financial instruments are short-term in nature, and, accordingly, we believe their carrying amounts approximate their fair values. Under the fair value hierarchy, these instruments are classified as Level 1.

Investment Securities

The fair values of investment securities have been derived using methodologies referenced in *Note 2–Summary of Significant Accounting Policies* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2018*.* Under the fair value hierarchy, our investment securities are classified as Level 2.

Loans

We determined the fair values of loans by discounting both principal and interest cash flows expected to be collected using a discount rate commensurate with the risk that we believe a market participant would consider in determining fair value. Under the fair value hierarchy, our loans are classified as Level 3.

Deposits

The fair value of demand and interest checking deposits and savings deposits is the amount payable on demand at the reporting date. We determined the fair value of time deposits by discounting expected future cash flows using market-derived rates based on our market yields on certificates of deposit, by maturity, at the measurement date. Under the fair value hierarchy, our deposits are classified as Level 2.

Contingent Consideration

The fair value of contingent consideration obligations, such as the earn-out associated with our acquisition of UniRush, is estimated through valuation models designed to estimate the probability of such contingent payments based on various assumptions. Estimated payments are discounted using present value techniques to arrive at an estimated fair value. Our contingent consideration payable is classified as Level 3 because we use unobservable inputs to estimate fair value, including the probability of achieving certain earnings thresholds and appropriate discount rates. Changes in fair value of contingent consideration are recorded through operating expenses.

Note Payable

The fair value of our note payable is based on borrowing rates currently available to a market participant for loans with similar terms or maturity. The carrying amount of our note payable approximates fair value because the base interest rate charged varies with market conditions and the credit spread is commensurate with current market spreads for issuers of similar risk. The fair value of the note payable is classified as a Level 2 liability in the fair value hierarchy.

Fair Value of Financial Instruments

The carrying values and fair values of certain financial instruments that were not carried at fair value, excluding short-term financial instruments for which the carrying value approximates fair value, at June 30, 2019 and December 31, 2018 are presented in the table below.

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Financial Assets				
Loans to bank customers, net of allowance	**$ 21,403**	**$ 21,224**	$ 21,363	$ 21,088
Financial Liabilities				
Deposits	**$ 1,171,676**	**$ 1,171,638**	$ 1,005,485	$ 1,005,435
Note payable	**$ —**	**$ —**	$ 58,705	$ 58,705

Note 15—Leases

We enter into operating lease agreements principally related to our corporate office locations. Currently, we do not enter into any financing lease agreements. Our leases have remaining lease terms of less than 1 year to approximately 6 years, most of which include renewal options of varying terms. We made a policy election to adopt the short term lease exemption for all leases with an initial term of 12 months or less.

Significant Assumptions, Judgments and Policies

Under Topic 842, we determine if an arrangement is or contains a lease at inception. ROU assets and liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only fixed payments stated in the leases at the time of commencement. Variable lease payments that are not based on a specified rate or index are expensed when incurred. Since an implicit interest rate for our leases cannot be determined under our contracts, we use an incremental borrowing rate based on the information available to us at the commencement date in determining the present value of our lease payments. Our incremental borrowing rate is based on a variety of considerations, including borrowing rates currently available to us for loans with similar terms and market participant information based on credit spreads for issuers of similar risk and credit rating.

The ROU asset also reflects any lease payments made prior to commencement and is recorded net of any lease incentives received. Our ROU asset and liability reflects, as applicable, options to extend or terminate a lease when it is reasonably certain that we will exercise such options. We also made a policy election to combine our lease and non-lease components for each of our existing classes of leased assets. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease expense is recognized on a straight-line basis over the lease term.

Our total lease expense amounted to approximately $2.7 million and $1.9 million for the three months ended June 30, 2019 and 2018, respectively and $4.6 million and $3.8 million for the six months ended June 30, 2019 and 2018, respectively. Our lease expense is generally based on fixed payments stated within the agreements. Any variable payments for non-lease components and other short term lease expenses are not considered material.

Supplemental Information

Supplemental information related to our ROU assets and related lease liabilities is as follows:

		June 30, 2019
Cash paid for operating lease liabilities (in thousands)	**$**	**3,512**
Weighted average remaining lease term		**4.5 years**
Weighted average discount rate		**4.7%**

Maturities of our operating lease liabilities as of June 30, 2019 is as follows:

		Operating Leases
		(In thousands)
Remainder of 2019	$	5,061
2020		10,124
2021		9,737
2022		8,734
2023		3,464
Thereafter		5,196
		42,316
Less: imputed interest		(4,881)
Total lease liabilities	$	37,435

Note 15—Leases (continued)

Future minimum rental payments under our non-cancelable operating leases as of December 31, 2018 were as follows:

Year ending December 31,	Operating Leases [1] (In thousands)
2019	$ 7,927
2020	7,929
2021	6,689
2022	5,372
Total minimum lease payments	$ 27,917

(1) Amounts are based on *ASC 840, Leases*, that was superseded upon our adoption of *ASC 842, Leases* on January 1, 2019

Note 16—Commitments and Contingencies

Litigation and Claims

In the ordinary course of business, we are a party to various legal proceedings, including, from time to time, actions which are asserted to be maintainable as class action suits. We review these actions on an ongoing basis to determine whether it is probable and estimable that a loss has occurred and use that information when making accrual and disclosure decisions. We have provided reserves where necessary for all claims and, based on current knowledge and in part upon the advice of legal counsel, all matters are believed to be adequately covered by insurance, or, if not covered, we do not expect the outcome in any legal proceedings, individually or collectively, to have a material adverse impact on our financial condition or results of operations.

Other Matters

We monitor the laws of all 50 states to identify state laws or regulations that apply (or may apply) to our products and services. We have obtained money transmitter licenses (or similar such licenses) where applicable, based on advice of counsel or when we have been requested to do so. If we were found to be in violation of any laws and regulations governing banking, money transmitters, electronic fund transfers, or money laundering in the United States or abroad, we could be subject to penalties or could be forced to change our business practices.

From time to time we enter into contracts containing provisions that contingently require us to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) contracts with our card issuing banks, under which we are responsible to them for any unrecovered overdrafts on cardholders' accounts; (ii) certain real estate leases, under which we may be required to indemnify property owners for environmental and other liabilities, and other claims arising from our use of the premises; (iii) certain agreements with our officers, directors, and employees, under which we may be required to indemnify these persons for liabilities arising out of their relationship with us; and (iv) contracts under which we may be required to indemnify our retail distributors, suppliers, vendors and other parties with whom we have contracts against claims arising from certain of our actions, omissions, violations of law and/or infringement of patents, trademarks, copyrights and/or other intellectual property rights.

Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. With the exception of overdrafts on cardholders' accounts, historically, we have not been required to make payments under these and similar contingent obligations, and no liabilities have been recorded for these obligations in our consolidated balance sheets.

For additional information regarding overdrafts on cardholders' accounts, refer to *Note 5 — Accounts Receivable*.

On February 28, 2017, we completed our acquisition of all the membership interests of UniRush, LLC ("UniRush"), an online direct-to-consumer GPR card and corporate payroll card provider. The transaction terms include an earn-out equal to the greater of (i) a specified percentage of the revenue generated by the online direct-to-consumer GPR card portfolio for the five-year period following the closing or (ii) $20 million, payable quarterly over five years.

Note 17—Significant Retailer Concentration

A credit concentration may exist if customers are involved in similar industries, economic sectors, and geographic regions. Our retail distributors operate in similar economic sectors but diverse domestic geographic regions. The loss of a significant retail distributor could have a material adverse effect upon our card sales, profitability, and revenue growth.

Revenues derived from our products sold at retail distributors constituting greater than 10% of our total operating revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Walmart	**35%**	36%	**32%**	34%

Settlement assets derived from our products sold at retail distributors constituting greater than 10% of the settlement assets outstanding on our consolidated balance sheets were as follows:

	June 30, 2019	December 31, 2018
Walmart	**19%**	18%

Note 18—Segment Information

Our operations are comprised of two reportable segments: 1) Account Services and 2) Processing and Settlement Services. We identified our reportable segments based on factors such as how we manage our operations and how our chief operating decision maker views results. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings and uses operating income to assess profitability.

The Account Services segment consists of revenues and expenses derived from our deposit account programs, such as prepaid cards, debit cards, consumer and small business checking accounts, secured credit cards, payroll debit cards and gift cards. These deposit account programs are marketed under several of our leading consumer brand names and under the brand names of our BaaS partners. The Processing and Settlement Services segment consists of revenues and expenses derived from our products and services that specialize in facilitating the movement of cash on behalf of consumers and businesses, such as consumer cash processing services, wage disbursements and tax refund processing services. The Corporate and Other segment primarily consists of eliminations of intersegment revenues and expenses, unallocated corporate expenses, depreciation and amortization, and other costs that are not considered when management evaluates segment performance. We do not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

The following tables present certain financial information for each of our reportable segments for the periods then ended:

	Three Months Ended June 30, 2019			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	**$ 216,032**	**$ 70,040**	**$ (7,746)**	**$ 278,326**
Operating expenses	**165,574**	**45,867**	**22,922**	**234,363**
Operating income	**$ 50,458**	**$ 24,173**	**$ (30,668)**	**$ 43,963**

	Three Months Ended June 30, 2018			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$ 209,686	$ 61,928	$ (7,822)	$ 263,792
Operating expenses	166,025	42,572	22,571	231,168
Operating income	$ 43,661	$ 19,356	$ (30,393)	$ 32,624

Note 18—Segment Information (continued)

	Six Months Ended June 30, 2019			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$ 455,665	$ 180,689	$ (17,514)	$ 618,840
Operating expenses	342,361	100,382	50,749	493,492
Operating income	$ 113,304	$ 80,307	$ (68,263)	$ 125,348

	Six Months Ended June 30, 2018			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$ 437,310	$ 163,940	$ (17,116)	$ 584,134
Operating expenses	335,735	93,023	41,028	469,786
Operating income	$ 101,575	$ 70,917	$ (58,144)	$ 114,348

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "endeavors," "strives," "may" and "assumes," variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under "Part II, Item 1A. Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

In this Quarterly Report, unless otherwise specified or the context otherwise requires, "Green Dot," "we," "us," and "our" refer to Green Dot Corporation and its consolidated subsidiaries.

Overview

Green Dot Corporation is a financial technology leader and bank holding company with a mission to reinvent banking for the masses. Our company's long-term strategy is to create a unique, sustainable and highly valuable fintech ecosystem, in part through the continued evolution of Green Dot's innovative "Banking as a Service," or "BaaS" platform, that is intended to fuel the engine of innovation and growth for Green Dot and its many business partners for many years to come.

Enabled by proprietary technology, our wholly-owned commercial bank charter and our high-scale program management operating capability, our BaaS platform is used by a growing list of America's most prominent consumer and technology companies to design and deploy their own bespoke financial services solutions to their customers and partners, while we use that same integrated platform to design and deploy our own leading collection of banking and financial services products directly to consumers through what we believe to be the most broadly distributed, omni-channel branchless banking platforms in the United States. Our products are marketed under brand names such as Green Dot, GoBank, RapidPay and several other consumer brands and can be acquired through more than 100,000 retailers nationwide, thousands of corporate paycard partners, several "direct-2-consumer" branded websites, thousands of tax return preparation offices and accounting firms, thousands of neighborhood check cashing locations and both of the leading app stores. We are headquartered in Pasadena, California, with additional facilities throughout the United States and in Shanghai, China.

As the regulated entity and issuing bank for substantially all products and services we provide, whether our own or on behalf of a BaaS platform partner, we are directly accountable for all aspects of each program's integrity, inclusive of ensuring the program's compliance with all applicable banking regulations, applicable state and federal law and our various internal governance policies and procedures related to all areas of risk and compliance, in addition to deploying enterprise-class risk management practices and procedures to ensure each program's initial and ongoing safety and soundness.

Our products and services

We offer consumers a broad collection of financial products and services managed through several diverse business lines which are then made available to consumers through a widely-available "branchless" distribution network in the United States. Many of the products and services we internally create and distribute are marketed under the Green Dot brand name, which we believe is both a well-known and highly trusted brand name for millions of consumers. Our branchless network consists of:

- distribution arrangements with more than 100,000 mostly major chain retail locations, which we refer to as "retail distributors" and thousands of neighborhood Financial Service Center locations;
- several differently branded, Green Dot-owned and operated direct-to-consumer online and direct mail customer acquisition platforms;
- corporate distribution partnerships with businesses that provide payroll cards to their employees to receive wage disbursements;

- more than 25,000 small and large tax preparation companies and individual tax preparers, which are sometimes referred to as electronic return originators, or “EROs”, who are able to offer our products and services to their customers through the use of various tax preparation industry software packages with which our products are integrated;
- apps compatible with the iOS and Android operating systems downloaded through the corresponding app store; and
- platform partners’ distribution channels that those partners use to acquire customers for their bespoke products and services that are powered by our BaaS Platform.

Our products and services include several deposit account programs, such as network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, which we collectively refer to as "GPR cards," consumer checking accounts, small business checking accounts, network-branded gift cards (known as open-loop), secured credit cards and other financial services.

We also offer several products and services that specialize in facilitating the movement of cash on behalf of consumers and businesses. These products and services include: our proprietary swipe reload system for crediting cash onto an enabled payment card by swiping the payment card at the point-of-sale at any Green Dot Network participating retailer; MoneyPak, a product that allows a consumer to add funds to accounts we issue or accounts issued by other United States chartered and regulated third party banks; and e-cash remittance services, a service that allows a consumer to transfer funds to a smartphone for fulfillment at a Green Dot participating retailer. We refer to these services collectively as our "cash transfer products." We also provide disbursement services through our Simply Paid platform that enables a payment solution for companies to pay their workforce and customers in the time and manner they desire and provide tax refund transfers that provide the processing technology to facilitate receipt of a taxpayers' refund proceeds.

Our BaaS Platform

Our BaaS Platform, which is used by several of America’s largest retail, consumer, technology and financial services companies, includes the following products, services and bespoke capabilities:

- Mobile banking;
- Loan disbursement accounts;
- Spend-based Mobile P2P services, such as Apple Pay Cash;
- Money transfer services;
- GPR cards;
- Network branded "open loop" gift cards;
- Instant payment and wage disbursements;
- Small business checking accounts and debit cards; and
- Consumer checking accounts.

Our Segments and Distribution Channels

Our products and services and BaaS Platform are divided among our two reportable segments: Account Services and Processing and Settlement Services. Each segment is comprised of multiple “revenue channels” that each focus on a distinct set of products or distribution channels, as follows:

Account Services

Consumer Accounts

We offer several deposit account programs that can be acquired through our omni-channel distribution platform. These products include:

- Network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, collectively referred to as GPR cards;
- Innovative consumer and small business checking account products, such as our GoBank product, that allow customers to acquire and manage their checking account entirely through a mobile application available on smartphone devices; and

- Network-branded gift cards (known as open-loop) that are sold at participating retail stores.

Green Dot Direct

We also offer GPR cards, checking accounts products and secured credit cards directly to consumers through several different online direct-to-consumer websites. Our direct-to-consumer websites include: greendot.com; walmartmoneycard.com; rushcard.com; accountnow.com; achievecard.com; gobank.com; and ReadyDebit.com.

Consumer Credit Card

We offer a secured credit card nationwide on a direct-to-consumer basis via both greendot.com/platinum and securedcardchoice.com. Our secured credit cards are designed to help people establish or rehabilitate their national credit bureau score. The credit line offered to the customer is backed by the customer's own security deposit held on deposit at Green Dot Bank or other banks in accounts held under our control. As such, we have no risk of material loss resulting from the customer's non-payment of their obligation. As the customer successfully uses their credit card and repays their obligations in accordance with the card's terms and conditions, that successful repayment history is reported to the national credit bureaus which, in turn, can help improve the customer's overall credit score. Customers have the option of funding their security deposits with cash and making monthly payments at Green Dot Network retail locations.

PayCard and Corporate Disbursement

We offer payroll cards and other wage disbursement services to over 2,500 corporate customers, such as Einstein Bagels, Nordstrom and Rite Aid. Our solutions address both the W-2 and 1099 work force.

Green Dot Bank

Through our subsidiary bank, Green Dot Bank, we offer issuing, settlement and capital management services principally to support those applicable products across all six revenue channels in both reporting segments. Our banking services include:

- Issuing services as the payment network member bank and settlement bank for our GPR card, spend-based P2P programs, gift card and checking account products;
- Credit card issuing and capital lending services for our Green Dot Platinum Visa Secured Credit Card; and
- Settlement bank for our reload and tax refund services within our Processing and Settlement Services segment.

Green Dot Bank also generates interest income through the investment of funds from its capital and the increasing deposits it receives in respect of our products and services, as well as the products and services we enable for our BaaS platform partners.

Products within our Account Services segment are generally issued by Green Dot Bank. As a result of acquisitions over the past several years, we also manage programs issued by third-party issuing banks.

Processing and Settlement Services

Money Processing

We offer several products and services that all specialize in facilitating the movement of funds on behalf of consumers and businesses. These products and services include:

- Our "Reload@TheRegister" swipe reload service allows consumers to add funds to accounts we issue or manage and accounts issued by any third-party bank or program manager, which we refer to as network acceptance members, that has enabled its cards to accept funds through our processing system.
- Our MoneyPak PIN product provides consumers the ability to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its cards to accept funds through our processing system.
- Our e-cash remittance service enables consumers to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its accounts to accept funds through our processing system. Consumers can also cash-out money sent to them by a business through the use of our e-cash remittance service when Green Dot sends a unique barcode to the customer's smartphone, which is then presented to a cashier at a participating retailer who then scans the barcode to fulfill the transfer.
- Our Simply Paid Disbursement service that enables wages and any type of authorized funds disbursement to be sent to accounts we issue or manage and accounts issued by any third-party bank or program manager that has enabled its cards to accept funds through our processing system.

Tax Processing

We offer several services designed for participants in the tax industry. Those services include:

- Tax refund transfers that provide the processing technology to facilitate receipt of a taxpayers' refund proceeds. When a customer of a third-party tax preparation provider chooses to pay their tax preparation fees using our processing services, we deduct the tax preparation service fee and our processing service fee from the customer's refund and remit the remaining balance to the customer's account;
- Small business lending to independent tax preparation providers that seek small advances in order to help provide working capital prior to generating income during the tax filing season;
- GPR card offerings that are integrated into the tax preparation software that enables a tax preparation provider to offer its customers a Green Dot Bank-issued GPR card for the purpose of receiving tax refunds more rapidly and securely than check disbursements; and
- Fast Cash Advance, a consumer-friendly loan that enables tax refund recipients utilizing our tax processing services the opportunity to receive a portion of their expected tax refund amount in advance of receiving their actual tax refund.

Financial Results and Trends

Our consolidated results of operations for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change	%	2019	2018	Change	%
	(In thousands, except percentages)							
Total operating revenues	$ **278,326**	$ 263,792	$ 14,534	5.5%	$ **618,840**	$ 584,134	$ 34,706	5.9 %
Total operating expenses	**234,363**	231,168	3,195	1.4%	**493,492**	469,786	23,706	5.0 %
Net income	**34,692**	29,827	4,865	16.3%	**98,735**	99,858	(1,123)	(1.1)%

Total operating revenues

Our total operating revenues for the three and six months ended June 30, 2019 increased $14.5 million and $34.7 million, respectively, or 6% over each of the prior year comparable periods, generating revenue growth from both our Account Services and Processing and Settlement Services segments. Our growth within our Account Services segment was driven principally by an increase in account holders enrolled in direct deposit despite an overall decline in the number of active accounts in our Account Services segment over the same period. As a result, we experienced overall growth in gross dollar volume and purchase volume and corresponding growth in interchange revenue over each of the prior year comparable periods. We also experienced a year-over-year increase in net interest income due to higher yields on our cash and investment balances as a result of rate increases by the Federal Reserve over the course of 2018. Within our Processing and Settlement Services segment, total operating revenues increased as a result of year-over-year growth in the total number of cash transfers and disbursements through our Simply Paid platform for the three and six months ended June 30, 2019 compared with the prior year periods, and an overall increase in the number of tax refunds processed through the first half of 2019 versus the prior year comparable period.

As of June 30, 2019, our active accounts declined by approximately 500,000 on a year-over-year basis primarily due to a decline in the number of non-direct deposit active accounts under our legacy branded account programs, partially offset by an increase of approximately 240,000 active accounts under our BaaS programs. The decline in our active accounts in recent periods is attributable in part to changes in our competitive environment, particularly as new entrants market largely free bank account offerings. While we expect these trends to continue to negatively impact our number of active accounts for the remainder of 2019, we believe the trend will moderate in Q4 2019 and we are well positioned with our innovative product roadmap and strong infrastructural competitive advantages to address these competitive pressures and return to active account and associated revenue growth beginning in 2020.

Since the first quarter of 2019, net interest income generated from operations at Green Dot Bank, our subsidiary bank, is presented in our consolidated statements of operations as a component of our total operating revenues. Prior year amounts, formerly reported below operating income on our consolidated statements of operations, have been reclassified to conform to our current year presentation. This reclassification changed our previously reported total operating revenues, but had no impact on our previously reported consolidated net income or cash flows for any comparative periods presented.

Net interest income at Green Dot Bank has become an increasingly important revenue component as Green Dot Bank's ability to invest its growing customer balances and generate interest income is one of several unique advantages we have as both a leading financial technology company and a federally regulated bank. As a result of uncertainties around global economic growth and trade, the Federal Reserve recently announced a reduction in short-term interest rates, with additional reductions possible in the future. Further reductions in short-term interest rates could result in a decrease in the amount of net interest income we earn for the remainder of the year and in the near term.

Total operating expenses

Our total operating expenses for the three and six months ended June 30, 2019 increased $3.2 million, or 1%, and $23.7 million, or 5%, respectively, over the prior year comparable periods. This increase was the result of several factors, including higher sales and marketing expenses attributable to the year-over-year increases in operating revenues generated from products that are subject to revenue share payments to our distributors and partners, higher processing expenses as a result of increased transactional usage and an overall increase in other general and administrative expenses primarily due to higher depreciation and amortization of property, plant and equipment as a result of higher capital expenditures. Our total operating expenses as a percentage of revenue are lower year-over-year in part due to operational savings achieved through several of our platform efficiency initiatives.

In connection with our strategic plan for 2019, we previously announced that we intend to allocate up to $60 million during the second half of 2019, primarily to market these new products and to advance the development and deployment of our BaaS technology platform. The majority of this investment is expected to impact our sales and marketing expenses as a percentage of our total operating revenues in the second half of 2019.

Income taxes

Income tax expense for the three and six months ended June 30, 2019 increased $7.6 million and $13.0 million, respectively, or 500% and 109%, respectively, from the prior year comparable periods. The increase was due to a higher effective tax rate for the three and six months ended June 30, 2019, as compared to the same period in 2018, principally due to a $9.1 million decline in benefit from the recognition of excess tax benefits of stock-based compensation and additional expenses related to state taxes, net of federal tax benefits.

Key Metrics

We review a number of metrics to help us monitor the performance of, and identify trends affecting, our business. We believe the following measures are the primary indicators of our quarterly and annual revenues.

Gross Dollar Volume — represents the total dollar volume of funds loaded to our account products. Our dollar volume was $10.0 billion and $9.4 billion for the three months ended June 30, 2019 and 2018, respectively, and $23.0 billion and $21.1 billion for the six months ended June 30, 2019 and 2018, respectively. We use this metric to analyze the total amount of money moving onto our account programs, determine the overall engagement and usage patterns of our account holder base. This metric also serves as a leading indicator of revenue generated through our Account Services segment products, inclusive of interest income generated on deposits held at Green Dot Bank, fees charged to account holders and interchange revenues generated through the spending of account balances. The increases in dollar volume of 6% and 9% during the three and six months ended June 30, 2019, respectively, from the comparable prior year periods were principally driven by an increase in the number of our account holders enrolled in direct deposit.

Number of Active Accounts — represents any bank account within our Account Services segment that is subject to United States Patriot Act compliance and, therefore, requires customer identity verification prior to use and is intended to accept ongoing customer cash or ACH deposits. This metric includes general purpose reloadable prepaid card accounts, demand deposit or checking accounts, and credit card accounts in our portfolio that had a purchase, deposit or ATM withdrawal transaction during the applicable quarter. We had 5.66 million and 5.86 million active accounts outstanding as of June 30, 2019 and 2018, respectively. We use this metric to analyze the overall size of our active customer base and to analyze multiple metrics expressed as an average across this active account base. The year-over-year decrease in number of active accounts is a result of lower unit sales that caused a material reduction in prepaid active accounts.

Purchase Volume — represents the total dollar volume of purchase transactions made by our account holders. This metric excludes the dollar volume of ATM withdrawals. Our purchase volume was $6.5 billion and $6.3 billion for the three months ended June 30, 2019 and 2018, respectively, and $14.7 billion and $13.8 billion for the six months ended June 30, 2019 and 2018, respectively. We use this metric to analyze interchange revenue, which is a key component of our financial performance. The increases in purchase volume of 2% and 6% during the three and six months ended June 30, 2019, respectively, from the comparable prior year periods were driven by an increase in Gross Dollar Volume, as described above.

Number of Cash Transfers — represents the total number of cash transfer transactions conducted by consumers, such as a point-of-sale swipe reload transaction, the purchase of a MoneyPak or an e-cash mobile remittance transaction marketed under various brand names, that we conducted through our retail distributors in a specified period. This metric excludes disbursements made through our Simply Paid wage disbursement platform. We processed 11.25 million and 10.56 million reload transactions during the three months ended June 30, 2019 and 2018, respectively, and 22.23 million and 20.66 million reload transactions during the six months ended June 30, 2019 and 2018, respectively. We review this metric as a measure of the size and scale of our retail cash processing network, as an indicator of customer engagement and usage of our products and services, and to analyze cash transfer revenue, which is a key component of our financial performance. Our cash transfers increased 7% and 8% during the three and six months ended June 30, 2019, respectively, over the prior year comparable periods primarily due to an increase in transactions and the number of third-party account programs that utilize the Green Dot Network to accept funds through our cash processing network.

Number of Tax Refunds Processed — represents the total number of tax refunds processed in a specified period. We processed 2.52 million and 2.79 million tax refund transactions during the three months ended June 30, 2019 and 2018, respectively, and 11.91 million and 11.54 million tax refund transactions during the six months ended June 30, 2019 and 2018, respectively. Due to seasonality, the number of tax refunds processed is most concentrated during the first half of each year and is minimal during the second half of each year. We review this metric as a measure of the size and scale of our tax refund processing platform and as an indicator of customer engagement and usage of its products and services. The overall increase in the number of tax refunds processed this tax season of 3% through the six months ended June 30, 2019, was primarily driven by an increase in refunds processed through online consumer tax filing software platforms, compared to the prior year period.

Key components of our results of operations

Operating Revenues

We classify our operating revenues into the following four categories:

Card Revenues and Other Fees — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on GPR cards, checking accounts and certain cash transfer products, such as MoneyPak, pursuant to the terms and conditions in our customer agreements. We charge ATM fees to cardholders when they withdraw money at certain ATMs in accordance with the terms and conditions in our cardholder agreements. We charge new card fees, if applicable, when a consumer purchases a GPR card, gift card, or a checking account product. Other revenues consist primarily of revenue associated with our gift card program, annual fees associated with our secured credit card portfolio, transaction-based fees and fees associated with optional products or services, which we offer to cardholders from time to time.

Our aggregate monthly maintenance fee revenues vary primarily based upon the number of active accounts in our portfolio and the average fee assessed per account. Our average monthly maintenance fee per active account depends upon the mix of products in our portfolio at any given point in time and upon the extent to which fees are waived based on various incentives provided to customers in an effort to encourage higher usage and retention. Our aggregate ATM fee revenues vary based upon the number of cardholder ATM transactions and the average fee per ATM transaction. The average fee per ATM transaction depends upon the mix of products in our portfolio at any given point in time and the extent to which cardholders use ATMs within our free network that carry no fee for cash withdrawal transactions. Our aggregate new card fee revenues vary based upon the number of GPR cards and checking accounts activated and the average new card fee. The average new card fee depends primarily upon the mix of products that we sell since there are variations in new account fees based on the product and/or the location or source where our products are purchased. Our aggregate other fees vary primarily based upon account sales of all types, gift card sales, purchase transactions and the number of active accounts in our portfolio.

Processing and Settlement Service Revenues — Processing and settlement service revenues consist of cash transfer revenues, tax refund processing service revenues and Simply Paid disbursement revenues. We earn cash transfer revenues when consumers fund their cards through a reload transaction at a Green Dot Network retail location. Our aggregate cash transfer revenues vary based upon the mix of locations where reload transactions occur, since reload fees vary by location. We earn tax refund processing service revenues at the point in time when a customer of a third party tax preparation company chooses to pay their tax preparation fee through the use of our tax refund processing services. We earn Simply Paid disbursement fees from our business partners at the point in time payment disbursements are made.

Interchange Revenues — We earn interchange revenues from fees remitted by the merchant's bank, which are based on rates established by the payment networks, at the point in time when customers make purchase transactions using our products. Our aggregate interchange revenues vary based primarily on the number of active accounts in our portfolio, the average transactional volume of the active accounts in our portfolio and on the mix of cardholder purchases between those using signature identification technologies and those using personal identification numbers and the corresponding rates.

Interest Income, net — Net interest income represents the difference between the interest income earned on our interest-earning assets and the interest expense on our interest-bearing liabilities held at Green Dot Bank. Interest-earning assets include customer deposits, loans, and investment securities. Our interest-bearing liabilities held at Green Dot Bank include interest-bearing deposits. We expect net interest income and our net interest margin to fluctuate based on changes in the federal funds interest rates and changes in the amount and composition of our interest-bearing assets and liabilities. As a result of uncertainties around global economic growth and trade, the Federal Reserve recently announced a reduction in short-term interest rates, with additional reductions possible in the future. Further reductions in short-term interest rates could result in a decrease in the amount of net interest income we earn.

Operating Expenses

We classify our operating expenses into the following four categories:

Sales and Marketing Expenses — Sales and marketing expenses consist primarily of the commissions we pay to our retail distributors, brokers and platform partners, advertising and marketing expenses, and the costs of manufacturing and distributing card packages, placards and promotional materials to our retail distributors and personalized GPR and GoBank cards to consumers who have activated their cards. We generally establish commission percentages in long-term distribution agreements with our retail distributors and platform partners. Aggregate commissions with our retail distributors are determined by the number of prepaid cards, checking account products and cash transfers sold at their respective retail stores. Commissions with our platform partners and, in certain cases, our retail distributors are determined by the revenue generated from the ongoing use of the associated card programs. We incur advertising and marketing expenses for television, sponsorships, online and in-store promotions. Advertising and marketing expenses are recognized as incurred and typically deliver a benefit over an extended period of time. For this reason, these expenses do not always track changes in our operating revenues. Our manufacturing and distribution costs vary primarily based on the number of GPR and GoBank accounts activated by consumers.

Compensation and Benefits Expenses — Compensation and benefits expenses represent the compensation and benefits that we provide to our employees and the payments we make to third-party contractors. While we have an in-house customer service function, we employ third-party contractors to conduct call center operations, handle routine customer service inquiries and provide consulting support in the area of IT operations and elsewhere. Compensation and benefits expenses associated with our customer service and loss management functions generally vary in line with the size of our active account portfolio, while the expenses associated with other functions do not.

Processing Expenses — Processing expenses consist primarily of the fees charged to us by the payment networks, which process transactions for us, the third-party card processors that maintain the records of our customers' accounts and process transaction authorizations and postings for us and the third-party banks that issue our accounts. These costs generally vary based on the total number of active accounts in our portfolio and gross dollar volume transacted by those accounts. Also included in processing expenses are bank fees associated with our tax refund processing services and gateway and network fees associated with our Simply Paid disbursement services. Bank fees generally vary based on the total number of tax refund transfers processed and gateway and network fees vary based on the numbers of disbursements made.

Other General and Administrative Expenses — Other general and administrative expenses consist primarily of professional service fees, telephone and communication costs, depreciation and amortization of our property and equipment and intangible assets, changes in contingent consideration, transaction losses (losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud), rent and utilities, and insurance. We incur telephone and communication costs primarily from customers contacting us through our toll-free telephone numbers. These costs vary with the total number of active accounts in our portfolio, as do losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud. Costs associated with professional services, depreciation and amortization of our property and equipment, amortization of our acquired intangible assets, rent and utilities vary based upon our investment in infrastructure, business development, risk management and internal controls and are generally not correlated with our operating revenues or other transaction metrics.

Income Tax Expense

Our income tax expense consists of the federal and state corporate income taxes accrued on income resulting from the sale of our products and services.

Critical Accounting Policies and Estimates

Reference is made to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018. Except as disclosed in *Note 2 — Summary of Significant Accounting Policies* under *Recently Adopted Accounting Pronouncements* to the Consolidated Financial Statements included herein, there have been no changes to our critical accounting policies and estimates during the six months ended June 30, 2019.

Recent Accounting Pronouncements

Reference is made to the recent accounting pronouncements disclosed in *Note 2 — Summary of Significant Accounting Policies* to the Consolidated Financial Statements included herein.

Comparison of Three-Month Periods Ended June 30, 2019 and 2018

Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, processing and settlement service revenues, interchange revenues and net interest income:

	Three Months Ended June 30,			
	2019		2018	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	**$ 121,613**	**43.7%**	$ 120,783	45.8%
Processing and settlement service revenues	**67,073**	**24.1**	60,618	23.0
Interchange revenues	**81,334**	**29.2**	76,948	29.2
Interest income, net	**8,306**	**3.0**	5,443	2.1
Total operating revenues	**$ 278,326**	**100.0%**	$ 263,792	100.0%

Card Revenues and Other Fees — Card revenues and other fees totaled $121.6 million for the three months ended June 30, 2019, an increase of $0.8 million, or 0.7%, from the comparable prior year period. Our card revenues and other fees primarily increased as a result of higher ATM fees earned per transaction and higher revenue from our gift card portfolio, offset in part by a shift in the mix of active accounts towards accounts under our BaaS programs, from which we typically generate lower fees as compared to our legacy prepaid products.

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled $67.1 million for the three months ended June 30, 2019, an increase of $6.5 million, or 11%, from the comparable prior year period. The increase was driven primarily by year-over-year growth in transaction volume associated with cash transfers and disbursement services through our Simply Paid platform.

Interchange Revenues — Interchange revenues totaled $81.3 million for the three months ended June 30, 2019, an increase of $4.4 million, or 6%, from the comparable prior year period. The increase was primarily due to an increase in purchase volume and the related impact of interchange rates earned thereon during the three months ended June 30, 2019.

Interest Income, net — Net interest income totaled $8.3 million for the three months ended June 30, 2019, an increase of $2.9 million, or 54%, from the comparable prior year period. The increase was principally the result of higher interest rates earned compared to the prior year period and, to a lesser extent, higher average balances in our investment securities portfolio and customer funds on deposit. The Federal Reserve recently announced a reduction in short-term interest rates, with additional reductions possible in the future. Further reductions in short-term interest rates could result in a decrease in the amount of net interest income we earn for the remainder of the year.

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Three Months Ended June 30,			
	2019		2018	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating expenses:				
Sales and marketing expenses	**$ 87,432**	**31.4%**	$ 82,478	31.3%
Compensation and benefits expenses	**48,298**	**17.4**	54,478	20.7
Processing expenses	**49,222**	**17.7**	46,363	17.6
Other general and administrative expenses	**49,411**	**17.8**	47,849	18.0
Total operating expenses	**$ 234,363**	**84.3%**	$ 231,168	87.6%

Sales and Marketing Expenses — Sales and marketing expenses totaled $87.4 million for the three months ended June 30, 2019, an increase of $4.9 million, or 6% from the comparable prior year period. This increase was primarily driven by an increase of $7.0 million in sales commissions associated with higher revenues generated from products that are subject to revenue-sharing agreements, partially offset by a year-over-year decrease of $1.7 million in advertising expenses. We intend to incur higher advertising expenses during the second half of 2019, compared to the first half of 2019 and the prior year period, to support the planned launches of our new products as discussed above.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $48.3 million for the three months ended June 30, 2019, a decrease of $6.2 million or 11% from the comparable prior year period. The decrease was primarily the result of lower salaries and wages of $4.7 million principally due to a decrease in accrued bonus compensation and lower stock-based compensation expense of $2.8 million as a result of the modification of certain performance based equity awards, offset by a $1.0 million increase in third-party contractor expenses.

Processing Expenses — Processing expenses totaled $49.2 million for the three months ended June 30, 2019, an increase of $2.8 million or 6% from the comparable prior year period. This increase was principally the result of a higher volume of ATM and purchase transactions initiated by our account holders, as well as the growth in disbursement transactions processed by our Simply Paid platform within our Processing and Settlement Services segment.

Other General and Administrative Expenses — Other general and administrative expenses totaled $49.4 million for the three months ended June 30, 2019, an increase of $1.6 million or 3%, from the comparable prior year period. Other general and administrative expenses increased principally due to higher depreciation and amortization of property and equipment of $2.8 million, offset by lower dispute and purchase transaction losses compared with the prior year period.

Income Tax Expense

The following table presents a breakdown of our effective tax rate among federal, state, and other:

	Three Months Ended June 30,	
	2019	2018
U.S. federal statutory tax rate	**21.0 %**	21.0 %
State income taxes, net of federal tax benefit	**1.8**	(0.3)
General business credits	**(1.6)**	(0.8)
Employee stock-based compensation	**(3.3)**	(17.8)
IRC 162(m) limitation	**2.5**	2.5
Other	**0.4**	0.1
Effective tax rate	**20.8 %**	4.7 %

We recognized a $9.1 million income tax expense for the three months ended June 30, 2019 compared to a $1.5 million income tax expense for the comparable prior year period, resulting in an effective tax rate of 20.8% and 4.7%, respectively. The increase in effective tax rate for the three months ended June 30, 2019, as compared to the same period in 2018 was primarily due to a lower benefit from the recognition of excess tax benefits of stock-based compensation and additional expenses related to state taxes, net of federal tax benefits.

The "Other" category in our effective tax rate consists of a variety of permanent differences, none of which were individually significant.

Comparison of Six-Month Periods Ended June 30, 2019 and 2018

Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, processing and settlement service revenues, interchange revenues and net interest income:

	Six Months Ended June 30,			
	2019		2018	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	**$ 251,190**	**40.6%**	$ 250,843	42.9%
Processing and settlement service revenues	**174,652**	**28.2**	160,858	27.5
Interchange revenues	**173,875**	**28.1**	161,646	27.8
Interest income, net	**19,123**	**3.1**	10,787	1.8
Total operating revenues	**$ 618,840**	**100.0%**	$ 584,134	100.0%

Card Revenues and Other Fees — Card revenues and other fees totaled $251.2 million for the six months ended June 30, 2019, an increase of $0.4 million, or 0.2%, from the comparable prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Revenues—Card Revenues and Other Fees."

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled $174.7 million for the six months ended June 30, 2019, an increase of $13.8 million, or 9%, from the comparable prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Revenues—Processing and Settlement Service Revenues," as well as a higher volume of tax refunds processed during the six months ended June 30, 2019 compared to the prior year period.

Interchange Revenues — Interchange revenues totaled $173.9 million for the six months ended June 30, 2019, an increase of $12.3 million, or 8%, from the comparable prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Revenues—Interchange Revenues."

Interest Income, net — Net interest income totaled $19.1 million for the six months ended June 30, 2019, an increase of $8.3 million, or 77%, from the comparable prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Revenues—Interest Income, net."

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Six Months Ended June 30,			
	2019		2018	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating expenses:				
Sales and marketing expenses	**$ 186,133**	**30.1%**	$ 174,446	29.9%
Compensation and benefits expenses	**109,773**	**17.7**	108,985	18.7
Processing expenses	**100,854**	**16.3**	94,788	16.2
Other general and administrative expenses	**96,732**	**15.6**	91,567	15.6
Total operating expenses	**$ 493,492**	**79.7%**	$ 469,786	80.4%

Sales and Marketing Expenses — Sales and marketing expenses totaled $186.1 million for the six months ended June 30, 2019, an increase of $11.7 million, or 7%, from the comparable period in 2018. This increase was driven by the same factors discussed above under “Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Expenses—Sales and Marketing Expenses."

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $109.8 million for the six months ended June 30, 2019, an increase of $0.8 million, or 1%, from the comparable prior year period. The increase was the result of a $2.6 million increase in employee stock-based compensation principally due to the timing of certain stock-based compensation awards issued to retirement eligible employees whose awards immediately vest and are fully expensed upon issuance and a $1.8 million increase in third-party contractor expenses and other employee benefits. These increases were offset by a $3.9 million decrease in salaries and wages as discussed above under “Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Expenses—Compensation and Benefits Expenses."

Processing Expenses — Processing expenses totaled $100.9 million for the six months ended June 30, 2019, an increase of $6.1 million, or 6%, from the comparable period in 2018. This increase was driven by the same factors discussed above under “Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Operating Expenses—Processing Expenses."

Other General and Administrative Expenses — Other general and administrative expenses totaled $96.7 million for the six months ended June 30, 2019, an increase of $5.1 million, or 6%, from the comparable period in 2018 primarily due to an increase of $4.7 million in depreciation and amortization expense of property and equipment and higher professional expenses of $1.9 million, partially offset by lower dispute and purchase transaction losses from the comparable prior year period.

Income Tax Expense

The following table presents a breakdown of our effective tax rate among federal, state and other:

	Six Months Ended June 30,	
	2019	**2018**
U.S. federal statutory tax rate	**21.0 %**	21.0 %
State income taxes, net of federal tax benefit	**1.7**	0.6
General business credits	**(1.5)**	(0.7)
Employee stock-based compensation	**(3.7)**	(12.2)
IRC 162(m) limitation	**2.4**	1.8
Other	**0.3**	0.1
Effective tax rate	**20.2 %**	10.6 %

Our income tax expense increased by $13.0 million to $25.0 million for the six months ended June 30, 2019 from the comparable period in 2018 due to the same factors discussed above under “Comparison of Three-Month Periods Ended June 30, 2019 and 2018—Income Tax Expense."

The "Other" category in our effective tax rate consists of a variety of permanent differences, none of which were individually significant.

Liquidity and Capital Resources

The following table summarizes our major sources and uses of cash for the periods presented:

	Six Months Ended June 30,	
	2019	**2018**
	(In thousands)	
Total cash provided by (used in)		
Operating activities	**$ 167,068**	$ 167,690
Investing activities	**(78,803)**	(70,383)
Financing activities	**(82,868)**	11,292
Increase in unrestricted cash, cash equivalents and restricted cash	**$ 5,397**	$ 108,599

For the six months ended June 30, 2019 and 2018, we financed our operations primarily through our cash flows generated from operations and customer funds held on deposit. As of June 30, 2019, our primary source of liquidity was unrestricted cash and cash equivalents totaling $1.1 billion. We also consider our $244.0 million of available-for-sale investment securities to be highly-liquid instruments.

We use trend and variance analysis as well as our detailed budgets and forecasts to project future cash needs, making adjustments to the projections when needed. We believe that our current unrestricted cash and cash equivalents and cash flows from operations will be sufficient to meet our working capital, capital expenditure and debt service requirements, as discussed below.

Cash Flows from Operating Activities

Our $167.1 million of net cash provided by operating activities during the six months ended June 30, 2019 was primarily the result of $98.7 million of net income, adjusted for certain non-cash operating items of $63.6 million and increases in net changes in our working capital assets and liabilities of $4.7 million. Our $167.7 million of net cash provided by operating activities in the six months ended June 30, 2018 was primarily the result of $99.9 million of net income, adjusted for certain non-cash operating items of $56.9 million and increases in net changes in our working capital assets and liabilities of $10.9 million.

Cash Flows from Investing Activities

Our $78.8 million of net cash used in investing activities during the six months ended June 30, 2019 was due to the purchase of available-for-sale investment securities, net of proceeds from sales and maturities, of $39.8 million and the acquisition of property and equipment of $37.7 million. Our $70.4 million of net cash used in investing activities in the six months ended June 30, 2018 was due to the purchase of available-for-sale investment securities, net of proceeds from sales and maturities, of $38.7 million and the acquisition of property and equipment of $27.4 million.

Cash Flows from Financing Activities

Our $82.9 million of net cash used in financing activities during the six months ended June 30, 2019 was primarily the result of $100 million used for stock repurchases under our stock repurchase program, a $60.0 million voluntary prepayment of our note payable, a net decrease of $48.3 million in obligations to customers and $16.9 million in tax payments made to net settle equity awards, offset by a net increase in customer deposits of $140.1 million. Our $11.3 million of net cash provided by financing activities in the six months ended June 30, 2018 was primarily the result of an increase of $45.9 million in customer deposits and $16.4 million in stock option exercise proceeds, offset by $24.4 million in tax payments made to net settle equity awards, a decrease of $12.7 million in obligations to customers and $11.3 million in repayments of our notes payable.

Commitments

We anticipate that we will continue to purchase property and equipment as necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of employees, the rate of change of computer hardware and software used in our business and our business outlook. We intend to continue to invest in new products and programs, new features for our existing products and IT infrastructure to scale and operate effectively to meet our strategic objectives. We expect these capital expenditures will exceed the amount of our capital expenditures in 2018 as we reinvest a portion of the incremental cash flow we expect to generate from operations.

We have used cash to acquire businesses and technologies and we anticipate that we may continue to do so in the future. The nature of these transactions makes it difficult to predict the amount and timing of such cash requirements. We may also be required to raise additional financing to complete future acquisitions. On February 28, 2017, we completed our acquisition of all the membership interests of UniRush, which included a minimum $4 million annual earn-out payment for five years following the closing. The earn-out payments will be made each year, with the minimum payment potentially becoming greater if certain revenue growth targets for the RushCard GPR card program are met in a given year, although any potential increase is not expected to be material to the overall purchase price.

Additionally, we may make periodic cash contributions to our subsidiary bank, Green Dot Bank, to maintain its capital, leverage and other financial commitments at levels we have agreed to with our regulators.

Senior Credit Facility

In October 2014, we entered into a $225 million credit agreement with Bank of America, N.A., as administrative agent, Wells Fargo Bank, National Association, and other lenders party thereto. The agreement provided for (i) a $75 million five-year revolving facility (the “Revolving Facility”) and (ii) a five-year $150 million term loan facility (the “Term Facility” and, together with the Revolving Facility, the “Senior Credit Facility”). Quarterly principal payments of $5.6 million were payable on the loans under the Term Facility and all amounts then outstanding thereunder are payable at maturity on October 23, 2019. In March 2019, we elected to make a voluntary prepayment of $60.0 million to retire our Term Facility without penalty or additional premium. The Revolving Facility remains available for use until October 2019. As a result, the balance outstanding on the Term Facility was $0 and $58.7 million at June 30, 2019 and December 31, 2018, respectively, net of deferred financing fees. There were no borrowings outstanding on our Revolving Facility at June 30, 2019.

We are also subject to certain financial covenants, which include maintaining a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as defined in the agreement, as amended. At June 30, 2019, we were in compliance with all such covenants.

Stock Repurchase Program

In previous years, we have repurchased shares of our Class A Common Stock under an authorized stock repurchase program. In May 2017, our Board of Directors authorized, subject to regulatory approval, expansion of our stock repurchase program by an additional $150 million. We sought and received regulatory approval during the second quarter of 2019, at which point we made an up-front payment of $100 million, in exchange for an initial delivery of 1.7 million shares based on our then current market price of our Class A common stock. Final settlement is scheduled to occur during the third quarter of 2019 and will be based on the volume-weighted average price of our Class A common stock over the term of the agreement less an agreed upon discount.

Contractual Obligations

There have been no material changes in our contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Off-Balance Sheet Arrangements

As of and for the six months ended June 30, 2019 and 2018, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Capital Requirements for Bank Holding Companies

Our subsidiary bank, Green Dot Bank, is a member bank of the Federal Reserve System and our primary regulators are the Federal Reserve Board and the Utah Department of Financial Institutions. We are subject to various regulatory capital requirements administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines, we must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

In July 2013, the Federal Reserve and other U.S. banking regulators approved final rules regarding new risk-based capital, leverage and liquidity standards, known as “Basel III.” The Basel III rules, which became effective for us and our bank on January 1, 2015, are subject to certain phase-in periods that occur over several years. The U.S. Basel III rules contain new capital standards that change the composition of capital, increase minimum capital ratios and strengthen counter-party credit risk capital requirements. The Basel III rules also include a new definition of common equity Tier 1 capital and require that certain levels of such common equity Tier 1 capital be maintained. The rules also include a new capital conservation buffer, which imposes a common equity requirement above the new minimum that can be depleted under stress and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances, as well as a new standardized approach for calculating risk-weighted assets. Under the Basel III rules, we must maintain a ratio of common equity Tier 1 capital to risk-weighted assets of at least 4.5%, a ratio of Tier 1 capital to risk-weighted assets of at least 6%, a ratio of total capital to risk-weighted assets of at least 8% and a minimum Tier 1 leverage ratio of 4.0%.

As of June 30, 2019 and December 31, 2018, we were categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," we must maintain specific total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since June 30, 2019 which management believes would have changed our category as "well capitalized."

The definitions associated with the amounts and ratios below are as follows:

Ratio	Definition
Tier 1 leverage ratio	Tier 1 capital divided by average total assets
Common equity Tier 1 capital ratio	Common equity Tier 1 capital divided by risk-weighted assets
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets
Total risk-based capital ratio	Total capital divided by risk-weighted assets

Terms	Definition
Tier 1 capital and Common equity Tier 1 capital	Primarily includes common stock, retained earnings and accumulated OCI, net of deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles. Under the regulatory capital rules, certain deductions and adjustments to these capital figures are phased in through January 1, 2018.
Total capital	Tier 1 capital plus supplemental capital items such as the allowance for loan losses, subject to certain limits
Average total assets	Average total consolidated assets during the period less deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles assets
Risk-weighted assets	Represents the amount of assets or exposure multiplied by the standardized risk weight (%) associated with that type of asset or exposure. The standardized risk weights are prescribed in the bank capital rules and reflect regulatory judgment regarding the riskiness of a type of asset or exposure

The actual amounts and ratios, and required "well capitalized" minimum capital amounts and ratios at June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019				
		Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum
	(In thousands, except ratios)				
Green Dot Corporation:					
Tier 1 leverage	**$**	**379,730**	**16.9%**	**4.0%**	**n/a**
Common equity Tier 1 capital	**$**	**379,730**	**62.1%**	**4.5%**	**n/a**
Tier 1 capital	**$**	**379,730**	**62.1%**	**6.0%**	**6.0%**
Total risk-based capital	**$**	**383,205**	**62.6%**	**8.0%**	**10.0%**
Green Dot Bank:					
Tier 1 leverage	**$**	**200,913**	**12.3%**	**4.0%**	**5.0%**
Common equity Tier 1 capital	**$**	**200,913**	**57.1%**	**4.5%**	**6.5%**
Tier 1 capital	**$**	**200,913**	**57.1%**	**6.0%**	**8.0%**
Total risk-based capital	**$**	**201,974**	**57.4%**	**8.0%**	**10.0%**

	December 31, 2018				
		Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum
	(In thousands, except ratios)				
Green Dot Corporation:					
Tier 1 leverage	$	353,047	20.1%	4.0%	n/a
Common equity Tier 1 capital	$	353,047	88.8%	4.5%	n/a
Tier 1 capital	$	353,047	88.8%	6.0%	6.0%
Total risk-based capital	$	357,092	89.8%	8.0%	10.0%
Green Dot Bank:					
Tier 1 leverage	$	172,518	11.7%	4.0%	5.0%
Common equity Tier 1 capital	$	172,518	100.8%	4.5%	6.5%
Tier 1 capital	$	172,518	100.8%	6.0%	8.0%
Total risk-based capital	$	173,838	101.5%	8.0%	10.0%

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential for economic losses from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. We believe that we have limited exposure to risks associated with changes in foreign currency exchange rates, interest rates and equity prices. We have no significant foreign operations. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Interest rates

While operating net interest income has become a more meaningful component to our consolidated operating results, we do not consider our cash and cash equivalents or our investment securities to be subject to material interest rate risk due to their short duration. However, as a result of uncertainties around global economic growth and trade, the Federal Reserve recently announced a reduction in short-term interest rates, with additional reductions possible in the future. Further reductions in short-term interest rates could result in a decrease in the amount of net interest income we earn.

As of June 30, 2019, we have repaid all debt outstanding under our $225.0 million credit agreement. Refer to *Note 9 — Note Payable* to the Consolidated Financial Statements included herein for additional information. Our Revolving Credit Facility that remains available for use under the Senior Credit Facility is and is expected to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Although any short-term borrowings under our Revolving Facility would likely be insensitive to interest rate changes, interest expense on short-term borrowings will increase and decrease with changes in the underlying short-term interest rates. For example, assuming our revolving facility is drawn up to its maximum borrowing capacity of $75.0 million, based on the applicable LIBOR and margin in effect as of June 30, 2019, each quarter point of change in interest rates would result in a $0.2 million change in our annual interest expense.

We actively monitor our interest rate exposure and our objective is to reduce, where we deem appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates. In order to accomplish this objective, we may enter into derivative financial instruments, such as forward contracts and interest rate hedge contracts only to the extent necessary to manage our exposure. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Credit and liquidity risk

We do have exposure to credit and liquidity risk associated with the financial institutions that hold our cash and cash equivalents, restricted cash, available-for-sale investment securities, settlement assets due from our Simply Paid distribution partners and retail distributors that collect funds and fees from our customers and amounts due from our issuing banks for fees collected on our behalf.

We manage the credit and liquidity risk associated with our cash and cash equivalents, available-for-sale investment securities and amounts due from issuing banks by maintaining an investment policy that restricts our correspondent banking relationships to approved, well capitalized institutions and restricts investments to highly liquid, low credit risk assets. Our policy has limits related to liquidity ratios, the concentration that we may have with a single institution or issuer and effective maturity dates as well as restrictions on the type of assets that we may invest in. The management Asset Liability Committee is responsible for monitoring compliance with our Capital Asset Liability Management policy and related limits on an ongoing basis and reports regularly to the risk committee of our Board of Directors.

Our exposure to credit risk associated with our retail distributors and Simply Paid distribution partners is mitigated due to the short time period, currently an average of two days, that retailer settlement assets are outstanding. We perform an initial credit review and assign a credit limit to each new retail distributor and Simply Paid distribution partner. We monitor each retail distributor’s and Simply Paid distribution partner's settlement asset exposure and its compliance with its specified contractual settlement terms on a daily basis and assess their credit limit and financial condition on a periodic basis. Our management's Enterprise Risk Management Committee is responsible for monitoring our retail distributor and Simply Paid distribution partner exposure and assigning credit limits and reports regularly to the risk committee of our Board of Directors.

ITEM 4. Controls and Procedures

Disclosure controls and procedures — Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 13d-15(e)) at the end of the period covered by this report. Based on such evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that, at the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Change in internal control over financial reporting — There was no material change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls — Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

PART II

ITEM 1. Legal Proceedings

Refer to *Note 16 — Commitments and Contingencies* to the Consolidated Financial Statements included herein for information regarding our legal proceedings.

ITEM 1A. Risk Factors

Risks Related to Our Business

Our operating results may fluctuate in the future, which could cause our stock price to decline.

Our quarterly and annual results of operations may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of investors or any securities analysts who follow our Class A common stock, the trading price of our Class A common stock could decline substantially. Fluctuations in our quarterly or annual results of operations might result from a number of factors, including, but not limited to:

- the timing and volume of purchases and use of our products and services;
- the timing and volume of tax refunds processed by us, including the impact of any general delays in tax refund disbursements from the U.S. and State Treasuries;
- the timing and success of new product or service introductions by us or our competitors;
- seasonality in the purchase or use of our products and services;
- changes in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;
- changes in the mix of retail distributors through which we sell our products and services;
- the timing of commencement, renegotiation or termination of relationships with significant retail distributors and BaaS platform partners;
- the timing of commencement of new product development and initiatives, the timing of costs of existing product roll-outs and the length of time we must invest in those new products, channels or retail distributors before they generate material operating revenues;
- our ability to effectively sell our products through direct-to-consumer initiatives;
- changes in our or our competitors' pricing policies or sales terms;
- costs associated with significant changes in our risk policies and controls;
- the amount and timing of costs related to fraud losses;
- the amount and timing of commencement and termination of major advertising campaigns, including sponsorships;
- the amount and timing of costs related to the acquisition of complementary businesses;
- the amount and timing of costs of any major litigation to which we are a party;
- disruptions in the performance of our products and services, including interruptions in the services we provide to other businesses, and the associated financial impact thereof;
- the amount and timing of capital expenditures and operating costs related to the maintenance and expansion of our business, operations and infrastructure;
- interest rate volatility;
- accounting charges related to impairment of goodwill and other intangible assets;
- our ability to control costs, including third-party service provider costs and sales and marketing expenses in an increasingly competitive market;

- volatility in the trading price of our Class A common stock, which may lead to higher or lower stock-based compensation expenses; and
- changes in the political or regulatory environment affecting the banking, electronic payments or tax refund processing industries.

The loss of operating revenues from Walmart or any of our largest retail distributors would adversely affect our business.

A significant portion of our operating revenues are derived from the products and services sold at our four largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart was approximately 35% and 32% for the three and six months ended June 30, 2019, respectively. We expect that Walmart will continue to have a significant impact on our operating revenues in future periods, particularly in our Account Services segment. It would be difficult to replace Walmart and the operating revenues derived from products and services sold at their stores. Accordingly, the loss of Walmart would have a material adverse effect on our business and results of operations. In addition, any publicity associated with the loss of any of our large retail distributors could harm our reputation, making it more difficult to attract and retain consumers and other retail distributors, and could lessen our negotiating power with our remaining and prospective retail distributors.

The term of our Walmart Money Card agreement (which governs the MoneyCard program) expires on May 1, 2020, unless renewed under its automatic renewal provision which provides for a two-year extension. Our contracts with our three other largest retail distributors have terms that expire at various dates through 2021. Our contracts with Walmart and our three other largest retail distributors can in limited circumstances, such as our material breach or insolvency or, in the case of Walmart, our failure to meet agreed-upon service levels, certain changes in control, and our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. There can be no assurance that we will be able to continue our relationships with our largest retail distributors on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. Our operating revenues and results of operations could suffer if, among other things, any of our retail distributors renegotiates, terminates or fails to renew, or to renew on similar or favorable terms, its agreement with us or otherwise chooses to modify the level of support it provides for our products.

Our base of tax preparation partners is concentrated and the performance of our Processing and Settlement Services segment depends in part on our ability to retain existing partners.

If one or more of our major tax preparation partners were to substantially reduce or stop offering our services to their customers, our tax refund processing services business, a component of our Processing and Settlement Services segment, results of operations and financial condition would be harmed. Substantially all the revenues we generate from our tax refund processing services business have come from sales through a relatively small number of tax preparation firms. We do not have long-term contractual commitments from any of our current tax preparation partners and our tax preparation partners may elect to not renew their contracts with us with little or no advance notice. As a result, we cannot be assured that any of our current tax preparation partners will continue to partner with us past the terms in their current agreements. A termination of our relationships with certain tax preparation partners that provide commercial tax preparation software would result in lost revenue and the loss of the ability to secure future relationships with new or existing tax preparation firms that use such tax software.

Our future success depends upon the active and effective promotion of our products and services by retail distributors and tax preparation partners, but their interests and operational decisions might not always align with our interests.

Most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. In addition, a large portion of our Processing and Settlement Services revenues are dependent on tax preparation partners as the revenues we generate from our tax refund processing services are largely derived from products and services sold through retail tax preparation businesses and income tax software providers. Revenues from our retail distributors and tax preparation partners depend on a number of factors outside our control and may vary from period to period. Because we compete with many other providers of products and services, including competing prepaid cards and tax refund processing services, for placement and promotion of products in the stores of our retail distributors or in conjunction with the delivery of tax preparation services by our tax preparation providers, our success depends on our retail distributors and tax preparation partners and their willingness to promote our products and services successfully. In general, our contracts with these third parties allow them to exercise significant discretion over the placement and promotion of our products and services; they could give higher priority to the products and services of other companies for a variety of reasons. Accordingly, losing the support of our retail distributors and tax preparation partners might limit or reduce the sales of our products and services. Our operating revenues and operating expenses may also be negatively affected by operational decisions by our retail distributors and tax preparation partners. For example, if a retail distributor reduces shelf space for our products or implements changes in its systems that disrupt the integration between its systems and ours, our product sales could be reduced or decline and we may incur additional merchandising costs to ensure our products are appropriately stocked. Similarly, for a variety of reasons, many of our tax preparation partners that provide commercial income tax preparation software offer their customers several types for tax refund processing services, including those of our competitors. Even if our retail distributors and tax preparation partners actively and effectively promote our products and services, there can be no assurance that their efforts will maintain or result in growth of our operating revenues.

We make significant investments in products and services that may not be successful.

Our prospects for growth depend on our ability to innovate by offering new, and adding value to our existing, product and service offerings and on our ability to effectively commercialize such innovations. We will continue to make investments in research, development, and marketing for new products and services. Investments in new products and services are speculative. Commercial success depends on many factors, including innovativeness, price, the competitive environment and effective distribution and marketing. If customers do not perceive our new offerings as providing significant value, they may fail to accept our new products and services, which would negatively impact our operating revenues. We may not achieve significant operating revenues from new product and service investments for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as high as the margins we have experienced in the past.

Future revenue growth depends on our ability to retain and attract new long-term users of our products.

Our ability to increase account usage and account holder retention and to attract new long-term users of our products can have a significant impact on our operating revenues. We may be unable to generate increases in account usage, account holder retention or attract new long-term users of our products for a number of reasons, including if we are unable to maintain our existing distribution channels, predict accurately consumer preferences or industry changes and modify our products and services on a timely basis in response thereto, produce new features and services that appeal to existing and prospective customers, and influence account holder behavior through cardholder retention and usage incentives. Our results of operations could vary materially from period to period based on the degree to which we are successful in increasing usage and retention and attracting long-term users of our products. Additionally, while the impact on our total operating revenues from the decline in total number of active accounts in our Account Services segment in recent periods has been limited, if this trend persists over a long period or deteriorates more rapidly in the short term, our financial results would be materially impacted.

Seasonal fluctuations in the use of our products and services impact our results of operations and cash flows.

Our results of operations and cash flows vary from quarter to quarter, and periodically decline, due to the seasonal nature of the use of our products and services. For example, our results of operations for the first half of each year have been favorably affected by large numbers of taxpayers electing to receive their tax refunds via direct deposit on our accounts, which caused our operating revenues to be typically higher in the first half of those years than they were in the corresponding second half of those years. Our tax refund processing services business is also highly seasonal as it generates the substantial majority of its revenue in the first quarter, and substantially all of its revenue in the first half of each calendar year. To the extent that seasonal fluctuations become more pronounced, or are not offset by other factors, our results of operations and cash flows from operating activities could fluctuate materially from period to period.

The industries in which we compete are highly competitive, which could adversely affect our results of operations.

The industries in which we compete are highly competitive and subject to rapid and significant changes. We compete against companies and financial institutions across the retail banking, financial services, transaction processing, consumer technology and financial technology services industries and may compete with others in the market who may in the future provide offerings similar to ours, particularly vendors who may provide program management and other services though a platform similar to our BaaS platform. These and other competitors in the banking and electronic payments industries are introducing innovative products and services that may compete with ours. We expect that this competition will continue as banking and electronic payments industries continue to evolve, particularly if non-traditional payments processors and other parties gain greater market share in these industries. If we are unable to differentiate our products and platform from and successfully compete with those of our competitors, our business, results of operations and financial condition will be materially and adversely affected.

Many existing and potential competitors are entities substantially larger in size, more highly diversified in revenue and substantially more established with significantly more broadly known brand awareness than ours. As such, many of our competitors can leverage their size, robust networks, financial wherewithal, brand awareness, pricing power and technological assets to compete with us. Additionally, some of our current and potential competitors are subject to fewer regulations and restrictions than we are and thus may be able to respond more quickly in the face of regulatory and technological changes. We are also experiencing increased price competition as a result of new entrants offering free or low-cost alternatives to our products and services. To the extent these new entrants gain market share, we expect that the purchase and use of our products and services would decline. If price competition materially intensifies, we may have to increase the incentives that we offer to our retail distributors and our tax preparation partners and decrease the prices of our products and services, any of which would likely adversely affect our results of operations.

Our long-term success depends on our ability to compete effectively against existing and potential competitors that seek to provide banking and electronic payment products and services or tax refund processing services. If we fail to compete effectively against these competitors, our revenues, results of operations, prospects for future growth and overall business could be materially and adversely affected.

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers, including third party systems, and any disruption in the operations of these systems and data centers could materially and adversely affect our business.

Our ability to provide reliable service to customers and other network participants depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our retail distributors, network acceptance members and third-party processors. Our business involves the movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success in our account programs, including our BaaS programs, as well as our processing and settlement services, depends upon the efficient and error-free handling of the money that is collected, remitted or deposited in connection with the provision of our products and services. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our retail distributors, tax refund preparation partners, other business partners and third-party processors to process and facilitate these transactions in an efficient, uninterrupted and error-free manner. Their failure to do so could materially and adversely impact our operating revenues and results of operations, particularly during the tax season, when we derive substantially all of operating revenues for our tax refund processing services and a significant portion of our other operating revenues.

Our systems and the systems of third-party processors are susceptible to outages and interruptions due to fire, natural disaster, power loss, telecommunications failures, software or hardware defects, terrorist attacks and similar events. We use both internally developed and third-party systems, including cloud computing and storage systems, for our services and certain aspects of transaction processing. Interruptions in our service may result for a number of reasons. For example, the data center hosting facilities that we use could be closed without adequate notice or suffer unanticipated problems resulting in lengthy interruptions in our service. Moreover, as we continue to add data centers and add capacity in our existing data centers, we could experience problems transferring customer accounts and data, impairing the delivery of our service.

Any damage to, or failure of, our processes or systems generally, or those of our vendors (including as a result of disruptions at our third-party data center hosting facilities and cloud providers), or an improper action by our employees, agents or third-party vendors, could result in interruptions in our service, causing customers, retail distributors and other partners to become dissatisfied with our products and services or obligate us to issue credits or pay fines or other penalties to them. Sustained or repeated process or system failures could reduce the attractiveness of our products and services, including our BaaS platform, and result in contract terminations, thereby reducing operating revenue and harming our results of operations. Further, negative publicity arising from these types of disruptions could be damaging to our reputation and may adversely impact use of our products and services, including our BaaS platform, and adversely affect our ability to attract new customers and business partners. Additionally, some of our contracts with retail distributors, including our contract with Walmart, contain service level standards pertaining to the operation of our systems, and provide the retail distributor with the right to collect damages and potentially to terminate its contract with us for system downtime exceeding stated limits. If we face system interruptions or failures, our business interruption insurance may not be adequate to cover the losses or damages that we incur.

If we are unable to keep pace with the rapid technological developments in our industry and the larger electronic payments industry necessary to continue providing our BaaS platform partners and cardholders with new and innovative products and services, the use of our cards and other products and services could decline.

The electronic payments industry is subject to rapid and significant technological changes. We cannot predict the effect of technological changes on our business. We rely in part on third parties for the development of, and access to, new technologies. We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. Additionally, we may make future investments in, or enter into strategic alliances to develop, new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. However, our ability to transition to new services and technologies that we develop may be inhibited by a lack of industry-wide standards, by resistance from our retail distributors, BaaS platform partners, third-party processors or consumers to these changes, or by the intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful or may have an adverse effect on our business, financial condition and results of operations.

Fraudulent and other illegal activity involving our products and services could lead to reputational damage to us, reduce the use and acceptance of our cards and reload network, reduce the use of our tax refund processing services, and may adversely affect our financial position and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities using deposit account products (including prepaid cards), reload products, or customer information. Illegal activities involving our products and services often include malicious social engineering schemes. Illegal activities may also include fraudulent payment or refund schemes and identity theft. We rely upon third parties for transaction processing services, which subjects us and our customers to risks related to the vulnerabilities of those third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, have in the past and could in the future result in reputational damage to us. Such damage could reduce the use and acceptance of our cards and other products and services, cause retail distributors to cease doing business with us or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, results of operations and financial condition.

In addition, to address the challenges we face with respect to fraudulent activity, we have implemented risk control mechanisms that have made it more difficult for all customers, including legitimate customers, to obtain and use our products and services. We believe it is likely that our risk control mechanisms may continue to adversely affect our new card activations for the foreseeable future and that our operating revenues will be negatively impacted as a result.

As a bank holding company, we are subject to extensive and potentially changing regulation and may be required to serve as a source of strength for Green Dot Bank, which may adversely affect our business, financial position and results of operations.

As a bank holding company, we are subject to comprehensive supervision and examination by the Federal Reserve Board and the State of Utah Department of Financial Institutions and must comply with applicable regulations and other commitments we have agreed to, including financial commitments in respect to minimum capital and leverage requirements. If we fail to comply with any of these requirements, we may become subject to formal or informal enforcement actions, proceedings, or investigations, which could result in regulatory orders, restrictions on our business operations or requirements to take corrective actions, which may, individually or in the aggregate, affect our results of operations and restrict our ability to grow. If we fail to comply with the applicable capital and leverage requirements, or if our subsidiary bank fails to comply with its applicable capital and leverage commitments, the Federal Reserve Board may limit our ability to pay dividends or fund stock repurchases, or if we become less than adequately capitalized, require us to raise additional capital. In addition, as a bank holding company and a financial holding company, we are generally prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies and financial holding companies. This restriction might limit our ability to pursue future business opportunities which we might otherwise consider but which might fall outside the scope of permissible activities.

A substantial portion of Green Dot Bank’s deposit liabilities are currently classified as brokered deposits, and the failure by Green Dot Bank to maintain its status as a "well-capitalized" institution could have a serious adverse effect on Green Dot Bank’s ability to conduct key portions of its current deposit-taking activity.

In January 2015, the FDIC published industry guidance in the form of Frequently Asked Questions (“FAQs”) with respect to, among other things, the categorization of deposit liabilities as “brokered” deposits. This guidance was later supplemented in November 2015 and June 2016. Based on this guidance, a vast majority of Green Dot Bank’s deposits are currently classified as brokered. If Green Dot Bank ceases to be categorized as “well capitalized” under banking regulations, it could be prohibited from accepting, renewing or rolling over brokered deposits without the consent of the FDIC. In such a case, the FDIC’s refusal to grant consent to our accepting, renewing or rolling over brokered deposits could materially adversely affect the financial condition and operations of Green Dot Bank and the Company and could effectively restrict the ability of Green Dot Bank to operate its business lines as presently conducted.

We operate in a highly regulated environment, and failure by us, the banks that issue our cards, the businesses that participate in our reload network, the banks that assist with our tax refund processing services, and our tax preparation partners to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.

We operate in a highly regulated environment, and failure by us, the banks that issue our cards or the businesses that participate in our reload network or other business partners to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements and a wide range of federal and other state laws and regulations. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities. For example, we are subject to the anti-money laundering reporting and recordkeeping requirements the Bank Secrecy Act (“BSA”), as amended by the PATRIOT Act. In addition, legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to increase, along with enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations.

Many of these laws and regulations are evolving, can be unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. Failure by us or those businesses to comply with the laws and regulations to which we are or may become subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation with consumers, banks that issue our cards and regulators, and could materially and adversely affect our business, operating results and financial condition.

Changes in laws and regulations to which we are subject, or to which we may become subject, may increase our costs of operation, decrease our operating revenues and disrupt our business.

The banking, financial technology, transaction processing and tax refund processing services industries are highly regulated and, from time to time, the federal and state laws and regulations affecting these industries, and the manner in which they are interpreted, are subject to change and legal action. Accordingly, changes in laws and regulations or the interpretation or enforcement thereof may occur that could increase our compliance and other costs of doing business, require significant systems redevelopment, or render our products or services less profitable or obsolete, any of which could have an adverse effect on our results of operations. For example, we could face more stringent anti-money laundering rules and regulations, as well as more stringent licensing rules and regulations, compliance with which could be expensive and time consuming. In addition, adverse rulings relating to the industries in which we participate could cause our products and services to be subject to additional laws and regulations, which could make our products and services less profitable.

If additional regulatory requirements were imposed on the sale of our products and services and our bank, the requirements could lead to a loss of retail distributors, tax preparation partners or other business partners, which, in turn, could materially and adversely impact our operations. Moreover, if our products are adversely impacted by the interpretation or enforcement of these regulations or we or any of our retail distributors or tax preparation partners were unwilling or unable to make any such operational changes to comply with the interpretation or enforcement thereof, we would no longer be able to sell our products and services through that noncompliant retail distributor or tax preparation partner, which could have a material adverse effect on our business, financial position and results of operations.

From time to time, federal and state legislators and regulatory authorities, including state attorneys general, increase their focus on the banking, consumer financial services and tax preparation industries and may propose and adopt new legislation that could result in significant adverse changes in the regulatory landscape for financial institutions and financial services companies.

If new regulations or laws result in changes in the way we are regulated, these regulations could expose us to increased regulatory oversight, more burdensome regulation of our business, and increased litigation risk, each of which could increase our costs and decrease our operating revenues. Furthermore, limitations placed on fees we charge or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues.

Changes in rules or standards set by the payment networks, such as Visa and MasterCard, or changes in debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations.

We are subject to association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as MasterCard PTS. The termination of the card association registrations held by us or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card associations may increase the fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, results of operations and financial condition.

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the three months ended June 30, 2019, interchange revenues represented 29.2% of our total operating revenues, and we expect interchange revenues to continue to represent a significant percentage of our total operating revenues. The amount of interchange revenues that we earn is highly dependent on the interchange rates that the payment networks set and adjust from time to time.

The enactment of the Dodd-Frank Act required the Federal Reserve Board to implement regulations that have substantially limited interchange fees for many issuers. While the interchange rates that may be earned by us and our subsidiary bank are exempt from the limitations imposed by the Dodd-Frank Act, there can be no assurance that future regulation or changes by the payment networks will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by the payment networks or future regulation, we would likely need to change our fee structure to offset the loss of interchange revenues. However, our ability to make these changes is limited by the terms of our contracts and other commercial factors, such as price competition. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention, and we could suffer reputational damage and become subject to greater regulatory scrutiny. We also might have to discontinue certain products or services. As a result, our total operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

Our actual operating results may differ significantly from our guidance.

From time to time, we issue guidance in our quarterly earnings conference calls, or otherwise, regarding our future performance that represents our management’s estimates as of the date of release. This guidance, which constitutes forward-looking statements, is based upon a number of management's assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, and are based upon specific assumptions with respect to future business decisions, some of which will change. While we have stated and we intend to continue to state possible outcomes as high and low ranges that are intended to provide a sensitivity analysis as variables are changed, we can provide no assurances that actual results will not fall outside of the suggested ranges.

The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any of these persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will prove to be incorrect or will vary significantly from actual results. For example, on a number of occasions over the last several years we adjusted our revenue guidance when actual results varied from our assumptions. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from our guidance and the variations may be material.

Any failure to implement our operating strategy successfully or the occurrence of any of the events or circumstances set forth in this Item 1A could result in our actual operating results being different from our guidance, and such differences may be adverse and material.

We receive important services from third-party vendors. Replacing them would be difficult and disruptive to our business.

Some services relating to our business, including fraud management and other customer verification services, transaction processing and settlement, card production, and customer service, are outsourced to third-party vendors. We also depend on third-party banks to assist with our tax refund processing services. It would be difficult to replace some of our third-party vendors in a timely manner if they were unwilling or unable to provide us with these services during the term of their agreements with us and our business and operations could be adversely affected. In particular, due to the seasonality in our business, any material service interruptions or service delays with key vendors during the tax season could result in losses that have an even greater adverse effect on that business than would be the case with our overall business.

Our business could suffer if there is a decline in the use of prepaid cards as a payment mechanism or there are adverse developments with respect to the prepaid financial services industry in general.

As the prepaid financial services industry evolves, consumers may find prepaid financial services to be less attractive than traditional or other financial services. Consumers might not use prepaid financial services for any number of reasons, including the general perception of our industry, new technologies and a decrease in our distribution partners' willingness to sell these products as a result of a more challenging regulatory environment. If consumers do not continue or increase their usage of prepaid cards, including making changes in the way prepaid cards are loaded, our operating revenues may decline. Any projected growth for the industry may not occur or may occur more slowly than estimated. If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected or if there is a shift in the mix of payment forms, such as cash, credit cards, traditional debit cards and prepaid cards, away from our products and services, it could have a material adverse effect on our financial position and results of operations.

A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

We and our retail distributors, tax preparation partners, network acceptance members, third-party processors and the merchants that accept our cards receive, transmit and store confidential customer and other information in connection with the sale and use of our products and services. Our encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches by third parties. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. Our retail distributors, tax preparation partners, network acceptance members, other business partners, third-party processors and the merchants that accept our cards also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties' systems or databases could result in the theft, publication, deletion or modification of confidential customer and other information.

A data security breach of the systems on which sensitive cardholder or other customer or end-customer data and account information are stored could lead to fraudulent activity involving our products and services, reputational damage and claims or regulatory actions against us. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices, any of which could have a material adverse effect on our operating revenues and profitability. We would also likely have to pay (or indemnify the banks that issue our cards for) fines, penalties and/or other assessments imposed by Visa or MasterCard as a result of any data security breach. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. In addition, a data security breach at one of the third-party banks that issue our cards or at our retail distributors, tax preparation partners, network acceptance members, other business partners, third-party processors or the merchants that accept our cards could result in significant reputational harm to us and cause the use and acceptance of our cards or other products and services to decline, either of which could have a significant adverse impact on our operating revenues and future growth prospects. Moreover, it may require substantial financial resources to address and remediate any such breach, including additional costs for replacement cards, manufacturing, distribution, re-stocking fees, fraud monitoring and other added security measures, among others, which could have a significant adverse impact on our operating results.

Litigation or investigations could result in significant settlements, fines or penalties.

We are subject to regulatory oversight in the normal course of our business and have been and from time to time may be subject to securities class actions and other litigation or regulatory or judicial proceedings or investigations. The outcome of litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, seek to have aspects of our business suspended or modified or seek to impose sanctions, including significant monetary fines. The monetary and other impact of these actions, litigations, proceedings or investigations may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant. Further, an unfavorable resolution of litigation, proceedings or investigations against us could have a material adverse effect on our business, operating results, or financial condition. In this regard, such costs could make it more difficult to maintain the capital, leverage and other financial commitments at levels we have agreed to with the Federal Reserve

Board and the Utah Department of Financial Institutions. If regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, adverse publicity that may be associated with these proceedings or investigations could negatively impact our relationships with retail distributors, tax preparation partners, network acceptance members, other business partners and card processors and decrease acceptance and use of, and loyalty to, our products and related services, and could impact the price of our Class A common stock. In addition, such proceedings or investigations could increase the risk that we will be involved in litigation. The outcome of any such litigation is difficult to predict and the cost to defend, settle or otherwise resolve these matters may be significant. For the foregoing reasons, if regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, our business, results of operations and financial condition could be adversely affected or our stock price could decline.

We may be unable to adequately protect our brand and our intellectual property rights related to our products and services and third parties may allege that we are infringing their intellectual property rights.

The Green Dot, GoBank, MoneyPak, TPG and other brands and marks are important to our business, and we utilize trademark registrations and other means to protect them. Our business would be harmed if we were unable to protect our brand against infringement and its value was to decrease as a result.

We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We currently have 11 issued patents and 7 patent applications pending. Although we generally seek patent protection for inventions and improvements that we anticipate will be incorporated into our products and services, there is always a chance that our patents or patent applications could be challenged, invalidated or circumvented, or that an issued patent will not adequately cover the scope of our inventions or improvements incorporated into our products or services. Additionally, our patents could be circumvented by third-parties.

We may unknowingly violate the intellectual property or other proprietary rights of others and, thus, may be subject to claims by third parties. These assertions may increase over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the mobile technology field, the secrecy of some pending patents, and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its elements infringes or will infringe on the patent rights of others. Regardless of the merit of these claims, we may be required to devote significant time and resources to defending against these claims or to protecting and enforcing our own rights. We might also be required to develop a non-infringing technology or enter into license agreements and there can be no assurance that licenses will be available on acceptable terms and conditions, if at all. Some of our intellectual property rights may not be protected by intellectual property laws, particularly in foreign jurisdictions. The loss of our intellectual property or the inability to secure or enforce our intellectual property rights or to defend successfully against an infringement action could harm our business, results of operations, financial condition and prospects.

We are exposed to losses from customer accounts.

Fraudulent activity involving our products may lead to customer disputed transactions, for which we may be liable under banking regulations and payment network rules. Our fraud detection and risk control mechanisms may not prevent all fraudulent or illegal activity. To the extent we incur losses from disputed transactions, our business, results of operations and financial condition could be materially and adversely affected.

Additionally, our cardholders can incur charges in excess of the funds available in their accounts, and we may become liable for these overdrafts. While we decline authorization attempts for amounts that exceed the available balance in a cardholder’s account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card’s monthly maintenance fee, among other things, can result in overdrawn accounts.

Maintenance fee assessment overdrafts occur as a result of our charging a cardholder, pursuant to the card’s terms and conditions, the monthly maintenance fee at a time when he or she does not have sufficient funds in his or her account. Our remaining overdraft exposure arises primarily from late-posting. A late-post occurs when a merchant posts a transaction within a payment network-permitted timeframe but subsequent to our release of the authorization for that transaction, as permitted by card association rules. Under card association rules, we may be liable for the amount of the transaction even if the cardholder has made additional purchases in the intervening period and funds are no longer available on the card at the time the transaction is posted.

We consider overdrawn account balances to be our receivables due from cardholders. We maintain reserves to cover the risk that we may not recover these receivables due from our cardholders, but our exposure may increase above these reserves for a variety of reasons, including our failure to predict the actual recovery rate accurately. To the extent we incur losses from overdrafts above our reserves or we determine that it is necessary to increase our reserves substantially, our business, results of operations and financial condition could be materially and adversely affected.

Acquisitions or investments could disrupt our business and harm our financial condition.

We have in the past acquired, and we expect to acquire in the future, other businesses and technologies. The process of integrating an acquired business, product, service or technology can involve a number of special risks and challenges, including:

- increased regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business;
- integration and coordination of product, sales, marketing, program and systems management functions;
- transition of the acquired company’s users and customers onto our systems;
- integration of the acquired company’s accounting, information management, human resource and other administrative systems and operations generally with ours;
- integration of employees from the acquired company into our organization;
- loss or termination of employees, including costs associated with the termination or replacement of those employees;
- liability for activities of the acquired company prior to the acquisition, including violations of law, commercial disputes, and tax and other known and unknown liabilities; and
- increased litigation or other claims in connection with the acquired company, including claims brought by terminated employees, customers, former stockholders or other third parties.

If we are unable to successfully integrate an acquired business or technology or otherwise address these special risks and challenges or other problems encountered in connection with an acquisition, we might not realize the anticipated benefits of that acquisition, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally. Unanticipated costs, delays or other operational or financial problems related to integrating the acquired company and business with our company may result in the diversion of our management's attention from other business issues and opportunities. To integrate acquired businesses, we must implement our technology systems in the acquired operations and integrate and manage the personnel of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests and may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions. Failures or difficulties in integrating the operations of the businesses that we acquire, including their personnel, technology, compliance programs, risk management systems, financial systems, distribution and general business operations and procedures, marketing, promotion and other relationships, may affect our ability to grow and may result in us incurring asset impairment or restructuring charges. Furthermore, acquisitions and investments are often speculative in nature and the actual benefits we derive from them could be lower or take longer to materialize than we expect.

To the extent we pay the consideration for any future acquisitions or investments in cash, it would reduce the amount of cash available to us for other purposes. Future acquisitions or investments could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, or goodwill impairment charges, any of which could harm our financial condition and negatively impact our stockholders.

An impairment charge of goodwill or other intangible assets could have a material adverse impact on our financial condition and results of operations.

Because we have grown in part through acquisitions, our net goodwill and intangible assets represent a significant portion of our consolidated assets. Our net goodwill and intangible assets were $535.0 million as of June 30, 2019. Under accounting principles generally accepted in the United States, or U.S. GAAP, we are required to test the carrying value of goodwill and intangible assets at least annually or sooner if events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit’s fair value, legal and regulatory factors, operating performance indicators, competition and other factors.

U.S. GAAP requires us to assign and then test goodwill at the reporting unit level. If over a sustained period of time we experience a decrease in our stock price and market capitalization, which may serve as an estimate of the fair value of our reporting unit, this may be an indication of impairment. If the fair value of our reporting unit is less than its net book value, we may be required to record goodwill impairment charges in the future. In addition, if the revenue and cash flows generated from any of our other intangible assets is not sufficient to support its net book value, we may be required to record an impairment charge. The amount of any impairment charge could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

We face settlement risks from our distributors and banking partners, which may increase during an economic downturn.

The majority of our business is conducted through retail distributors that sell our products and services to consumers at their store locations. Our retail distributors collect funds from the consumers who purchase our products and services and then must remit these funds directly to accounts established for the benefit of these consumers at the banks that issue our cards. The remittance of these funds by the retail distributor takes on average two business days. If a retail distributor becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to our card issuing bank from the sales of our products and services, we are liable for any amounts owed to our customers. As of June 30, 2019, we had assets subject to settlement risk of $334.8 million. Given the possibility of recurring volatility in global financial markets, the approaches we use to assess and monitor the creditworthiness of our retail distributors may be inadequate, and we may be unable to detect and take steps to mitigate an increased credit risk in a timely manner.

Economic downturns could result in settlement losses, whether or not directly related to our business. We are not insured against these risks. Significant settlement losses could have a material adverse effect on our business, results of operations and financial condition.

Economic, political and other conditions may adversely affect trends in consumer spending.

The electronic payments industry, including the prepaid financial services segment within that industry, depends heavily upon the overall level of consumer spending. If conditions in the United States become uncertain or deteriorate, we may experience a reduction in the number of our accounts that are purchased or reloaded, the number of transactions involving our cards and the use of our reload network and related services. A sustained reduction in the use of our products and related services, either as a result of a general reduction in consumer spending or as a result of a disproportionate reduction in the use of card-based payment systems, would materially harm our business, results of operations and financial condition.

We must be able to operate and scale our technology effectively.

Our ability to continue to provide our products and services to network participants, as well as to enhance our existing products and services and offer new products and services, is dependent on our information technology systems. If we are unable to manage and scale the technology associated with our business effectively, we could experience increased costs, reductions in system availability and losses of our network participants. Any failure of our systems in scalability and functionality would adversely impact our business, financial condition and results of operations.

Our future success depends on our ability to attract, integrate, retain and incentivize key personnel.

Our future success will depend, to a significant extent, on our ability to attract, integrate, retain and recognize key personnel, namely our management team and experienced sales, marketing and program and technology development personnel. Replacing departing key personnel can involve organizational disruption and uncertainty. We experience transitions among our executive officers from time to time. If we fail to manage any future transitions successfully, we could experience significant delays or difficulty in the achievement of our development and strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty in managing transitions and assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and technology development personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed.

We might require additional capital to support our business in the future, and this capital might not be available on acceptable terms, or at all.

If our unrestricted cash and cash equivalents balances and any cash generated from operations are not sufficient to meet our future cash requirements, we will need to access additional capital to fund our operations. We may also need to raise additional capital to take advantage of new business or acquisition opportunities. We may seek to raise capital by, among other things:

- issuing additional shares of our Class A common stock or other equity securities;
- issuing convertible or other debt securities; and
- borrowing funds under a credit facility.

We may not be able to raise needed cash in a timely basis on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our Class A common stock. In addition, if we were to raise cash through a debt financing, the terms of the financing might impose additional conditions or restrictions on our operations that could adversely affect our business. If we require new sources of financing but they are insufficient or unavailable, we would be required to modify our operating plans to take into account the limitations of available funding, which would harm our ability to maintain or grow our business.

Some of our operations, including a significant portion of our software development operations, are located outside of the United States, which subjects us to additional risks, including increased complexity and costs of managing international operations and geopolitical instability.

Since 2015, we have significantly expanded our software development operations in Shanghai, China and we expect to continue to increase headcount and infrastructure as we scale our operations in this region. A prolonged disruption at our China facility for any reason due to natural- or man-made disasters or other events outside of our control, such as equipment malfunction or large-scale outages or interruptions of service from utilities or telecommunications providers, could potentially delay our ability to launch new products or services, which could materially and adversely affect our business. Additionally, as a result of our international operations, we face numerous other challenges and risks, including:

- increased complexity and costs of managing international operations;
- regional economic instability;
- geopolitical instability and military conflicts;
- limited protection of our intellectual property and other assets;
- compliance with local laws and regulations and unanticipated changes in local laws and regulations, including tax laws and regulations;
- foreign currency exchange fluctuations relating to our international operating activities;
- local business and cultural factors that differ from our normal standards and practices; and
- differing employment practices and labor relations.

The occurrence of catastrophic events could damage our facilities or the facilities of third parties on which we depend, which could force us to curtail our operations.

We and some of the third-party service providers on which we depend for various support functions, such as customer service and card processing, are vulnerable to damage from catastrophic events, such as power loss, natural disasters, terrorism and similar unforeseen events beyond our control. Our principal offices, for example, are situated in southern California near known earthquake fault zones. If any catastrophic event were to occur, our ability to operate our business could be seriously impaired. In addition, we might not have adequate insurance to cover our losses resulting from catastrophic events or other significant business interruptions. Any significant losses that are not recoverable under our insurance policies, as well as the damage to, or interruption of, our infrastructure and processes, could seriously impair our business and financial condition.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action, and could require us to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements. Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC and banking regulators) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the need to revise and republish prior period financial statements.

Our debt agreements contain restrictive covenants and financial ratio tests that restrict or prohibit our ability to engage in or enter into a variety of transactions. If we fail to comply with these covenants or tests, our indebtedness under these agreements could become accelerated, which could adversely affect us.

In October 2014 we entered into a $225.0 million term credit agreement with Bank of America, N.A., as administrative agent, Wells Fargo Bank, National Association, and other lenders. This agreement contains various covenants that may have the effect of limiting, among other things, our ability and the ability of certain of our subsidiaries to: merge with other entities, enter into a transaction resulting in a change in control, create new liens, incur additional indebtedness, sell assets outside of the ordinary course of business, enter into transactions with affiliates (other than subsidiaries) or substantially change the general nature of our and our subsidiaries' business, taken as a whole, make certain investments, enter into restrictive agreements, or make certain dividends or other distributions. These restrictions could limit our ability to take advantage of financing, merger, acquisition or other opportunities, to fund our business operations or to fully implement our current and future operating strategies.

Under the agreement, we have agreed to maintain compliance with a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio of 1.75 and 1.25, respectively, at the end of any fiscal quarter. Our ability to meet these financial ratios and tests will be dependent upon our future performance and may be affected by events beyond our control (including factors discussed in this “Risk Factors" section). If we fail to satisfy these requirements, our indebtedness under these agreements could become accelerated and payable at a time when we are unable to pay them. This would adversely affect our ability to implement our operating strategies and would have a material adverse effect on our financial condition.

Risks Related to Ownership of Our Class A Common Stock

The price of our Class A common stock may be volatile.

In the recent past, stocks generally, and financial services company stocks in particular, have experienced high levels of volatility. The trading price of our Class A common stock has been highly volatile since our initial public offering and may continue to be subject to wide fluctuations. The trading price of our Class A common stock depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our Class A common stock;
- actual or anticipated developments in our business or our competitors’ businesses or the competitive landscape generally;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- business disruptions and costs related to shareholder activism;
- litigation and investigations or proceedings involving us, our industry or both or investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic conditions;
- changes to the indices in which our Class A common stock is included; and
- sales of shares of our Class A common stock by us or our stockholders.

In the past, many companies that have experienced volatility in the market price of their stock have become subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

Our charter documents, Delaware law and our status as bank holding company could discourage, delay or prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to nominate directors for election to our Board of Directors and take other corporate actions. These provisions, among other things:

- provide for non-cumulative voting in the election of directors;
- authorize our Board of Directors, without stockholder approval, to issue preferred stock with terms determined by our Board of Directors and to issue additional shares of our Class A common stock;
- limit the voting power of a holder, or group of affiliated holders, of more than 24.9% of our common stock to 14.9%;
- provide that only our Board of Directors may set the number of directors constituting our Board of Directors or fill vacant directorships;
- prohibit stockholder action by written consent and limit who may call a special meeting of stockholders; and
- require advance notification of stockholder nominations for election to our Board of Directors and of stockholder proposals.

These and other provisions in our certificate of incorporation and bylaws, as well as provisions under Delaware law, could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our Class A common stock and result in the trading price of our Class A common stock being lower than it otherwise would be.

In addition to the foregoing, under the BHC Act and the Change in Bank Control Act, and their respective implementing regulations, Federal Reserve Board approval is necessary prior to any person or company acquiring control of a bank or bank holding company, subject to certain exceptions. Control, among other considerations, exists if an individual or company acquires 25% or more of any class of voting securities, and may be presumed to exist if a person acquires 10% or more of any class of voting securities. These restrictions could affect the willingness or ability of a third party to acquire control of us for so long as we are a bank holding company.

If securities analysts do not continue to publish research or reports about our business or if they publish negative evaluations of our Class A common stock, the trading price of our Class A common stock could decline.

We expect that the trading price for our Class A common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who currently cover us or our business downgrade their evaluations of our Class A common stock, the price of our Class A common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (in thousands, except per-share amounts) during the three months ended June 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2019 to April 30, 2019	—	—	—	$ —
May 1, 2019 to May 31, 2019	1,666 (1)	(1)	1,666 (1)	50,000
June 1, 2019 to June 30, 2019	—	—	—	—
Total	1,666		1,666	$ 50,000

(1) In May 2019, we entered into an ASR to purchase $100 million of our Class A common stock. In exchange for an up-front payment of $100 million, we received an initial delivery of approximately 1.7 million shares. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period based on the volume-weighted average price of our common stock during that period less an agreed upon discount and subject to adjustments pursuant to the terms and conditions of the agreement. The ASR purchase period will end in or before September 2019.

After giving effect to our share repurchases during the three months ended June 30, 2019, the remaining amount available under the current authorization totaled $50 million with no expiration date.

For the majority of restricted stock units (including performance-based restricted stock units) granted, the number of shares issued on the date the restricted stock units vest is net of shares withheld to meet applicable tax withholding requirements. Although these withheld shares are not issued or considered common stock repurchases under our stock repurchase program and therefore are not included in the table above, they are treated as common stock repurchases in our financial statements as they reduce the number of shares that would have been issued upon vesting.

ITEM 5. Other Information

None

ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
10.1 (1)+	2019 Executive Officer Incentive Bonus Plan
31.1	Certification of Steven W. Streit, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mark Shifke, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Steven W. Streit, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification of Mark Shifke, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

** Furnished and not filed.

\+ Indicates management contract or compensatory plan or arrangement.

(1) Exhibit 10.1 is incorporated by reference to Exhibit 10.01 filed with the Registrant's current report on Form 8-K, filed with the Commission on April 9, 2019.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Green Dot Corporation

Date:	August 9, 2019	By:	/s/ Mark Shifke
		Name:	Mark Shifke
		Title:	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven W. Streit, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Green Dot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019	By:	/s/ Steven W. Streit
	Name:	Steven W. Streit Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Shifke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Green Dot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019	By:	/s/ Mark Shifke
	Name:	Mark Shifke Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven W. Streit, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of Green Dot Corporation for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Green Dot Corporation.

Date:	August 9, 2019	By:	/s/ Steven W. Streit
		Name:	Steven W. Streit
			Chief Executive Officer
			(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Shifke, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of Green Dot Corporation for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Green Dot Corporation.

Date:	August 9, 2019	By:	/s/ Mark Shifke
		Name:	Mark Shifke
			Chief Financial Officer
			(Principal Financial Officer)