

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 September 30, 2021
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



(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-4766827

(IRS Employer Identification No.)

3465 E. Foothill Blvd.

Pasadena, California 91107

(Address of principal executive offices, including zip code)

(626) 765-2000

(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

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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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.

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 54,683,320 shares of Class A common stock outstanding, par value \$.001 per share as of October 31, 2021.

GREEN DOT CORPORATION
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PART I

ITEM 1. Financial Statements

GREEN DOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2021	December 31, 2020
	(unaudited)	
	(In thousands, except par value)	
Assets		
Current assets:		
Unrestricted cash and cash equivalents	\$ 1,804,826	\$ 1,491,842
Restricted cash	4,150	4,859
Settlement assets	452,602	782,262
Accounts receivable, net	74,474	67,755
Prepaid expenses and other assets	62,764	66,705
Income tax receivable	990	—
Total current assets	2,399,806	2,413,423
Investment securities available-for-sale, at fair value	1,188,216	970,969
Loans to bank customers, net of allowance for loan losses of \$7,451 and \$757 as of September 30, 2021 and December 31, 2020, respectively	28,157	21,011
Prepaid expenses and other assets	131,180	40,481
Property, equipment, and internal-use software, net	132,276	133,400
Operating lease right-of-use assets	11,308	13,134
Deferred expenses	7,379	18,332
Net deferred tax assets	18,683	12,739
Goodwill and intangible assets	474,344	491,778
Total assets	\$ 4,391,349	\$ 4,115,267
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 41,956	\$ 34,823
Deposits	2,959,386	2,735,116
Obligations to customers	122,522	95,375
Settlement obligations	12,705	17,759
Amounts due to card issuing banks for overdrawn accounts	438	235
Other accrued liabilities	120,455	145,359
Operating lease liabilities	7,516	8,175
Deferred revenue	14,576	28,584
Income tax payable	11,265	12,146
Total current liabilities	3,290,819	3,077,572
Other accrued liabilities	2,190	4,275
Operating lease liabilities	9,209	16,396
Net deferred tax liabilities	7,192	7,192
Total liabilities	3,309,410	3,105,435
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Class A common stock, \$0.001 par value; 100,000 shares authorized as of September 30, 2021 and December 31, 2020; 54,671 and 54,034 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	55	54
Additional paid-in capital	386,465	354,460
Retained earnings	709,893	651,890
Accumulated other comprehensive (loss) income	(14,474)	3,428
Total stockholders' equity	1,081,939	1,009,832
Total liabilities and stockholders' equity	\$ 4,391,349	\$ 4,115,267

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	\$ 202,482	\$ 146,648	\$ 586,431	\$ 440,723
Cash processing revenues	47,516	57,526	205,256	246,042
Interchange revenues	85,888	84,876	298,229	271,712
Interest income, net	3,613	2,020	12,442	11,002
Total operating revenues	339,499	291,070	1,102,358	969,479
Operating expenses:				
Sales and marketing expenses	84,002	96,189	299,412	319,738
Compensation and benefits expenses	65,045	61,077	199,996	173,009
Processing expenses	95,731	74,158	287,716	216,624
Other general and administrative expenses	85,891	62,296	240,616	198,519
Total operating expenses	330,669	293,720	1,027,740	907,890
Operating income (loss)	8,830	(2,650)	74,618	61,589
Interest expense, net	38	39	113	723
Other income (expense), net	849	(1,650)	1,396	696
Income (loss) before income taxes	9,641	(4,339)	75,901	61,562
Income tax expense (benefit)	2,306	(1,347)	17,898	14,415
Net income (loss)	\$ 7,335	\$ (2,992)	\$ 58,003	\$ 47,147
Basic earnings (loss) per common share:	\$ 0.13	\$ (0.06)	\$ 1.06	\$ 0.89
Diluted earnings (loss) per common share:	\$ 0.13	\$ (0.06)	\$ 1.04	\$ 0.87
Basic weighted-average common shares issued and outstanding:	54,221	52,635	53,961	52,269
Diluted weighted-average common shares issued and outstanding:	55,415	52,635	55,180	53,455

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(In thousands)			
Net income (loss)	\$ 7,335	\$ (2,992)	\$ 58,003	\$ 47,147
Other comprehensive income (loss)				
Unrealized holding (loss) gain, net of tax	<u>(4,010)</u>	<u>756</u>	<u>(17,902)</u>	<u>907</u>
Comprehensive income (loss)	<u>\$ 3,325</u>	<u>\$ (2,236)</u>	<u>\$ 40,101</u>	<u>\$ 48,054</u>

See notes to unaudited consolidated financial statements

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

	Three Months Ended September 30, 2021					
	Class A Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
Balance at June 30, 2021	54,640	\$ 55	\$ 375,551	\$ 702,558	\$ (10,464)	\$ 1,067,700
Common stock issued under stock plans, net of withholdings and related tax effects	31	—	(594)	—	—	(594)
Stock-based compensation	—	—	11,508	—	—	11,508
Net income	—	—	—	7,335	—	7,335
Other comprehensive loss	—	—	—	—	(4,010)	(4,010)
Balance at September 30, 2021	54,671	\$ 55	\$ 386,465	\$ 709,893	\$ (14,474)	\$ 1,081,939

	Three Months Ended September 30, 2020					
	Class A Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
Balance at June 30, 2020	53,297	\$ 53	\$ 323,083	\$ 678,898	\$ 2,191	\$ 1,004,225
Common stock issued under stock plans, net of withholdings and related tax effects	162	—	(4,922)	—	—	(4,922)
Stock-based compensation	—	—	11,806	—	—	11,806
Net loss	—	—	—	(2,992)	—	(2,992)
Other comprehensive income	—	—	—	—	756	756
Balance at September 30, 2020	53,459	\$ 53	\$ 329,967	\$ 675,906	\$ 2,947	\$ 1,008,873

See notes to unaudited consolidated financial statements

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

Nine Months Ended September 30, 2021						
	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, 2020	54,034	\$ 54	\$ 354,460	\$ 651,890	\$ 3,428	\$ 1,009,832
Common stock issued under stock plans, net of withholdings and related tax effects	637	1	(5,106)	—	—	(5,105)
Stock-based compensation	—	—	37,111	—	—	37,111
Net income	—	—	—	58,003	—	58,003
Other comprehensive loss	—	—	—	—	(17,902)	(17,902)
Balance at September 30, 2021	54,671	\$ 55	\$ 386,465	\$ 709,893	\$ (14,474)	\$ 1,081,939
Nine Months Ended September 30, 2020						
	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
(In thousands)						
Balance at December 31, 2019	51,807	\$ 52	\$ 296,224	\$ 629,040	\$ 2,040	\$ 927,356
Common stock issued under stock plans, net of withholdings and related tax effects	677	—	(3,049)	—	—	(3,049)
Stock-based compensation	—	—	36,793	—	—	36,793
Walmart restricted shares	975	1	(1)	—	—	—
Net income	—	—	—	47,147	—	47,147
Other comprehensive income	—	—	—	—	907	907
Cumulative effect adjustment for adoption of ASU No. 2016-13 (CECL)	—	—	—	(281)	—	(281)
Balance at September 30, 2020	53,459	\$ 53	\$ 329,967	\$ 675,906	\$ 2,947	\$ 1,008,873

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2021	2020
(In thousands)		
Operating activities		
Net income	\$ 58,003	\$ 47,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and internal-use software	42,446	43,014
Amortization of intangible assets	20,831	21,175
Provision for uncollectible overdrawn accounts from purchase transactions	14,201	6,743
Provision for loan losses	18,728	501
Stock-based compensation	37,111	36,793
(Earnings) losses in equity method investments	(1,314)	4,313
Realized gain on sale of available-for-sale investment securities	—	(5,062)
Amortization of premium on available-for-sale investment securities	2,330	618
Amortization of deferred financing costs	127	127
Impairment of long-lived assets	—	1,099
Changes in operating assets and liabilities:		
Accounts receivable, net	(20,920)	8,625
Prepaid expenses and other assets	4,595	12,724
Deferred expenses	10,953	10,031
Accounts payable and other accrued liabilities	(17,706)	19,471
Deferred revenue	(14,326)	(15,068)
Income tax receivable/payable	(1,846)	8,842
Other, net	(5,979)	(2,242)
Net cash provided by operating activities	147,234	198,851
Investing activities		
Purchases of available-for-sale investment securities	(374,754)	(295,287)
Proceeds from maturities of available-for-sale securities	124,482	80,840
Proceeds from sales and calls of available-for-sale securities	6,823	187,830
Payments for acquisition of property and equipment	(39,644)	(43,898)
Net changes in loans	(25,874)	493
Investment in TailFin Labs, LLC	(35,000)	(35,000)
Purchase of bank-owned life insurance policies	(55,000)	—
Other	(688)	(916)
Net cash used in investing activities	(399,655)	(105,938)
Financing activities		
Borrowings on revolving line of credit	—	100,000
Repayments on revolving line of credit	—	(135,000)
Proceeds from exercise of options and ESPP purchases	5,283	5,104
Taxes paid related to net share settlement of equity awards	(10,388)	(8,153)
Net changes in deposits	221,048	1,108,354
Net changes in settlement assets and obligations to customers	351,753	(84,304)
Contingent consideration payments	(3,000)	(3,000)
Net cash provided by financing activities	564,696	983,001
Net increase in unrestricted cash, cash equivalents and restricted cash	312,275	1,075,914
Unrestricted cash, cash equivalents and restricted cash, beginning of period	1,496,701	1,066,154
Unrestricted cash, cash equivalents and restricted cash, end of period	\$ 1,808,976	\$ 2,142,068
Cash paid for interest	\$ 1,174	\$ 839
Cash paid for income taxes	\$ 19,394	\$ 5,497
Reconciliation of unrestricted cash, cash equivalents and restricted cash at end of period:		
Unrestricted cash and cash equivalents	\$ 1,804,826	\$ 2,136,375
Restricted cash	4,150	5,693
Total unrestricted cash, cash equivalents and restricted cash, end of period	\$ 1,808,976	\$ 2,142,068

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 and registered bank holding company committed to delivering trusted, best-in-class money management and payment solutions to customers and partners, seamlessly connecting people to their money. Our technology platform enables us to build products and features that address the most pressing financial challenges of consumers and businesses, transforming the way they manage and move money, and making financial empowerment more accessible for all. We offer a broad set of financial services to consumers and businesses including debit, checking, credit, prepaid, and payroll cards, as well as robust money processing services, such as tax refunds, cash deposits and disbursements.

We were incorporated in Delaware in 1999 and became a bank holding company under the Bank Holding Company Act and a member bank of the Federal Reserve System in December 2011.

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, 2020 for additional disclosures, including a summary of our significant accounting policies. There have been no material changes to our significant accounting policies during the nine months ended September 30, 2021, 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, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. These financial statements were prepared using information reasonably available as of September 30, 2021 and through the date of this report. The accounting estimates used in the preparation of our consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained, and as our operating environment changes. Actual results may differ from these estimates due to the uncertainty around the magnitude, duration and effects of the COVID-19 pandemic, as well as other factors.

Recent Accounting Pronouncements***Recently adopted accounting pronouncements***

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which simplifies various aspects related to the accounting for income taxes. The standard removes certain exceptions to the general principles in Topic 740 and also clarifies and modifies existing guidance to improve consistent application of Topic 740. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We adopted the provisions of ASU 2019-12 on January 1, 2021, the results of which did not have a material impact on our consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)* (“ASU 2020-06”), which simplifies an issuer’s accounting for convertible instruments and its application of the derivatives scope exception for contracts in its own equity. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. We are currently evaluating the provisions of ASU 2020-06, but do not expect any material impact on our consolidated financial statements.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 2—Summary of Significant Accounting Policies (continued)

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)* ("ASU 2020-04"), which provides optional expedients and exceptions to GAAP requirements for modifications of debt instruments, leases, derivatives and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The guidance permits entities to treat such modifications as the continuation of the original contract, without any required accounting reassessments or remeasurements. The amendments in ASU 2020-04 were effective upon issuance and may be elected over time through December 31, 2022, as reference rate reform activities occur. Upon adoption, the guidance must be applied prospectively for all eligible contract modifications. We do not expect any material impact on our consolidated financial statements as our existing revolving line of credit is based on variable rates available that we elect at the time of borrowing. See *Note 9 — Debt*, to these consolidated financial statements for additional information.

Note 3—Revenues

As discussed in *Note 19 — Segment Information*, 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. Our products and services are offered only to customers within the United States.

The following table disaggregates our revenues earned from external customers by each of our reportable segments:

	Three Months Ended September 30, 2021			
	Consumer Services	B2B Services	Money Movement Services	Total
Timing of recognition	(In thousands)			
Transferred point in time	\$ 102,089	\$ 42,118	\$ 44,636	\$ 188,843
Transferred over time	60,040	86,043	960	147,043
Operating revenues ⁽¹⁾	<u>\$ 162,129</u>	<u>\$ 128,161</u>	<u>\$ 45,596</u>	<u>\$ 335,886</u>
	Three Months Ended September 30, 2020			
	Consumer Services	B2B Services	Money Movement Services	Total
Timing of recognition	(In thousands)			
Transferred point in time	\$ 92,138	\$ 35,995	\$ 55,367	\$ 183,500
Transferred over time	52,237	52,144	1,169	105,550
Operating revenues ⁽¹⁾	<u>\$ 144,375</u>	<u>\$ 88,139</u>	<u>\$ 56,536</u>	<u>\$ 289,050</u>
	Nine Months Ended September 30, 2021			
	Consumer Services	B2B Services	Money Movement Services	Total
Timing of recognition	(In thousands)			
Transferred point in time	\$ 328,665	\$ 133,993	\$ 198,471	\$ 661,129
Transferred over time	188,572	236,704	3,511	428,787
Operating revenues ⁽¹⁾	<u>\$ 517,237</u>	<u>\$ 370,697</u>	<u>\$ 201,982</u>	<u>\$ 1,089,916</u>
	Nine Months Ended September 30, 2020			
	Consumer Services	B2B Services	Money Movement Services	Total
Timing of recognition	(In thousands)			
Transferred point in time	\$ 280,868	\$ 126,569	\$ 238,301	\$ 645,738
Transferred over time	165,944	142,841	3,954	312,739
Operating revenues ⁽¹⁾	<u>\$ 446,812</u>	<u>\$ 269,410</u>	<u>\$ 242,255</u>	<u>\$ 958,477</u>

(1) Excludes net interest income, a component of total operating revenues, as it is outside the scope of ASC 606, *Revenues*. Also excludes the effects of intersegment revenues.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 3—Revenues (continued)

Revenues recognized at a point in time are comprised of interchange, ATM fees, other similar cardholder transaction-based fees, and substantially all of our cash processing revenues. Revenues recognized over time consists of new card fees, monthly maintenance fees, revenue earned from gift cards and substantially all BaaS partner program management fees.

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 \$26.6 million and \$25.9 million for the nine months ended September 30, 2021 and 2020, 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. Substantially all of the deferred revenue balances at the beginning of the periods are recognized in the first half of each year. 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)				
September 30, 2021				
Corporate bonds	\$ 10,000	\$ —	\$ (79)	\$ 9,921
Agency bond securities	230,840	—	(6,949)	223,891
Agency mortgage-backed securities	930,997	1,150	(14,094)	918,053
Municipal bonds	28,140	263	(179)	28,224
Asset-backed securities	7,982	147	(2)	8,127
Total investment securities	<u>\$ 1,207,959</u>	<u>\$ 1,560</u>	<u>\$ (21,303)</u>	<u>\$ 1,188,216</u>
December 31, 2020				
Corporate bonds	\$ 10,000	\$ 110	\$ —	\$ 10,110
Agency bond securities	235,839	31	(1,713)	234,157
Agency mortgage-backed securities	686,108	5,258	(337)	691,029
Municipal bonds	29,977	524	—	30,501
Asset-backed securities	4,917	255	—	5,172
Total investment securities	<u>\$ 966,841</u>	<u>\$ 6,178</u>	<u>\$ (2,050)</u>	<u>\$ 970,969</u>

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 4—Investment Securities (continued)

As of September 30, 2021 and December 31, 2020, 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		Total fair value	Total unrealized loss
	Fair value	Unrealized loss	Fair value	Unrealized loss		
(In thousands)						
September 30, 2021						
Corporate bonds	\$ 9,921	\$ (79)	\$ —	\$ —	\$ 9,921	\$ (79)
Agency bond securities	214,100	(6,740)	9,791	(209)	223,891	(6,949)
Agency mortgage-backed securities	792,093	(14,094)	—	—	792,093	(14,094)
Municipal bonds	12,527	(179)	—	—	12,527	(179)
Asset-backed securities	3,028	(2)	—	—	3,028	(2)
Total investment securities	\$ 1,031,669	\$ (21,094)	\$ 9,791	\$ (209)	\$ 1,041,460	\$ (21,303)
December 31, 2020						
Agency bond securities	\$ 189,127	\$ (1,713)	\$ —	\$ —	\$ 189,127	\$ (1,713)
Agency mortgage-backed securities	162,579	(337)	—	—	162,579	(337)
Total investment securities	\$ 351,706	\$ (2,050)	\$ —	\$ —	\$ 351,706	\$ (2,050)

Our investments generally consist of highly rated securities, substantially all of which are directly or indirectly backed by the U.S. federal government. Our investment policy restricts our investments to highly liquid, low credit risk assets. As such, we have not recorded any significant credit-related impairment losses during the three and nine months ended September 30, 2021 or 2020 on our available-for-sale investment securities. Unrealized losses as of September 30, 2021 are the result of recent fluctuations in interest rates as our investment portfolio is comprised predominantly of fixed rate securities. We do not intend to sell our investments, and we have determined that it is more likely than not that we will not be required to sell our investments before recovery of their amortized cost bases, which may be at maturity.

As of September 30, 2021, the contractual maturities of our available-for-sale investment securities were as follows:

	Amortized cost	Fair value
	(In thousands)	
Due after one year through five years	\$ 10,000	\$ 9,921
Due after five years through ten years	190,840	185,513
Due after ten years	68,140	66,602
Mortgage and asset-backed securities	938,979	926,180
Total investment securities	\$ 1,207,959	\$ 1,188,216

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.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 5—Accounts Receivable

Accounts receivable, net consisted of the following:

	September 30, 2021	December 31, 2020
	(In thousands)	
Trade receivables	\$ 37,196	\$ 25,279
Reserve for uncollectible trade receivables	(244)	(315)
Net trade receivables	36,952	24,964
Overdrawn cardholder balances from purchase transactions	4,779	3,229
Reserve for uncollectible overdrawn accounts from purchase transactions	(2,892)	(1,653)
Net overdrawn cardholder balances from purchase transactions	1,887	1,576
Overdrawn cardholder balances from maintenance fees	3,131	3,165
Total net overdrawn account balances due from cardholders	5,018	4,741
Receivables due from card issuing banks	4,703	4,377
Fee advances	3,627	21,424
Other receivables	24,174	12,249
Accounts receivable, net	\$ 74,474	\$ 67,755

Our net overdrawn account balances due from cardholders are a result of purchase transactions that we may honor or maintenance fee assessments, in each case, in excess of the funds in the cardholder's account. While we decline authorization attempts for amounts that exceed the available balance in a cardholder's account, the application of card association rules, and the timing of the settlement of transactions, among other things, can result in overdrawn accounts. Overdrawn cardholder balances from maintenance fee assessments are presented net of the consideration we expect to receive and are recorded as contra-revenue within card revenues and other fees.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Balance, beginning of period	\$ 5,512	\$ 5,070	\$ 1,653	\$ 3,398
Provision for uncollectible overdrawn accounts from purchase transactions	3,988	2,345	14,201	6,743
Charge-offs	(6,608)	(5,240)	(12,962)	(7,966)
Balance, end of period	\$ 2,892	\$ 2,175	\$ 2,892	\$ 2,175

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 6—Loans to Bank Customers

The following table presents total outstanding loans, gross of the related allowance for credit 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)						
September 30, 2021						
Residential	\$ —	\$ —	\$ —	\$ —	\$ 2,367	\$ 2,367
Commercial	—	—	—	—	3,393	3,393
Installment	—	—	—	—	1,109	1,109
Consumer	3,720	537	—	4,257	8,841	13,098
Secured credit card	448	312	571	1,331	14,310	15,641
Total loans	\$ 4,168	\$ 849	\$ 571	\$ 5,588	\$ 30,020	\$ 35,608
Percentage of outstanding	11.7 %	2.4 %	1.6 %	15.7 %	84.3 %	100.0 %
December 31, 2020						
Residential	\$ —	\$ —	\$ —	\$ —	\$ 3,008	\$ 3,008
Commercial	—	—	—	—	3,435	3,435
Installment	—	—	—	—	497	497
Secured credit card	864	699	1,363	2,926	11,902	14,828
Total loans	\$ 864	\$ 699	\$ 1,363	\$ 2,926	\$ 18,842	\$ 21,768
Percentage of outstanding	4.0 %	3.2 %	6.3 %	13.4 %	86.6 %	100.0 %

Beginning in 2021, we introduced an optional overdraft protection program service on certain demand deposit account programs that allows cardholders who opt-in to spend a pre-determined amount in excess of their available card balance. When overdrawn, these deposit accounts are reclassified as consumer loans. Overdrawn balances are unsecured and considered immediately due from the cardholder.

Nonperforming Loans

The following table presents the carrying value, gross of the related allowance for credit 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, 2020 for further information on the criteria for classification as nonperforming.

	September 30, 2021	December 31, 2020
(In thousands)		
Residential	\$ 208	\$ 240
Installment	121	137
Secured credit card	571	1,363
Total loans	\$ 900	\$ 1,740

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.

Our secured credit card portfolio is collateralized by cash deposits made by each cardholder in an amount equal to the user's available credit limit, which mitigates the risk of any significant credit losses we expect to incur.

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

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 6—Loans to Bank Customers (continued)

	September 30, 2021		December 31, 2020	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Residential	\$ 2,159	\$ 208	\$ 2,768	\$ 240
Commercial	3,393	—	3,435	—
Installment	988	121	360	137
Consumer	13,098	—	—	—
Secured credit card	15,070	571	13,465	1,363
Total loans	<u>\$ 34,708</u>	<u>\$ 900</u>	<u>\$ 20,028</u>	<u>\$ 1,740</u>

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. As of September 30, 2021, none of our TDR modifications have been made in response to the COVID-19 pandemic.

The following table presents our impaired loans and loans that we modified as TDRs as of September 30, 2021 and December 31, 2020:

	September 30, 2021		December 31, 2020	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Residential	\$ 208	\$ 156	\$ 240	\$ 180
Installment	121	90	137	103

Allowance for Credit Losses

Activity in the allowance for credit losses on our loan portfolio consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Balance, beginning of period	\$ 6,693	\$ 570	\$ 757	\$ 1,166
Provision for loans	8,585	247	18,728	501
Loans charged off	(7,873)	(282)	(12,198)	(1,403)
Recoveries of loans previously charged off	46	107	164	378
Balance, end of period	<u>\$ 7,451</u>	<u>\$ 642</u>	<u>\$ 7,451</u>	<u>\$ 642</u>

Activity within our allowance for credit losses has increased during the comparable periods principally due to the introduction of our optional overdraft protection program services on certain demand deposit accounts.

Note 7—Equity Method Investment

On January 2, 2020, we effectuated our agreement with Walmart to jointly establish a new fintech accelerator under the name TailFin Labs, LLC ("TailFin Labs"), with a mission to develop innovative products, services and technologies that sit at the intersection of retail shopping and consumer financial services. The entity is majority-owned by Walmart and focuses on developing tech-enabled solutions to integrate omni-channel retail shopping and financial services. We hold a 20% ownership interest in the entity, in exchange for annual capital contributions of \$35.0 million per year from January 2020 through January 2024.

We account for our investment in TailFin Labs under the equity method of accounting in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*. Under the equity method of accounting, the initial investment is recorded at cost and the investment is subsequently adjusted for, among other things, its proportionate share of earnings or losses. However, given the capital structure of the TailFin Labs arrangement, we apply the Hypothetical Liquidation Book Value ("HLBV") method to determine the allocation of profits and losses since our liquidation rights

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 7—Equity Method Investment (continued)

and priorities, as defined by the agreement, differ from our underlying ownership interest. The HLBV method calculates the proceeds that would be attributable to each partner in an investment based on the liquidation provisions of the agreement if the partnership was to be liquidated at book value as of the balance sheet date. Each partner's allocation of income or loss in the period is equal to the change in the amount of net equity they are legally able to claim based on a hypothetical liquidation of the entity at the end of a reporting period compared to the beginning of that period, adjusted for any capital transactions.

Any future economic benefits derived from products or services developed by TailFin Labs will be negotiated on a case-by-case basis between the parties.

As of September 30, 2021, our net investment in TailFin Labs amounted to approximately \$61.5 million and is included in the long term portion of prepaid expenses and other assets on our consolidated balance sheet. Equity in earnings and losses from TailFin Labs was an inconsequential amount for the three months ended September 30, 2021. We recorded equity in losses from TailFin Labs of \$1.6 million for the three months ended September 30, 2020, and \$2.3 million and \$4.5 million for the nine months ended September 30, 2021 and 2020, respectively, which are recorded as a component of other income and expense on our consolidated statement of operations.

Our total equity in earnings and losses also includes other investments held by our bank that are not material to these consolidated financial statements.

Note 8—Deposits

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

	September 30, 2021	December 31, 2020
	(In thousands)	
Non-interest bearing deposit accounts	\$ 2,930,104	\$ 2,704,050
Interest-bearing deposit accounts		
Checking accounts	5,748	5,060
Savings	7,457	8,505
GPR deposits	10,776	12,955
Time deposits, denominations greater than or equal to \$100	4,480	3,767
Time deposits, denominations less than \$100	821	779
Total interest-bearing deposit accounts	29,282	31,066
Total deposits	\$ 2,959,386	\$ 2,735,116

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

	September 30, 2021
	(In thousands)
Due in 2021	\$ 348
Due in 2022	2,013
Due in 2023	1,187
Due in 2024	564
Due in 2025	511
Thereafter	678
Total time deposits	\$ 5,301

Note 9—Debt
2019 Revolving Facility

In October 2019, we entered into a secured credit agreement with Wells Fargo Bank, National Association, and other lenders party thereto. The credit facility provides for a \$100.0 million five-year revolving line of credit (the "2019 Revolving Facility"), maturing in October 2024. We use the proceeds of any borrowings under the 2019 Revolving Facility for working capital and other general corporate purposes, subject to the terms and conditions set forth in the credit agreement. We classify amounts outstanding as long-term on our consolidated balance sheets; however, we may make voluntary repayments at any time prior to maturity. As of September 30, 2021, we had no borrowings outstanding on the 2019 Revolving Facility and had the full amount available for use.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 9—Debt (continued)

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 United States federal funds rate plus .50%, (b) the Wells Fargo prime rate 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 margin is dependent upon on our total leverage ratio and varies from 1.25% to 2.00% for LIBOR Rate loans and .25% to 1.00% for Base Rate loans.

We also pay a commitment fee, which varies from .20% to .35% per annum on the actual daily unused portions of the 2019 Revolving Facility. Letter of credit fees are payable in respect of outstanding letters of credit at a rate per annum equal to the applicable margin for LIBOR Rate loans.

The 2019 Revolving Facility 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 also 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 September 30, 2021, we were in compliance with all such covenants.

If an event of default shall occur and be continuing under the facility, the commitments may be terminated and the principal amounts outstanding under the 2019 Revolving Facility, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

We did not incur any cash interest expense related to our debt during the three and nine months ended September 30, 2021, or during the three months ended September 30, 2020. Cash interest expense amounted to \$0.6 million for the nine months ended September 30, 2020.

Note 10—Income Taxes

Income tax expense for the nine months ended September 30, 2021 and 2020 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:

	Nine Months Ended September 30,	
	2021	2020
U.S. federal statutory tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	0.8	1.3
General business credits	(1.9)	(2.6)
Employee stock-based compensation	(2.5)	(0.7)
IRC 162(m) limitation	6.4	4.5
Nondeductible expenses	0.1	0.4
Other	(0.3)	(0.5)
Effective tax rate	<u>23.6 %</u>	<u>23.4 %</u>

The effective tax rate for the nine months ended September 30, 2021 and 2020 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 Internal Revenue Code (IRC) 162(m) limitation on the deductibility of executive compensation. The overall increase in the effective tax rate for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 is primarily due to an increase of \$2.0 million on the IRC 162(m) limitation on the deductibility of executive compensation, partially offset by an increase of \$1.5 million in excess tax benefits from stock-based compensation. We recognized an excess tax benefit on stock-based compensation of \$1.9 million for the nine months ended September 30, 2021, compared to a \$0.5 million excess tax benefit for the prior year comparable period.

We have made a policy election to account for Global Intangible Low-Taxed Income ("GILTI") in the year the GILTI tax is incurred. For the nine months ended September 30, 2021, the provision for GILTI tax expense was not material to our financial statements.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 10—Income Taxes (continued)

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 September 30, 2021 and 2020, we did not have a valuation allowance on any of our deferred tax assets as we believe it is more-likely-than-not that we will realize the benefits of our deferred tax assets. During the second quarter of 2020, we released our valuation allowance against our capital loss carryforwards, as we recognized capital gains on the sale of certain investment securities during that period sufficient to offset our capital loss carryforward amount.

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, 2017 through 2020. 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 that the returns were filed. The IRS initiated an examination of our 2017 U.S. federal tax return during the second quarter ended June 30, 2020, and the examination remains ongoing as of September 30, 2021. We do not expect the outcome of this examination will have any material impact on our consolidated financial statements.

As of September 30, 2021, we have federal net operating loss carryforwards of approximately \$19.2 million and state net operating loss carryforwards of approximately \$68.8 million, which will be available to offset future income. If not used, the federal net operating losses will expire between 2026 and 2034. Of our total state net operating loss carryforwards, approximately \$46.6 million will expire between 2023 and 2040, while the remaining balance of approximately \$22.2 million does not expire and carries forward indefinitely. The 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 \$19.4 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 September 30, 2021 and December 31, 2020, we had a liability of \$11.0 million and \$9.5 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:

	Nine Months Ended September 30,	
	2021	2020
	(In thousands)	
Beginning balance	\$ 9,518	\$ 8,398
Increases related to positions taken during prior years	—	235
Increases related to positions taken during the current year	1,470	1,200
Ending balance	<u>\$ 10,988</u>	<u>\$ 9,833</u>
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	<u>\$ 10,798</u>	<u>\$ 9,657</u>

As of September 30, 2021 and 2020, we recognized accrued interest and penalties related to unrecognized tax benefits of approximately \$0.7 million and \$0.8 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. As of September 30, 2021, we have an authorized \$50 million remaining under our current stock repurchase program for any additional repurchases.

Walmart Restricted Shares

On January 2, 2020, we issued Walmart, in a private placement, 975,000 restricted shares of our Class A Common Stock. The shares vest in equal monthly increments through December 1, 2022. Walmart is entitled to voting rights and participate in any dividends paid from the issuance date on the unvested balance, and therefore, the total amount of restricted shares issued are included in our total Class A shares outstanding. As of September 30, 2021, there were 406,253 unvested shares outstanding. The estimated grant-date fair value of the restricted shares is recorded as a component of stock-based compensation expense over the related period we expect to benefit under the term of our relationship with Walmart.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 12—Stock-Based Compensation

We currently grant restricted stock unit awards to employees, directors and non-employee consultants under our 2010 Equity Incentive Plan and from time to time may also grant stock option awards. Through our 2010 Employee Stock Purchase Plan, employees are also 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.

The total stock-based compensation expense recognized was \$11.5 million and \$11.8 million for the three months ended September 30, 2021 and 2020, respectively, and \$37.1 million and \$36.8 million for the nine months ended September 30, 2021 and 2020, respectively.

Restricted Stock Units

Restricted stock unit activity for awards subject to only service conditions was as follows for the nine months ended September 30, 2021:

	Shares	Weighted-Average Grant- Date Fair Value
	(In thousands, except per share data)	
Outstanding at December 31, 2020	1,222	\$ 36.24
Restricted stock units granted	951	48.74
Restricted stock units vested	(429)	37.50
Restricted stock units canceled	(205)	39.83
Outstanding at September 30, 2021	1,539	\$ 43.14

Performance-Based Restricted Stock Units

Performance-based restricted stock unit activity for the nine months ended September 30, 2021 was as follows:

	Shares	Weighted-Average Grant- Date Fair Value
	(In thousands, except per share data)	
Outstanding at December 31, 2020	946	\$ 35.62
Performance restricted stock units granted (at target)	401	46.93
Performance restricted stock units vested	(241)	37.63
Performance restricted stock units canceled	(65)	51.14
Adjustment for completed performance periods	113	34.04
Outstanding at September 30, 2021	1,154	\$ 38.74

We grant performance-based restricted stock units to certain employees that are subject to the attainment of pre-established internal performance conditions, market conditions, or a combination thereof (collectively referred to herein as performance-based restricted stock units). The actual number of shares subject to the award is determined at the end of the performance period and may range from 0% to 200% of the target shares granted depending upon the terms of the award. These awards generally contain an additional service component after each performance period is concluded and the unvested balance of the shares after the performance metrics are achieved will vest over the remaining requisite service period. Compensation expense related to these awards is recognized using the accelerated attribution method over the applicable vesting periods.

Stock Options

Total stock option activity for the nine months ended September 30, 2021 was as follows:

	Options	Weighted-Average Exercise Price
	(In thousands, except per share data)	
Outstanding at December 31, 2020	1,634	\$ 32.04
Options exercised	(66)	27.85
Options canceled	(363)	50.80
Outstanding at September 30, 2021	1,205	\$ 26.62
Exercisable at September 30, 2021	705	\$ 28.60

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 13—Earnings (Loss) per Common Share

The calculation of basic and diluted earnings (loss) per share (EPS) was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands, except per share data)				
Basic earnings (loss) per Class A common share				
Numerator:				
Net income (loss)	\$ 7,335	\$ (2,992)	\$ 58,003	\$ 47,147
Amount attributable to unvested Walmart restricted shares	(58)	43	(547)	(742)
Net income (loss) allocated to Class A common stockholders	\$ 7,277	\$ (2,949)	\$ 57,456	\$ 46,405
Denominator:				
Weighted-average Class A shares issued and outstanding	54,221	52,635	53,961	52,269
Basic earnings (loss) per Class A common share	\$ 0.13	\$ (0.06)	\$ 1.06	\$ 0.89
Diluted earnings (loss) per Class A common share				
Numerator:				
Net income (loss) allocated to Class A common stockholders	\$ 7,277	\$ (2,949)	\$ 57,456	\$ 46,405
Re-allocated earnings	1	—	12	16
Diluted net income (loss) allocated to Class A common stockholders	\$ 7,278	\$ (2,949)	\$ 57,468	\$ 46,421
Denominator:				
Weighted-average Class A shares issued and outstanding	54,221	52,635	53,961	52,269
Dilutive potential common shares:				
Stock options	506	—	483	208
Service-based restricted stock units	417	—	440	658
Performance-based restricted stock units	252	—	277	298
Employee stock purchase plan	19	—	19	22
Diluted weighted-average Class A shares issued and outstanding	55,415	52,635	55,180	53,455
Diluted earnings (loss) per Class A common share	\$ 0.13	\$ (0.06)	\$ 1.04	\$ 0.87

The restricted shares issued to Walmart contain non-forfeitable rights to dividends and are considered participating securities for purposes of computing EPS pursuant to the two-class method. The computation above excludes income attributable to the unvested restricted shares from the numerator and excludes the dilutive impact of those underlying shares from the denominator. The number of weighted average shares issued and outstanding in periods of net loss are the same for basic and diluted EPS, as the effects of including potentially dilutive common shares is anti-dilutive.

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 where 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 as their effects were anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands)				
Class A common stock				
Options to purchase Class A common stock	139	2,192	139	488
Service-based restricted stock units	108	1,353	204	175
Performance-based restricted stock units	829	705	771	292
Unvested Walmart restricted shares	434	759	514	836
Total	1,510	5,009	1,628	1,791

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 14—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, 2020.

As of September 30, 2021 and December 31, 2020, our assets and liabilities carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
	(In thousands)			
September 30, 2021				
Assets				
Corporate bonds	\$ —	\$ 9,921	\$ —	\$ 9,921
Agency bond securities	—	223,891	—	223,891
Agency mortgage-backed securities	—	918,053	—	918,053
Municipal bonds	—	28,224	—	28,224
Asset-backed securities	—	8,127	—	8,127
Total assets	\$ —	\$ 1,188,216	\$ —	\$ 1,188,216
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 2,300	\$ 2,300
December 31, 2020				
Assets				
Corporate bonds	\$ —	\$ 10,110	\$ —	\$ 10,110
Agency bond securities	—	234,157	—	234,157
Agency mortgage-backed securities	—	691,029	—	691,029
Municipal bonds	—	30,501	—	30,501
Asset-backed securities	—	5,172	—	5,172
Total assets	\$ —	\$ 970,969	\$ —	\$ 970,969
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 5,300	\$ 5,300

We based the fair value of our fixed income securities held as of September 30, 2021 and December 31, 2020 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 nine months ended September 30, 2021 or 2020.

The following table presents changes in our contingent consideration payable for the three and nine months ended September 30, 2021 and 2020, which is categorized in Level 3 of the fair value hierarchy:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Balance, beginning of period	\$ 3,300	\$ 7,300	\$ 5,300	\$ 9,300
Payments of contingent consideration	(1,000)	(1,000)	(3,000)	(3,000)
Balance, end of period	\$ 2,300	\$ 6,300	\$ 2,300	\$ 6,300

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 15—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, 2020. 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 LLC ("UniRush") in 2017, 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.

Debt

The fair value of our revolving line of credit is based on borrowing rates currently available to a market participant for loans with similar terms or maturity. The carrying amount of our outstanding revolving line of credit 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 revolving line of credit 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 September 30, 2021 and December 31, 2020 are presented in the table below.

	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Financial Assets				
Loans to bank customers, net of allowance	\$ 28,157	\$ 27,130	\$ 21,011	\$ 20,421
Financial Liabilities				
Deposits	\$ 2,959,386	\$ 2,959,325	\$ 2,735,116	\$ 2,735,072

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 16—Leases

Our leases consist of operating lease agreements principally related to our corporate and subsidiary office locations. Currently, we do not enter into any financing lease agreements. Our leases have remaining lease terms between approximately 1 year to 4 years, some of which include renewal options.

As of December 31, 2020, we committed to a remote workforce strategy for most U.S. based employees and recorded a substantial impairment charge to our lease right-of-use assets as we no longer intend to utilize our leased office spaces in the U.S. for the duration of our remaining lease terms. Our lease agreements have or will be terminated in due course in accordance with our lease provisions; however, we may be contractually obligated to continue making lease payments where no termination option is available.

Our total lease expense amounted to approximately \$1.0 million and \$2.3 million for the three months ended September 30, 2021 and 2020, respectively, and \$2.8 million and \$6.9 million for the nine months ended September 30, 2021 and 2020, 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:

	September 30, 2021
Cash paid for operating lease liabilities (in thousands)	\$ 7,987
Weighted average remaining lease term (years)	3.0
Weighted average discount rate	4.8 %

Maturities of our operating lease liabilities as of September 30, 2021 is as follows:

	Operating Leases (In thousands)
Remainder of 2021	\$ 2,114
2022	7,819
2023	3,726
2024	3,644
2025	1,008
	18,311
Less: imputed interest	(1,586)
Total lease liabilities	\$ 16,725

Note 17—Commitments and Contingencies*Financial Commitments*

As discussed in *Note 7 — Equity Method Investment*, we are committed to make annual capital contributions in TailFin Labs, LLC of \$35.0 million per year through January 2024.

Our definitive agreement to acquire all of the equity interests of UniRush provides for a minimum \$4 million annual earn-out payment for five years following the closing, ending in February 2022. As of September 30, 2021, the estimated fair value of our remaining earn-out payments amounted to \$2.3 million, and is recorded in the current portion of other accrued liabilities on our consolidated balance sheets.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 17—Commitments and Contingencies (continued)*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.

On December 18, 2019, an alleged class action entitled *Koffsmo v. Green Dot Corp., et al.*, No. 19-cv-10701-DDP-E, was filed in the United States District Court for the Central District of California, against us and two of our former officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Exchange Act for allegedly misleading statements regarding our business strategy. Plaintiff alleges that defendants made statements that were misleading because they allegedly failed to disclose details regarding our customer acquisition strategy and its impact on our financial performance. The suit is purportedly brought on behalf of purchasers of our securities between May 9, 2018 and November 7, 2019, and seeks compensatory damages, fees and costs. On February 18, 2020, a shareholder derivative suit and securities class action entitled *Hellman v. Streit, et al.*, No. 20-cv-01572-SVW-PVC was filed in United States District Court for the Central District of California, against us and certain of our officers and directors. The suit avers purported breach of fiduciary duty and unjust enrichment claims, as well as claims under Sections 10(b), 14(a) and 20(a) of the Exchange Act, on the basis of the same wrongdoing alleged in the first lawsuit described above. The suit does not define the purported class allegedly damaged. These cases have been related. We have not yet responded to the complaints in these matters.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows.

Refer to *Note 20 — Subsequent Event* for additional information regarding litigation and claims.

Other Legal 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*.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 18—Significant Retailer and Partner 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Walmart	23%	27%	23%	27%

In addition, approximately 23% and 19% of our total operating revenues for the three and nine months ended September 30, 2021, respectively, were generated from a single BaaS partner, without a corresponding concentration to our gross profit for the period.

Note 19—Segment Information

Effective beginning with the first quarter of 2021, we have realigned our segment financial reporting based on how our current Chief Operating Decision Maker ("CODM") manages our businesses, including resource allocation and performance assessment. Our CODM organizes and manages the business primarily on the basis of the channels in which our product and services are offered and uses net revenues and segment profit to assess profitability. Segment profit reflects each segment's net revenue less direct costs, such as sales and marketing expenses, processing expenses, third-party call center support and transaction losses. As a result of this realignment, our operations are now aggregated amongst three reportable segments: 1) Consumer Services, 2) Business to Business ("B2B") Services, and 3) Money Movement Services.

Our Consumer Services segment consists of revenues and expenses derived from deposit account programs, such as consumer checking accounts, prepaid cards, secured credit cards, and gift cards that we offer to consumers (i) through distribution arrangements with more than 90,000 retail locations and thousands of neighborhood Financial Service Center locations (the "Retail" channel), and (ii) directly through various marketing channels, such as online search engine optimization, online displays, direct mail campaigns, mobile advertising, and affiliate referral programs (the "Direct" channel).

Our B2B Services segment consists of revenues and expenses derived from (i) our partnerships with some of America's most prominent consumer and technology companies that make our banking products and services available to their consumers, partners and workforce through integration with our banking platform (the "Banking-as-a-Service", or "BaaS" channel), and (ii) a comprehensive payroll platform that we offer to corporate enterprises (the "Employer" channel) to facilitate payments for today's workforce. Our products and services in this segment include deposit account programs, such as consumer and small business checking accounts and prepaid cards, as well as our Simply Paid Disbursements services utilized by our partners.

Our Money Movement Services segment consists of revenues and expenses generated on a per transaction basis from our services that specialize in facilitating the movement of cash on behalf of consumers and businesses, such as money processing services and tax refund processing services. Our money processing services are marketed to third-party banks, program managers, and other companies seeking cash deposit and disbursement capabilities for their customers. Those customers, including our own cardholders, can access our cash deposit and disbursement services at any of the locations within our network of retail distributors and neighborhood Financial Service Centers. We market our tax-related financial services through a network of tax preparation franchises, independent tax professionals and online tax preparation providers.

The Corporate and Other segment primarily consists of net interest income earned by our bank, eliminations of intersegment revenues and expenses, unallocated corporate expenses, and other fixed costs that are not considered when our CODM evaluates segment performance, such as salaries, wages and related benefits for our employees, professional service fees, software licenses, telephone and communication costs, rent and utilities, and insurance. We do not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 19—Segment Information (continued)

We have restated segment information for the historical periods presented herein to conform to our current presentation. The change in segment presentation does not affect the financial results of our consolidated statements of operations, balance sheets or statements of cash flows as previously presented.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Segment Revenue	(In thousands)			
Consumer Services	\$ 167,455	\$ 150,554	\$ 533,889	\$ 466,115
B2B Services	118,171	77,064	336,735	227,523
Money Movement Services	45,596	56,536	201,982	242,255
Corporate and Other	(2,298)	(4,710)	(5,939)	(9,889)
Total segment revenues	<u>328,924</u>	<u>279,444</u>	<u>1,066,667</u>	<u>926,004</u>
Net revenue adjustment	10,575	11,626	35,691	43,475
Total operating revenues	<u>\$ 339,499</u>	<u>\$ 291,070</u>	<u>\$ 1,102,358</u>	<u>\$ 969,479</u>

Net revenue adjustments represent commissions and certain processing-related costs associated with our BaaS products and services, which are netted against our B2B Services revenues when evaluating segment performance.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Segment Profit	(In thousands)			
Consumer Services	\$ 60,084	\$ 51,494	\$ 169,401	\$ 160,291
B2B Services	18,501	16,372	54,208	52,526
Money Movement Services	18,718	17,974	105,724	112,535
Corporate and Other	(51,057)	(52,151)	(146,803)	(154,295)
Total segment profit	<u>46,246</u>	<u>33,689</u>	<u>182,530</u>	<u>171,057</u>
Reconciliation to income (loss) before income taxes				
Depreciation and amortization of property, equipment and internal-use software	15,265	14,839	42,446	43,014
Stock based compensation and related employer taxes	11,579	12,018	37,205	37,354
Amortization of acquired intangible assets	6,944	6,944	20,831	21,175
Impairment charges	—	31	—	1,099
Other expense	3,628	2,507	7,430	6,826
Operating income (loss)	<u>8,830</u>	<u>(2,650)</u>	<u>74,618</u>	<u>61,589</u>
Interest expense, net	38	39	113	723
Other income (expense), net	849	(1,650)	1,396	696
Income (loss) before income taxes	<u>\$ 9,641</u>	<u>\$ (4,339)</u>	<u>\$ 75,901</u>	<u>\$ 61,562</u>

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 20—Subsequent Event

In May 2021, we announced that we entered into a definitive agreement to purchase the assets and operations of Tax Refund Solutions (“TRS”), a business segment of Republic Bank & Trust Company (“Republic Bank”), subject to customary closing conditions. Pursuant to the terms of the definitive agreement, we agreed to pay Republic Bank approximately \$165 million in cash for the TRS assets. On October 4, 2021, we announced we had been unable to obtain the Federal Reserve’s approval of or non-objection to the transaction, and therefore, the transaction would not be consummated. The agreement provides for a termination fee payable by us of \$5 million, which we recorded in the fourth quarter of 2021.

On October 5, 2021, Republic Bank filed a claim against us in the Court of Chancery of the State of Delaware. The lawsuit claims that we have breached the contract in which we agreed, subject to certain conditions, to purchase the TRS business. The lawsuit seeks, among other forms of relief, an order of specific performance requiring that we close the transaction or, in the alternative, monetary damages. We are defending the action. Given the uncertainty of litigation and the preliminary stage of this claim, we are currently unable to estimate the probability of the outcome of this action or the range of reasonably possible loss, if any.

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 the impact of the continuing coronavirus (COVID-19) pandemic on our business, results of operations and financial condition and our and the government's response to it, and 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 and registered bank holding company committed to delivering trusted, best-in-class money management and payment solutions to customers and partners, seamlessly connecting people to their money. Our technology platform enables us to build products and features that address the most pressing financial challenges of consumers and businesses, transforming the way they manage and move money, and making financial empowerment more accessible for all. We offer a broad set of financial services to consumers and businesses including debit, checking, credit, prepaid, and payroll cards, as well as robust money processing services, such as tax refunds, cash deposits and disbursements.

Our operations are aggregated amongst three reportable segments: 1) Consumer Services, 2) Business to Business ("B2B") Services, and 3) Money Movement Services. Refer to our 2020 Annual Report on Form 10-K "Part 1, Item 1. Business" for more detailed information about our operations and Note 19—Segment Information in the notes to the accompanying unaudited consolidated financial statements.

Consolidated Financial Results and Trends

Our consolidated results of operations for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30,		Change	%	Nine Months Ended September 30,		Change	%
	2021	2020			2021	2020		
(In thousands, except percentages)								
Total operating revenues	\$ 339,499	\$ 291,070	\$ 48,429	16.6 %	\$ 1,102,358	\$ 969,479	\$ 132,879	13.7 %
Total operating expenses	330,669	293,720	36,949	12.6 %	1,027,740	907,890	119,850	13.2 %
Net income (loss)	7,335	(2,992)	10,327	*	58,003	47,147	10,856	23.0 %

* % change not meaningful

Refer to "Segment Results" for a summary of financial results of each of our reportable segments.

Total operating revenues

Our total operating revenues for the three and nine months ended September 30, 2021 increased \$48.4 million, or 17%, and \$132.9 million, or 14%, respectively, over the prior year comparable periods, generating revenue growth across our Consumer Services and B2B Services segments, partially offset by lower revenues earned from our Money Movement Services.

Our deposit account programs within our Consumer Services and B2B Services segments continue to benefit from organic growth as the demand for digital payments continues. We have seen a fundamental shift in consumer behavior towards electronic payments throughout the COVID-19 pandemic that has created a higher demand and usage of our products and services. Additionally, these two segments have benefited from economic stimulus funds and incremental unemployment benefits enacted by the U.S. federal government. In December 2020, an additional \$900 billion economic stimulus package was signed into law, providing for additional direct payments and enhanced unemployment benefits. In March 2021, another \$1.9 trillion economic package was authorized under the American Rescue Plan Act of 2021, which provided for additional direct payments, expanded child tax credits and enhanced unemployment benefits that extended through September 2021.

As a result of these consumer trends and economic factors, our consolidated gross dollar volume and purchase volume grew by 24% and 9%, respectively, for the nine months ended September 30, 2021. During the three months ended September 30, 2021, our consolidated gross dollar volume grew by 13%. This increase was driven by organic growth from new and existing partners in our B2B Services segment, resulting in an increase in BaaS program management service fee revenues earned from platform partners and interchange revenues. In our Consumer Services segment, gross dollar volume, the number of active accounts and direct deposit accounts declined year-over-year for three months ended September 30, 2021 by 18%, 15%, and 9%, respectively, as a result of the timing of when prior year tax refund payments were received by cardholders in this segment due to the extended tax filing deadlines into July 2020, and a reduction in enhanced federal unemployment benefits, as the weekly benefit to cardholders was reduced by half in 2021 compared with the prior year period and discontinued in early September 2021. To a lesser extent, these metrics were also impacted in the current quarter by enhanced fraud monitoring controls we have implemented to protect our customers. While we anticipate this trend to be temporary, further erosion in our active accounts may impact our financial results. Despite these year-over-year declines in our Consumer Services segment, revenue growth in the segment benefited from customer adoption of new features, such as the introduction of our optional overdraft protection program services made available to cardholders across our portfolios, including our GO2bank product launched earlier this year, and favorable decreases in the amount of cash back rewards on our legacy card programs due to changes in consumer behavioral trends and the estimated redemption amounts.

While many of our cardholders have benefited from federal relief programs, much of the enhanced pandemic related unemployment benefits provided by the federal government ended in September 2021, and it remains unclear whether such benefits will be extended further into 2022. The impact of further governmental actions and whether or not these benefits are reinstated may also impact our future results. We expect our key performance indicators will continue to normalize as the effect of governmental actions continues to lessen.

Total Money Movement Services segment revenues for the three and nine months ended September 30, 2021 decreased by 19% and 17%, respectively, with the prior year comparable periods. The decrease in our Money Movement Services was primarily attributable to the number of cash transfers processed, which decreased by 22% and 18% for the three and nine months ended September 30, 2021, respectively, from the prior year comparable periods. The decrease in volume of cash transfers is in part due to our decision not to renew a reload partner agreement in the fourth quarter of 2020. The non-renewal of this agreement will continue to impact the number of cash transfers for the remainder of the year and, to a lesser extent, profitability within the segment, but any year-over-year growth or decline in cash transfers in 2021 will be dependent on multiple factors, including the level of growth of deposit account programs in our Consumer Services and B2B Services segments.

Our tax processing revenues have also decreased year-over-year for the nine months ended September 30, 2021 as a result of a decrease in the number of tax refunds processed of 3% for the comparable periods. Tax processing revenues were also impacted by lower unit economics earned from refund transfers with one of our largest customers, which was agreed upon in exchange for securing a multi-year arrangement. The decrease in number of tax refunds processed for the three months ended September 30, 2021 compared to the prior year period was the result of extended tax filing deadlines in 2020, which resulted in a portion of refund volumes shifting from the second quarter to the third quarter of 2020. The 2021 tax season did not have a similar shift.

Total operating expenses

Our total operating expenses for the three and nine months ended September 30, 2021 increased \$36.9 million, or 13%, and \$119.9 million, or 13%, respectively, over the prior year comparable periods. This increase was the result of several factors, including higher processing expenses within our B2B Services segment associated with the growth of certain BaaS account programs and an increase in third-party call center support (a component of compensation and benefits expenses) within Consumer Services and B2B Services, to meet the increased demand in our customer service center as a result of our efforts to improve our customers' overall experience. In addition, both of these segments experienced year-over-year growth in transaction losses, a component within other general and administrative expenses, from increases in gross dollar volume and purchase volume in our B2B Services segment and the introduction of our overdraft protection services in our Consumer Services segment. Total operating expenses for three and nine months ended September 30, 2021 were partially offset by a decrease in sales and marketing expenses due to a decrease in sales commissions from lower revenues generated from certain products subject to revenue-sharing agreements within our Money Movement Services segment.

For the remainder of 2021, we intend to continue to make growth-oriented investments that will benefit our financial results in 2022 and beyond. Our growth-oriented investments are focused on marketing efforts for our GO2bank product, improving our customers' overall experience and building a modern and scalable core banking and card management platform that reduces our reliance on third-party processors and increases our ability to innovate and preserve margins. In addition, we are making improvements in our compliance, customer service, change management structure, and our staffing and training models, among other areas of improvement, as part of an overall effort to enhance our consumer compliance controls. As such, we expect to continue incurring higher costs year-over-year associated with third-party call centers, a component of compensation and benefits expenses, in our Consumer Services and B2B Services segments. We also expect our salaries and wages expenses to increase, which are also a component of compensation and benefits expenses, as we expect to expand our headcount in order to support our customer experience efforts and our implementation of a modernized banking platform. Additionally, we expect our implementation to increase components of other general and administrative expenses, such as software license and hosting costs.

Income taxes

Our income tax expense for the nine months ended September 30, 2021 increased \$3.5 million, or 24%, on a year-over-year basis. Our effective tax rate for the nine months ended September 30, 2021 was 23.6%, compared to 23.4% for the prior year period. The effective rates differ from our statutory rate due to the impact of items such as the IRC 162(m) limitation on the deductibility of executive compensation, state income taxes, general business credits, and the tax effects associated with stock-based compensation.

COVID-19 Update

The health and safety of our employees remains a top priority for our business and most of our U.S. personnel continue to operate remotely. In response to our remote workforce strategy, we have closed most of our U.S. leased office locations. However, we will be required to continue making our contractual payments until our operating leases are formally terminated or expire.

In response to the economic impact caused by COVID-19, the Federal Reserve announced reductions in short-term interest rates in March 2020 that have lowered the yields on our cash and investment balances and therefore, we continue to experience a reduction in the amount of interest income we earn. An extended duration of near zero short-term interest rates will continue to impact the amount of net interest income we earn in the future.

The duration and magnitude of the continuing effects of COVID-19 remain uncertain and dependent on various factors, including the continued severity and transmission rate of the virus, new variants of the virus, the nature of and duration for which preventative measures remain in place, the extent and effectiveness of containment and mitigation efforts, including vaccination programs and mandates, and the type of stimulus measures and other policy responses that the U.S. government may further adopt, if any.

See *Part II, Item 1A, Risk Factors*, for an additional discussion of risk related to the COVID-19 pandemic.

Consolidated 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:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Change	%	2021	2020	Change	%
	(In millions, except percentages)							
Gross Dollar Volume	\$ 16,404	\$ 14,453	\$ 1,951	13.5 %	\$ 54,469	\$ 43,854	\$ 10,615	24.2 %
Number of Active Accounts*	5.37	5.72	(0.35)	(6.1)%	n/a	n/a	n/a	n/a
Purchase Volume	\$ 7,356	\$ 7,600	\$ (244)	(3.2)%	\$ 26,671	\$ 24,359	\$ 2,312	9.5 %
Cash Transfers	10.05	12.81	(2.76)	(21.5)%	30.56	37.42	(6.86)	(18.3)%
Tax Refunds Processed	0.43	0.75	(0.32)	(42.7)%	12.02	12.35	(0.33)	(2.7)%

* Represents the number of active accounts as of September 30, 2021 and 2020, respectively.

See "Segment Results" for additional information and discussion regarding key metrics performance by segment. The definitions of our key metrics are as follows:

Gross Dollar Volume — represents the total dollar volume of funds loaded to our account products from direct deposit and non-direct deposit sources. A substantial portion of our gross dollar volume is generated from direct deposit sources. We use this metric to analyze the total amount of money moving onto our account programs, and to 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 Consumer Services and B2B Services segments, inclusive of fees charged to account holders and interchange revenues generated through the spending of account balances.

Number of Active Accounts — represents any bank account within our Consumer Services and B2B Services segments 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 checking accounts, general purpose reloadable prepaid card accounts, and secured credit card accounts in our portfolio that had at least one purchase, deposit or ATM withdrawal transaction during the applicable quarter. 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.

Beginning with the first quarter of 2021, we have provided certain key metrics at the realigned segment level and have revised our direct deposit active account metric. Following these changes, the direct deposit active accounts metric only consists of accounts in our Consumer Services segment and no longer include direct deposit active accounts in our B2B Services segment. Based on the economic structure of our partnerships within our B2B services segment, we believe that total active accounts is the most relevant key metric for the B2B Services segment. We also narrowed the definition of "direct deposit active account" to include only active accounts that have received one or more payroll or government benefit transaction during the period. Prior period metrics have been restated to conform to our current definition. Our direct deposit active accounts within our Consumer Services segment, on average, have the longest tenure and generate the majority of our gross dollar volume in any period and thus, generate more revenue over their lifetime than other 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 and volume generated by certain BaaS programs where the BaaS partner receives interchange and we earn a platform fee. We use this metric to analyze interchange revenue, which is a key component of our financial performance.

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 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.

Number of Tax Refunds Processed — represents the total number of tax refunds processed in a specified period. 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.

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, fees associated with optional products or services, such as our overdraft protection program, and cash-back rewards we offer to cardholders. Our cash-back rewards are recorded as a reduction to card revenues and other fees. Also included in card revenues and other fees are program management fees earned from our BaaS partners for programs we manage on their behalf.

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. The revenue we earn from each of these fees may also vary depending upon the channel in which the active accounts were acquired. For example, certain BaaS programs may not assess monthly maintenance fees and as a result, these accounts may generate lower fee revenue than other active accounts. 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.

Cash Processing Revenues — Cash processing revenues (which we have previously referred to as processing and settlement services revenues) consist of cash transfer revenues, tax refund processing service revenues, Simply Paid disbursement revenues and other tax processing service 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 his or her 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 cash from customer deposits, loans, and investment securities. Our interest-bearing liabilities held at Green Dot Bank include interest-bearing deposits. Our net interest income and our net interest margin fluctuate based on changes in the federal funds interest rates and changes in the amount and composition of our interest-bearing assets and liabilities.

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 debit 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 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 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 Estimates

Reference is made to the critical accounting 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, 2020.

Comparison of Three-Month Periods Ended September 30, 2021 and 2020

Operating Revenues

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

	Three Months Ended September 30,			
	2021		2020	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$ 202,482	59.6 %	\$ 146,648	50.3 %
Cash processing revenues	47,516	14.0	57,526	19.8
Interchange revenues	85,888	25.3	84,876	29.2
Interest income, net	3,613	1.1	2,020	0.7
Total operating revenues	\$ 339,499	100.0 %	\$ 291,070	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled \$202.5 million for the three months ended September 30, 2021, an increase of \$55.9 million, or 38.1%, from the comparable prior year period. Our card revenues and other fees increased in part as a result of an increase in total gross dollar volume of 13%. The increase in total gross dollar volume resulted in an increase in BaaS program management service fee revenues earned from platform partners. Card revenues and other fees also increased as a result of optional features recently launched on our card programs, such as our overdraft protection program, as well as a favorable decrease in the estimated accrual of cash back rewards, which we record as a reduction to revenue. Our estimate of cash rewards varies based on multiple factors including the terms and conditions of the cash back program currently in effect, customer activity and customer redemption rates.

Cash Processing Revenues — Cash processing revenues totaled \$47.5 million for the three months ended September 30, 2021, a decrease of \$10.0 million, or 17%, from the comparable prior year period. The decrease is primarily due to a decline in the number of cash transfers processed year-over-year, in part due to our decision not to renew a reload network agreement with a partner in the fourth quarter of 2020, partially offset by higher tax processing revenues. Although we processed a lower number of tax refund transfers compared to the prior year period, our total tax processing revenues increased as a result of an increase in other ancillary tax processing services offered through our tax business.

Interchange Revenues — Interchange revenues totaled \$85.9 million for the three months ended September 30, 2021, an increase of \$1.0 million, or 1%, from the comparable prior year period. Although the amount of purchase volume decreased during the three months ended September 30, 2021 compared to the prior year period, the interchange rate we earned increased as a result of a lower average dollar amount purchased per transaction. As interchange fees have both fixed and variable components, the effective rate we earn varies based on the size of transactions, amongst other factors.

Interest Income, net — Net interest income totaled \$3.6 million for the three months ended September 30, 2021, an increase of \$1.6 million, or 80%, from the comparable prior year period. The increase in net interest income earned was the result of an increase in the size of our investment securities portfolio and customer funds on deposit, which is primarily attributed to the economic stimulus funds and enhanced unemployment benefits provided by the federal government and organic growth in our deposit account programs.

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 September 30,			
	2021		2020	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating expenses:				
Sales and marketing expenses	\$ 84,002	24.7 %	\$ 96,189	33.0 %
Compensation and benefits expenses	65,045	19.2	61,077	21.0
Processing expenses	95,731	28.2	74,158	25.5
Other general and administrative expenses	85,891	25.3	62,296	21.4
Total operating expenses	\$ 330,669	97.4 %	\$ 293,720	100.9 %

Sales and Marketing Expenses — Sales and marketing expenses totaled \$84.0 million for the three months ended September 30, 2021, a decrease of \$12.2 million, or 13% from the comparable prior year period. This decrease was primarily driven by a decrease in sales commissions due to lower revenues generated from certain products that are subject to revenue-sharing agreements, partially offset by higher supply chain expenses in connection with the continued roll-out of GO2bank, which we launched in the first quarter of 2021.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$65.0 million for the three months ended September 30, 2021, an increase of \$3.9 million or 6% from the comparable prior year period. The increase was primarily driven by higher third-party call center support costs to meet increased demand in our customer service center as a result of our effort to improve our customers' overall experience, partially offset by a decrease in salaries and wages, principally attributable to the timing of accrued bonus compensation.

Processing Expenses — Processing expenses totaled \$95.7 million for the three months ended September 30, 2021, an increase of \$21.5 million or 29% from the comparable prior year period. This increase was principally due to growth in BaaS account programs within our B2B Services segment and overall volume of transactions processed through our consolidated platform.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$85.9 million for the three months ended September 30, 2021, an increase of \$23.6 million or 38%, from the comparable prior year period. This increase was primarily due to a year-over-year growth in transaction losses as a result of increases in gross dollar volume and purchase volume in our B2B Services segment and the introduction of our overdraft protection services in our Consumer Services segment, as well as higher professional fees and software license expenses for the reasons discussed above, partially offset by lower rent expenses as a result of our office closures in the U.S.

Income Taxes

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

	Three Months Ended September 30,	
	2021	2020
U.S. federal statutory tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	(1.4)	(27.9)
General business credits	(2.0)	(64.0)
Employee stock-based compensation	0.2	38.1
IRC 162(m) limitation	6.2	57.5
Nondeductible expenses	0.1	5.7
Other	(0.2)	0.7
Effective tax rate	23.9 %	31.1 %

Our income tax expense totaled \$2.3 million for the three months ended September 30, 2021, an increase of \$3.6 million or 269% from the prior year comparable period, primarily due to an increase in operating income. The decrease in the effective tax rate for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020 is primarily due to an increase in our pre-tax income and the corresponding rate impact

on items such as state income taxes, general business credits, employee stock-based compensation, and the IRC 162(m) limitation on the deductibility of executive compensation.

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

Comparison of Nine-Month Periods Ended September 30, 2021 and 2020

Operating Revenues

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

	Nine Months Ended September 30,			
	2021		2020	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$ 586,431	53.2 %	\$ 440,723	45.5 %
Cash processing revenues	205,256	18.6	246,042	25.4
Interchange revenues	298,229	27.1	271,712	28.0
Interest income, net	12,442	1.1	11,002	1.1
Total operating revenues	\$ 1,102,358	100.0 %	\$ 969,479	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled \$586.4 million for the nine months ended September 30, 2021, an increase of \$145.7 million, or 33%, from the comparable prior year period. This increase was driven principally by the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2021 and 2020—Operating Revenues—Card Revenues and Other Fees."

Cash Processing Revenues — Cash processing revenues totaled \$205.3 million for the nine months ended September 30, 2021, a decrease of \$40.7 million, or 17%, from the comparable prior year period. The decrease is primarily due to a decline in the number of cash transfers processed year-over-year, in part due to our decision not to renew a reload network agreement with a partner in the fourth quarter of 2020, and to a lesser extent, a lower number of tax refunds processed for the comparable periods in both our online consumer and professional tax channels as a result of extended tax filing deadlines in 2020, as discussed above.

Interchange Revenues — Interchange revenues totaled \$298.2 million for the nine months ended September 30, 2021, an increase of \$26.5 million, or 10%, from the comparable prior year period. The increase was primarily due to an increase in the amount of purchase volume during the nine months ended September 30, 2021, compared to the prior year period, which is primarily attributed to the economic stimulus funds and enhanced unemployment benefits provided by the federal government.

Interest Income, net — Net interest income totaled \$12.4 million for the nine months ended September 30, 2021, an increase of \$1.4 million, or 13%, from the comparable prior year period. This increase was driven principally by the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2021 and 2020—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:

	Nine Months Ended September 30,			
	2021		2020	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating expenses:				
Sales and marketing expenses	\$ 299,412	27.2 %	\$ 319,738	33.0 %
Compensation and benefits expenses	199,996	18.1	173,009	17.8
Processing expenses	287,716	26.1	216,624	22.3
Other general and administrative expenses	240,616	21.8	198,519	20.5
Total operating expenses	\$ 1,027,740	93.2 %	\$ 907,890	93.6 %

Sales and Marketing Expenses — Sales and marketing expenses totaled \$299.4 million for the nine months ended September 30, 2021, a decrease of \$20.3 million, or 6% from the comparable prior year period. This decrease was driven by the same factors as discussed above under "Comparison of Three-Month Periods Ended September 30, 2021 and 2020—Operating Expenses—Sales and Marketing Expenses."

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$200.0 million for the nine months ended September 30, 2021, an increase of \$27.0 million or 16% from the comparable prior year period. The increase was primarily due to higher third-party call center support costs to meet increased demand in our customer service center from the volume of federal relief funds deposited onto our programs and our effort to improve our customer's overall experience.

Processing Expenses — Processing expenses totaled \$287.7 million for the nine months ended September 30, 2021, an increase of \$71.1 million or 33% from the comparable prior year period. This increase was driven by the same factors as discussed above under "Comparison of Three-Month Periods Ended September 30, 2021 and 2020—Operating Expenses—Processing Expenses."

Other General and Administrative Expenses — Other general and administrative expenses totaled \$240.6 million for the nine months ended September 30, 2021, an increase of \$42.1 million or 21%, from the comparable prior year period. This increase was driven primarily by the same factors as discussed above under "Comparison of Three-Month Periods Ended September 30, 2021 and 2020—Operating Expenses—Other General and Administrative Expenses."

Income Taxes

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

	Nine Months Ended September 30,	
	2021	2020
U.S. federal statutory tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	0.8	1.3
General business credits	(1.9)	(2.6)
Employee stock-based compensation	(2.5)	(0.7)
IRC 162(m) limitation	6.4	4.5
Nondeductible expenses	0.1	0.4
Other	(0.3)	(0.5)
Effective tax rate	23.6 %	23.4 %

Our income tax expense totaled \$17.9 million, an increase of \$3.5 million or 24% from the prior year comparable period and is primarily driven by the increase in our operating income, along with an increase of \$2.0 million on the IRC 162(m) limitation on the deductibility of executive compensation. This increase in tax expense was partially offset by a favorable increase of \$1.5 million in excess tax benefits from stock-based compensation. We recognized an excess tax benefit on stock-based compensation of \$1.9 million for the nine months ended September 30, 2021, compared to a \$0.5 million excess tax benefit for the prior year comparable period.

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

Segment Results

Consumer Services

The results of operations and key metrics of our Consumer Services segment for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Change	%	2021	2020	Change	%
(In thousands, except percentages)								
Financial Results								
Segment revenues	\$ 167,455	\$ 150,554	\$ 16,901	11.2 %	\$ 533,889	\$ 466,115	\$ 67,774	14.5 %
Segment expenses	107,371	99,060	8,311	8.4 %	364,488	305,824	58,664	19.2 %
Segment profit	\$ 60,084	\$ 51,494	\$ 8,590	16.7 %	\$ 169,401	\$ 160,291	\$ 9,110	5.7 %
(In millions, except percentages)								
Key Metrics								
Gross Dollar Volume	\$ 6,811	\$ 8,333	\$ (1,522)	(18.3)%	\$ 25,155	\$ 24,577	\$ 578	2.4 %
Active Accounts*	3.38	3.98	(0.6)	(15.1)%	n/a	n/a	n/a	n/a
Direct Deposit Active Accounts*	0.83	0.91	(0.08)	(8.8)%	n/a	n/a	n/a	n/a
Purchase Volume	\$ 5,166	\$ 5,840	\$ (674)	(11.5)%	\$ 18,759	\$ 17,518	\$ 1,241	7.1 %

* Represents number of active and direct deposit active accounts as of September 30, 2021 and 2020, respectively.

Segment revenues within Consumer Services for the three and nine months ended September 30, 2021 increased \$16.9 million, or 11%, and \$67.8 million, or 15%, respectively, compared to the prior year comparable periods, while our segment expenses for the three and nine months ended September 30, 2021 increased \$8.3 million, or 8%, and \$58.7 million, or 19%, respectively.

Our gross dollar volume, purchase volume, the total number of active accounts and direct deposit active accounts decreased by 18%, 12%, 15% and 9%, respectively, during the three months ended September 30, 2021 from the comparable prior year period, due to the timing of tax refund payments in the prior year, decreases in enhanced federal unemployment benefits, and to a lesser extent, enhanced fraud monitoring controls implemented in the current quarter, as described above under "Overview."

Despite these decreases in our key metrics, we generated total revenue growth within this segment for three months ended September 30, 2021 from customer adoption of new features, such as the introduction of our recent overdraft protection program, which is an optional service to our cardholders, and a favorable decrease in the estimated accrual of cash back rewards. Our cash back rewards are recorded as a reduction to revenue and is attributable to changes in consumer behavioral trends and estimated redemption amounts. These increases were partially offset by decreases in the amount of monthly maintenance fees, ATM revenue and interchange revenues as a result of the decreases in each of our key metrics stated above.

In addition to the same factors that impacted revenue growth for the third quarter of 2021, our revenue increase for the nine months ended September 30, 2021 was the result of increases in our gross dollar volume and purchase volume. Total gross dollar volume on these deposit account programs increased 2% during the nine months ended September 30, 2021 from the comparable prior year period due to organic growth as the demand for digital payments continues and from customers that have utilized our platform to receive federal stimulus funds and enhanced unemployment benefits this past year. The increase in gross dollar volume has resulted in an increase in monthly maintenance fee assessments and ATM fees that we earn on these portfolios. Purchase volume increased by 7% during the nine months ended September 30, 2021 from the comparable prior year period, resulting in an increase in the amount of interchange we earn.

Consumer Services expenses increased for the three and nine months ended September 30, 2021 from the comparable prior year periods, principally due to increased staffing of third-party call center support to meet the increased demand in our customer service center as a result of our effort to improve our customer's overall experience and growth in transaction losses, in part due to the introduction of our overdraft protection services.

B2B Services

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Change	%	2021	2020	Change	%
(In thousands, except percentages)								
Financial Results								
Segment revenues	\$ 118,171	\$ 77,064	\$ 41,107	53.3 %	\$ 336,735	\$ 227,523	\$ 109,212	48.0 %
Segment expenses	99,670	60,692	38,978	64.2 %	282,527	174,997	107,530	61.4 %
Segment profit	\$ 18,501	\$ 16,372	\$ 2,129	13.0 %	\$ 54,208	\$ 52,526	\$ 1,682	3.2 %
(In millions, except percentages)								
Key Metrics								
Gross Dollar Volume	\$ 9,593	\$ 6,120	\$ 3,473	56.7 %	\$ 29,314	\$ 19,277	\$ 10,037	52.1 %
Active Accounts*	1.99	1.74	0.25	14.4 %	n/a	n/a	n/a	n/a
Purchase Volume	\$ 2,190	\$ 1,760	\$ 430	24.4 %	\$ 7,912	\$ 6,841	\$ 1,071	15.7 %

* Represents number of active accounts as of September 30, 2021 and 2020, respectively.

Segment revenues within our B2B Services for the three and nine months ended September 30, 2021 increased \$41.1 million, or 53%, and \$109.2 million, or 48%, respectively, compared to the prior year periods, while our segment expenses for the three and nine months ended September 30, 2021 increased \$39.0 million, or 64%, and \$107.5 million, or 61%, respectively.

Our total gross dollar volume increased 57% and 52% during the three and nine months ended September 30, 2021 from the comparable prior year periods, and the number of active accounts increased by 14% year-over-year as of September 30, 2021 as we continue to experience organic growth in certain BaaS programs, both new and existing, as the demand for digital payments continues. Purchase volume also increased approximately 24% and 16% for the three and nine months ended September 30, 2021 from the comparable prior year periods, as result of this increased gross dollar volume.

The increase in gross dollar volume and purchase volume drove an increase in our BaaS program management service fee revenues earned from our platform partners and an increase in the amount of interchange revenue earned.

Despite year-over-year revenue growth for the three and nine months ended September 30, 2021, our segment profit has been impacted by the increased staffing of third-party call center support to meet the increased demand in our customer service center and growth in transaction losses as a result of the year-over-year increases in gross dollar volume and purchase volume. This segment also experienced margin compression because certain BaaS partnerships were structured based on a fixed profit and therefore, our segment profit for these arrangements has not scaled with revenue growth. BaaS is our newest channel of business and we remain focused on investing in it and exploring new partnership agreements moving forward.

Money Movement Services

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Change	%	2021	2020	Change	%
(In thousands, except percentages)								
Financial Results								
Segment revenues	\$ 45,596	\$ 56,536	\$ (10,940)	(19.4)%	\$ 201,982	\$ 242,255	\$ (40,273)	(16.6)%
Segment expenses	26,878	38,562	(11,684)	(30.3)%	96,258	129,720	(33,462)	(25.8)%
Segment profit	\$ 18,718	\$ 17,974	\$ 744	4.1 %	\$ 105,724	\$ 112,535	\$ (6,811)	(6.1)%
(In millions, except percentages)								
Key Metrics								
Cash Transfers	10.05	12.81	(2.76)	(21.5)%	30.56	37.42	(6.86)	(18.3)%
Tax Refunds Processed	0.43	0.75	(0.32)	(42.7)%	12.02	12.35	(0.33)	(2.7)%

Segment revenues within our Money Movement services for the three and nine months ended September 30, 2021 decreased \$10.9 million, or 19.4%, and \$40.3 million, or 16.6%, respectively, from the comparable prior year periods, and segment expenses for the three and nine months ended September 30, 2021 decreased \$11.7 million, or 30.3%, and \$33.5 million, or 25.8%, respectively.

Our tax processing revenues increased for the three months ended September 30, 2021 despite a lower number of tax refunds processed, primarily due to an increase in other ancillary tax processing services offered through our tax business. Tax processing revenues decreased during the nine months ended September 30, 2021 due to a decrease in the number of tax refunds processed and lower unit economics earned from refund transfers with one of our largest customers, which was agreed upon in exchange for securing a multi-year arrangement. In addition, the number of cash transfers processed decreased for the three and nine months ended September 30, 2021, in part due to our decision not to renew a reload partner agreement in the fourth quarter of 2020. The non-renewal of this agreement will continue to impact the number of cash transfers for the remainder of the year and, to a lesser extent, profitability within the segment, but any year-over-year growth or decline in cash transfers in 2021 will be dependent on multiple factors, including the level of growth of deposit account programs in our Consumer Services and B2B Services segments.

Corporate and Other

	Three Months Ended September 30,		Change	%	Nine Months Ended September 30,		Change	%
	2021	2020			2021	2020		
(In thousands, except percentages)								
Financial Results								
Unallocated revenue and intersegment eliminations	\$ (2,298)	\$ (4,710)	\$ 2,412	(51.2)%	\$ (5,939)	\$ (9,889)	\$ 3,950	(39.9)%
Unallocated corporate expenses and intersegment eliminations	48,759	47,441	1,318	2.8%	140,864	144,406	(3,542)	(2.5)%
	<u>\$ (51,057)</u>	<u>\$ (52,151)</u>	<u>\$ 1,094</u>	<u>(2.1)%</u>	<u>\$ (146,803)</u>	<u>\$ (154,295)</u>	<u>\$ 7,492</u>	<u>(4.9)%</u>

Revenues within Corporate and Other are comprised of net interest income earned by our bank and inter-segment eliminations. Unallocated corporate expenses include our fixed expenses such as salaries, wages and related benefits for our employees, professional service fees, software licenses, telephone and communication costs, rent and utilities, insurance and inter-segment eliminations. These costs are not considered when our CODM evaluates the performance of our three reportable segments since they are not directly attributable to any reporting segment. Non-cash expenses such as stock-based compensation, depreciation and amortization of long-lived assets, and other non-recurring expenses that are not considered by our CODM when evaluating our overall consolidated financial results are excluded from our unallocated corporate expenses above. Refer to *Note 19— Segment Information* to the Consolidated Financial Statements included herein for a summary reconciliation.

Net interest income increased year-over-year for the three and nine months ended September 30, 2021 as a result of an increase in the size of our investment securities portfolio and customer funds on deposit.

Unallocated corporate expenses for the three months ended September 30, 2021 increased by approximately 3% as a result of higher professional expenses and higher software licenses, partially offset by lower salaries and wages and related employee benefits, principally due to the timing of accrued bonus compensation.

Unallocated corporate expenses for the nine months ended September 30, 2021 decreased year-over-year by approximately 2%, as a result of lower rent expense and corporate reserves, partially offset by higher software licenses and telecommunication expenses.

Liquidity and Capital Resources

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

	Nine Months Ended September 30,	
	2021	2020
(In thousands)		
Total cash provided by (used in)		
Operating activities	\$ 147,234	\$ 198,851
Investing activities	(399,655)	(105,938)
Financing activities	564,696	983,001
Increase in unrestricted cash, cash equivalents and restricted cash	<u>\$ 312,275</u>	<u>\$ 1,075,914</u>

For the nine months ended September 30, 2021 and 2020, we financed our operations primarily through our cash flows generated from operations and customer funds held on deposit. From time to time, we may also finance short term working capital activities through our borrowings under our credit facility. As of September 30, 2021, our

primary source of liquidity was unrestricted cash and cash equivalents totaling \$1.8 billion. We also consider our \$1.2 billion 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, cash flows from operations and borrowing capacity under our credit facility will be sufficient to meet our working capital, capital expenditures, equity method investee capital commitments, and any other capital needs for at least the next 12 months. We are currently not aware of any other trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in our liquidity increasing or decreasing in any material way that will impact our capital needs during or beyond the next 12 months. We continue to monitor the impact of COVID-19 on our business to ensure our liquidity and capital resources remain appropriate throughout this period of uncertainty.

Cash Flows from Operating Activities

Our \$147.2 million of net cash provided by operating activities during the nine months ended September 30, 2021 was the result of \$58.0 million of net income, adjusted for certain non-cash operating items of \$134.5 million and decreases in net changes in our working capital assets and liabilities of \$45.2 million. Our \$198.9 million of net cash provided by operating activities during the nine months ended September 30, 2020 was the result of \$47.1 million of net income, adjusted for certain non-cash operating items of \$108.8 million and increases in net changes in our working capital assets and liabilities of \$42.9 million.

Cash Flows from Investing Activities

Our \$399.7 million of net cash used in investing activities during the nine months ended September 30, 2021 was primarily due to purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of \$243.4 million, the purchase of bank-owned life insurance policies of \$55.0 million, capital contributions related to our investment in TailFin Labs, LLC of \$35.0 million, and the acquisition of property and equipment of \$39.6 million. Our \$105.9 million of net cash used in investing activities during the nine months ended September 30, 2020 was primarily due to the acquisition of property and equipment of \$43.9 million, capital contributions related to our investment in TailFin Labs, LLC of \$35.0 million, and purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of \$26.6 million.

Cash Flows from Financing Activities

Our \$564.7 million of net cash provided from financing activities during the nine months ended September 30, 2021 was principally the result of a net increase in customer deposits of \$221.0 million and a net increase of \$351.8 million in obligations to customers. Total customer deposit balances have increased year-over-year, principally as a result of additional economic stimulus funds and other government benefits received by our cardholders. Our \$983.0 million of net cash provided from financing activities during the nine months ended September 30, 2020 was principally the result of a net increase in customer deposits of \$1.1 billion, partially offset by a net decrease of \$84.3 million in obligations to customers and net repayments on our revolving credit facility of \$35.0 million.

Other Sources of Liquidity: 2019 Revolving Facility

In October 2019, we entered into a revolving credit agreement with Wells Fargo Bank, National Association, and other lenders party thereto. The credit agreement provides for a \$100 million five-year revolving facility and matures in October 2024. 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 United States federal funds rate plus 0.50%, (b) the Wells Fargo prime rate, and (c) 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 1.25% to 2.00% for LIBOR Rate loans and 0.25% to 1.00% for Base Rate loans.

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. At September 30, 2021, we were in compliance with all such covenants.

Material Cash Requirements

While the effect of COVID-19 has created economic uncertainty and impacted how we manage our liquidity and capital resources, we anticipate that we will continue to develop and purchase property and equipment as necessary in the normal course of our business. The amount and timing of these payments and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of new employees, the rate of change of computer hardware and software used in our business and our business outlook as a result of the COVID-19 pandemic. We intend to continue to invest in new products and programs we believe

are critical, including GO2bank, new features for our existing products and IT infrastructure to scale and operate effectively to meet our strategic objectives. However, for 2021 we do not expect these capital expenditures will exceed the amount of our capital expenditures in 2020. We expect to fund these capital expenditures primarily through our cash flows provided by operating activities.

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, however, makes it difficult to predict the amount and timing of such cash requirements.

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.

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, 2020.

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.

The Basel III rules, which were promulgated by the Federal Reserve and other U.S. banking regulators, provide for risk-based capital, leverage and liquidity standards. 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 September 30, 2021 and December 31, 2020, 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 September 30, 2021 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.
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 September 30, 2021 and December 31, 2020 were as follows:

September 30, 2021							
	Amount	Ratio		Regulatory Minimum		"Well-capitalized" Minimum	
(In thousands, except ratios)							
Green Dot Corporation:							
Tier 1 leverage	\$ 623,964	16.0	%	4.0	%	n/a	
Common equity Tier 1 capital	\$ 623,964	64.8	%	4.5	%	n/a	
Tier 1 capital	\$ 623,964	64.8	%	6.0	%	6.0	%
Total risk-based capital	\$ 634,561	65.9	%	8.0	%	10.0	%
Green Dot Bank:							
Tier 1 leverage	\$ 315,865	9.1	%	4.0	%	5.0	%
Common equity Tier 1 capital	\$ 315,865	50.4	%	4.5	%	6.5	%
Tier 1 capital	\$ 315,865	50.4	%	6.0	%	8.0	%
Total risk-based capital	\$ 323,508	51.6	%	8.0	%	10.0	%
December 31, 2020							
	Amount	Ratio		Regulatory Minimum		"Well-capitalized" Minimum	
(In thousands, except ratios)							
Green Dot Corporation:							
Tier 1 leverage	\$ 515,134	17.5	%	4.0	%	n/a	
Common equity Tier 1 capital	\$ 515,134	57.8	%	4.5	%	n/a	
Tier 1 capital	\$ 515,134	57.8	%	6.0	%	6.0	%
Total risk-based capital	\$ 518,358	58.2	%	8.0	%	10.0	%
Green Dot Bank:							
Tier 1 leverage	\$ 253,895	10.1	%	4.0	%	5.0	%
Common equity Tier 1 capital	\$ 253,895	46.1	%	4.5	%	6.5	%
Tier 1 capital	\$ 253,895	46.1	%	6.0	%	8.0	%
Total risk-based capital	\$ 254,855	46.3	%	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, the Federal Open Market Committee decreased the federal funds target rate in March 2020 to a range of 0%-0.25%. An extended duration of near zero short-term interest rates could adversely impact the amount of net interest income we earn in the future.

As of September 30, 2021, we had no balances outstanding under our \$100.0 million line of credit agreement. Refer to *Note 9 — Debt* to the Consolidated Financial Statements included herein for additional information. Should we require additional liquidity from our line of credit, our borrowings are expected to be at variable rates of interest and would expose us to interest rate risk. Although any short-term borrowings under our revolving credit 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 \$100.0 million, based on the applicable LIBOR and margin in effect as of September 30, 2021, each quarter point of change in interest rates would result in a \$0.3 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 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. We continue to monitor our exposure to credit risk with our retail distributors and other business partners in light of the COVID-19 pandemic.

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 September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that most of our employees continue to work remotely due to the COVID-19 pandemic. The design of our processes and controls allow for remote execution with accessibility to secure data. We are continually monitoring and assessing the COVID-19 situation to minimize the impact, if any, on the design and operating effectiveness on our internal controls.

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 17 — Commitments and Contingencies* and *Note 20 — Subsequent Event* to the Consolidated Financial Statements included herein for information regarding our legal proceedings.

ITEM 1A. Risk Factors

COVID-19 RISKS

The COVID-19 pandemic has and may continue to significantly affect how we and our retail distributors are operating our businesses.

Our operations have and may continue to be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. As a result of the COVID-19 pandemic, we have shifted to a fully remote workforce strategy for our employees in the U.S. and we are in the process of closing most of our leased office locations in the U.S., which has resulted in us recording impairment charges and could result in a less effective workforce. In addition, many of the third-party call centers we rely on to provide customer support were closed during portions of the first half of 2020 due to the pandemic, which resulted in delayed responses to customers and a higher usage of automated services, and contributed to higher transaction losses compared to prior periods. While such staffing issues have been resolved, it is possible that we may continue to experience similar issues in the future due to the pandemic. The business and operations of our retail distributors and our BaaS and other partners were likewise disrupted, with many having experienced reduced foot traffic or usage of their services.

The duration and magnitude of the effects of COVID-19 remain uncertain and dependent on various factors, including the continued severity and transmission rate of the virus and new variants of the virus, the nature of and duration for which the preventative measures remain in place, the extent and effectiveness of containment and mitigation efforts, including vaccination programs and mandates, the type of stimulus measures and other policy responses that the U.S. government may further adopt, if any, and the impact of these and other factors on our employees, customers, retail distributors, partners and vendors. In 2020, the conditions caused by the COVID-19 pandemic adversely affected our customers' spending levels and ability or willingness to purchase our products and services through our retail distributors, lowered the volume of transactions of certain programs and delayed the launching of new products and services, although governmental actions such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) helped mitigate the effects of COVID-19 on our business in 2020, and in December 2020 and March 2021, two economic stimulus packages totaling \$2.8 trillion were signed into law, providing for additional direct payments and enhanced unemployment benefits which expired in September 2021.

As a result of the pandemic, we have experienced and may continue to experience increased costs, including higher call center costs and disputed transaction losses, which could continue to adversely affect our business, results of operations, and financial condition in future periods. Additionally, concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and other capital markets, which may adversely affect our stock price and our ability to access capital markets in the future.

We have taken steps to strengthen our liquidity position and ensure we have ample flexibility to pursue strategic priorities. Should we require credit at levels we are unable to access, the cost of credit is greater than expected, or the cost-savings measures we have implemented are ineffective or result in us incurring greater costs, our operating results could be adversely affected. Further, additional borrowings on our revolving line of credit have and will cause us to incur additional interest expense, which will negatively affect our earnings.

Please see "Management's Discussion and Analysis of Financial Position and Results of Operations" for more information regarding the potential impact of the COVID-19 pandemic on our business.

RISKS RELATED TO OUR BUSINESS

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 23.0% for each of the three and nine months ended September 30, 2021, respectively. We expect that Walmart will continue to have a significant impact on our operating revenues in future periods, particularly in our Consumer 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 or any significant decrease in customers' spending levels and ability or willingness to purchase our account products through Walmart, for any reason, including due to the COVID-19 pandemic, 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 January 31, 2027, unless renewed under its automatic renewal provision, which provides for a one-year extension. Our contracts with our three other largest retail distributors have terms that are set to expire at various dates through 2022, with some subject to automatic renewal provisions. 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 Money Movement 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 Money Movement Services segment, 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 most 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.

Most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. In addition, 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 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 the willingness of our retail distributors and tax preparation partners 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, and 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 the operational decisions of 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 alternatives 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. For example, in January 2021, we launched GO2bank, a new mobile bank account aimed at serving the low-and moderate-income

market. We will continue to make investments in research, development, and marketing for new products and services. 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.

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.

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 provide program management and other services through a platform similar to our banking 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/or successfully compete with those of our competitors, our revenues, results of operations, prospects for future growth and overall business could 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 competition as a result of new entrants offering free or low-cost alternatives to our products and services. In recent years, "challenger" banks have gained market share through the marketing of their largely free bank account offerings. To the extent these new entrants continue to take market share at our expense, we expect that the purchase and use of our products and services would decline. In response to such challenger banks, we launched GO2bank, a new mobile bank account aimed at serving the low- and moderate-income market with tools that help address common financial challenges and opportunities to improve long-term financial health. If GO2bank is not successful or our competitive position deteriorates further, we may have to increase the incentives that we offer to our retail distributors and our tax preparation partners, or directly to consumers, and decrease the prices of our products and services, any of which would likely adversely affect our results of operations.

We may not keep pace with the rapid technological developments in our industry and the larger electronic payments industry.

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 partners, third-party processors or consumers to these changes, or by the intellectual property rights of third parties. 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 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. Further, in connection with the COVID-19 pandemic, there has been and may continue to be a significant amount of transaction fraud with respect to prepaid cards used to deliver stimulus and unemployment benefits, which has negatively impacted many financial services companies.

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.

To address the challenges that 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. Further, implementing such risk control mechanisms can be costly and has and may continue to negatively impact our operating margins.

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 time frame, 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 transaction amount 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.

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

Most 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 September 30, 2021, we had assets subject to settlement risk of \$452.6 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 recessions 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. An economic recession may result in us experiencing 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 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, a decrease in our distribution partners' willingness to sell these products as a result of a more challenging regulatory environment or other factors outside of our control such as an economic recession. 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.

RISKS RELATED TO OUR OPERATIONS

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers, including third party systems.

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, the processing of large numbers of transactions and the management of the data necessary to do both. Our success in our account programs, including our BaaS programs, as well as our money movement 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 our 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, pandemics such as the COVID-19 pandemic 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, or delay in 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 banking 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 banking 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. In addition, our insurance costs may also increase substantially in the future to cover the costs our insurance carriers may incur.

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, including personal 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, including state sponsored 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 or discover securities vulnerabilities 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 or perceived security vulnerability 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.

Additionally, we cannot be certain that our insurance coverage will be adequate for data security liabilities actually incurred, will cover any indemnification claims against us relating to any incident, that insurance will continue to be available to us on reasonable terms, or that any insurer will not deny coverage as to any future claim. The assertion of large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Replacing third-party vendors 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.

Further, we have in the past and may in the future experience operational issues with the third-party call centers that we rely on to provide customer support. For example, many of our U.S. and international third-party call centers were closed during portions of the first half of 2020 due to the COVID-19 pandemic, which resulted in delayed responses to customers and a higher usage of automated services. While such issues have largely been resolved, these conditions contributed to transaction losses as compared to prior periods. Any prolonged closure or disruption in the services provided by such call centers could have an adverse effect on 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.

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, outbreaks of disease, such as the COVID-19 pandemic, climate change 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.

REGULATORY AND LEGAL RISKS

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.

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 with 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. 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. In addition, if at any time we or Green Dot Bank fail to be "well capitalized" or "well managed," we may not commence, or acquire any shares of a company engaged in, any activities only permissible for an FHC, without prior Federal Reserve approval. The restriction on our ability to commence, or acquire any shares of a company engaged in, any activities only permissible for an FHC, without prior Federal Reserve approval would also generally apply if Green Dot Bank received a CRA rating of less than "Satisfactory." Any such 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. U.S. bank regulatory agencies from time to time take supervisory actions under certain circumstances that restrict or limit a financial institution's activities, including in connection with examinations, which take place on a continual basis. In some instances, we are subject to significant legal restrictions on our ability to publicly disclose these actions or the full details of these actions, including those in examination reports. In addition, as part of the regular examination process, our and Green Dot Bank's regulators may advise us or our subsidiaries to operate under various restrictions as a prudential matter. Such restrictions may include not being able to engage in certain categories of new activities or acquire shares or control of other companies.

The failure by Green Dot Bank to maintain its status as a "well-capitalized" institution could have a serious adverse effect on its ability to conduct key portions of its current deposit-taking activity.

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. The FDIC issued a final rule relating to the brokered deposits restrictions that apply to less than well capitalized insured depository institutions, which became effective on April 1, 2021, with full compliance with the brokered deposit part of the regulation extended to January 1, 2022. The final rule establishes a new framework for analyzing certain provisions of the "deposit broker" definition, including "placing deposits," "facilitating the placement of deposits" and "primary purpose." The extended compliance date is intended to provide sufficient time for financial institutions to put in place systems to implement the new regulatory regime and to allow the FDIC to develop internal processes and systems to ensure a consistent and robust review process. We cannot predict how the FDIC will implement the new rule and whether it will result in a change in the way our deposits are classified.

Failure by us and our business partners to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.

The banking, financial technology, transaction processing and tax refund processing services industries are highly regulated, 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 of 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.

From time to time, federal and state legislators and regulatory authorities, including state attorney generals, increase their focus on the banking, consumer financial services and tax preparation industries and may propose and adopt new legislation or guidance that could result in significant adverse changes in the regulatory landscape for financial institutions and financial services companies. 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. Further, with the new incoming administration and accompanying changes in leadership at federal agencies such as the Consumer Financial Protection Bureau, we expect that financial institutions will remain heavily regulated in the near future and that additional laws or regulations may be adopted further regulating specific banking practices.

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 if 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.

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. Many of these laws can be unclear and inconsistent across various jurisdictions and ensuring compliance with them could be difficult and costly. 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 the 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, 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 September 30, 2021, interchange revenues represented 25% 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.

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. For example, on October 5, 2021, Republic Bank & Trust Company ("Republic Bank") brought a lawsuit against us in the Court of Chancery of the State of Delaware. The lawsuit claims that we breached the contract in which we agreed, subject to certain conditions, to purchase Republic Bank's Tax Refund Solutions business. The lawsuit seeks, among other forms of relief, an order of specific performance requiring that we close the transaction or, in the alternative, monetary damages. The outcome of this litigation, and any other 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. For the foregoing reasons, any regulatory or judicial proceedings or investigations that are initiated against us by private or governmental entities, could adversely affect our business, results of operations and financial condition or could cause our stock price to decline.

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

The Green Dot, GO2bank, 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 also 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 13 issued patents and 5 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. 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.

RISKS RELATED TO OUR CAPITAL NEEDS AND INDEBTEDNESS

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. However, 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. Should we require additional credit at levels we are unable to access, the cost of credit is greater than expected, or the cost-savings measures we have implemented are ineffective or result in us incurring greater costs, our operating results could be adversely affected. Further, additional borrowings on our revolving line of credit have and will cause us to incur additional interest expense, which will negatively affect our earnings.

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.

Under our \$100 million five-year revolving facility, we are subject to 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. We must also maintain compliance with a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio of 2.50 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.

The phaseout of the London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with a different reference rate, may have an adverse effect on our business.

On March 5, 2021, the ICE Benchmark Administration, the administrator of the London Interbank Offered Rate, or LIBOR, announced that it will stop publishing certain LIBOR rates after December 31, 2021 and all of these widely used reference rates will no longer be available after June 30, 2023. Consequently, we may need to renegotiate our debt arrangements that extend beyond 2021, such as our credit agreement, which provides for our revolving facility, that utilize LIBOR as a factor in determining the interest rate, which may negatively impact the terms of such indebtedness. Any alternative reference rate may increase the interest expense associated with our existing or future indebtedness. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, the overall financial markets may be disrupted as a result of the phase out or replacement of LIBOR. Disruption in the financial markets could have an adverse effect on our financial position, results of operations, cash flows, and liquidity.

GENERAL RISKS

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

If our quarterly and annual 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, many of which are outside of our control, 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 or other government payments processed by us;
- 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 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 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;
- changes in our executive leadership team;
- 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;
- changes in the political or regulatory environment affecting the banking, electronic payments or tax refund processing industries;
- economic recessions or uncertainty in financial markets, and the impact of inflation;
- the impact of the U.S. presidential administration on, among other things, the regulation of financial institutions and corporate tax rates; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics, including the COVID-19 pandemic.

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. Guidance is necessarily speculative in nature, and is only an estimate of what management believes is realizable as of the date of release, 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. Actual results will vary from our guidance and the variations may be material, especially in times of economic uncertainty.

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

Our ability to manage and grow our business 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. We may experience difficulty in managing transitions and assimilating newly-hired personnel, and if we fail to manage these 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. 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. In order to attract and retain personnel in a competitive marketplace, we must provide competitive pay packages, including cash and equity-based compensation and the volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees.

Acquisitions or investments, or the failure to consummate such transactions, 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. Identifying suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to identify suitable candidates or successfully complete identified acquisitions. Failure to complete an acquisition could adversely affect our business as we could be required to pay a termination fee under certain circumstances or be subject to litigation (such as in the case of the recent transaction involving Republic Bank), and our stock price may also suffer as the failure to consummate the acquisition may result in negative perception in the investment community.

Further, 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. 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. In addition, 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 \$474.3 million as of September 30, 2021. 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, such as 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. 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.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

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. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. 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 and might suffer adverse regulatory consequences or violate NYSE listing standards, 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.

Our business could be negatively affected by actions of stockholders.

The actions of stockholders could adversely affect our business. Specifically, certain actions of certain types of stockholders, including without limitation public proposals, requests to pursue a strategic combination or other transaction or special demands or requests, could disrupt our operations, be costly and time-consuming or divert the attention of our management and employees and increase the volatility of our stock. In addition, perceived uncertainties as to our future direction in relation to the actions of our stockholders may result in the loss of potential business opportunities or the perception that we are unstable and need to make changes, which may be exploited by our competitors and make it more difficult to attract and retain personnel as well as customers, service providers and partners. Actions by our stockholders may also cause fluctuations in our stock price based on speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of 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.

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.

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

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
31.1	Certification of Dan Henry, Principal 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 George Gresham, Principal 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 Dan Henry, Principal 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 George Gresham, Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished and not filed.

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: November 8, 2021

By: /s/ George Gresham
Name: George Gresham
Title: Chief Financial Officer and Chief Operating Officer (Duly Authorized Officer and Principal Financial Officer)

**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, Dan Henry, 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: November 8, 2021

By: /s/ Dan Henry

Name: Dan Henry
President and Chief Executive Officer
(Principal Executive Officer)

**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, Dan Henry, 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 September 30, 2021, 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: November 8, 2021

By: /s/ Dan Henry

Name: Dan Henry
President and Chief Executive Officer
(Principal Executive Officer)

**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, George Gresham, 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 September 30, 2021, 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: November 8, 2021

By: /s/ George Gresham

Name: George Gresham
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)