

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

FORM 10-Q

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

For the quarterly period ended June 30, 2022  
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.)

114 W 7th Street, Suite 240

Austin, Texas 78701

(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 53,750,176 shares of Class A common stock outstanding, par value \$0.001 per share as of July 31, 2022.

**GREEN DOT CORPORATION**  
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## PART I

## ITEM 1. Financial Statements

GREEN DOT CORPORATION  
CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (unaudited)	December 31, 2021
	(In thousands, except par value)	
<b>Assets</b>		
Current assets:		
Unrestricted cash and cash equivalents	\$ 776,305	\$ 1,322,319
Restricted cash	6,173	3,321
Settlement assets	498,061	320,377
Accounts receivable, net	67,380	80,401
Prepaid expenses and other assets	62,893	81,380
Income tax receivable	644	1,354
Total current assets	1,411,456	1,809,152
Investment securities available-for-sale, at fair value	2,391,350	2,115,501
Loans to bank customers, net of allowance for loan losses of \$10,204 and \$5,555 as of June 30, 2022 and December 31, 2021, respectively	21,097	19,270
Prepaid expenses and other assets	199,792	136,400
Property, equipment, and internal-use software, net	138,645	135,341
Operating lease right-of-use assets	9,158	10,967
Deferred expenses	7,293	16,855
Net deferred tax assets	73,362	15,048
Goodwill and intangible assets	455,719	466,943
Total assets	\$ 4,707,872	\$ 4,725,477
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 87,140	\$ 51,353
Deposits	3,376,004	3,286,889
Obligations to customers	182,507	124,221
Settlement obligations	15,017	15,682
Amounts due to card issuing banks for overdrawn accounts	396	513
Other accrued liabilities	97,800	128,294
Operating lease liabilities	4,540	6,918
Deferred revenue	15,096	28,903
Income tax payable	12,106	291
Total current liabilities	3,790,606	3,643,064
Other accrued liabilities	3,507	3,531
Operating lease liabilities	6,187	8,209
Total liabilities	3,800,300	3,654,804
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Class A common stock, \$0.001 par value; 100,000 shares authorized as of June 30, 2022 and December 31, 2021; 53,740 and 54,868 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	54	55
Additional paid-in capital	376,902	401,055
Retained earnings	753,002	699,370
Accumulated other comprehensive loss	(222,386)	(29,807)
Total stockholders' equity	907,572	1,070,673
Total liabilities and stockholders' equity	\$ 4,707,872	\$ 4,725,477

See notes to unaudited consolidated financial statements

**GREEN DOT CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	\$ 218,574	\$ 197,937	\$ 431,402	\$ 383,949
Cash processing revenues	57,467	66,825	157,495	157,740
Interchange revenues	76,038	101,115	154,894	212,341
Interest income, net	10,690	3,496	19,595	8,829
Total operating revenues	<u>362,769</u>	<u>369,373</u>	<u>763,386</u>	<u>762,859</u>
Operating expenses:				
Sales and marketing expenses	77,376	96,507	160,902	215,410
Compensation and benefits expenses	57,611	59,984	123,875	134,951
Processing expenses	112,388	94,316	224,480	191,985
Other general and administrative expenses	91,455	86,763	178,598	154,725
Total operating expenses	<u>338,830</u>	<u>337,570</u>	<u>687,855</u>	<u>697,071</u>
Operating income	23,939	31,803	75,531	65,788
Interest expense, net	29	38	116	75
Other (expense) income, net	(4,038)	1,633	(4,808)	547
Income before income taxes	19,872	33,398	70,607	66,260
Income tax expense	4,864	8,465	16,975	15,592
Net income	<u>\$ 15,008</u>	<u>\$ 24,933</u>	<u>\$ 53,632</u>	<u>\$ 50,668</u>
Basic earnings per common share:	<u>\$ 0.28</u>	<u>\$ 0.46</u>	<u>\$ 0.98</u>	<u>\$ 0.93</u>
Diluted earnings per common share:	<u>\$ 0.27</u>	<u>\$ 0.45</u>	<u>\$ 0.97</u>	<u>\$ 0.91</u>
Basic weighted-average common shares issued and outstanding:	53,928	54,005	54,240	53,829
Diluted weighted-average common shares issued and outstanding:	54,389	55,061	54,855	55,059

**See notes to unaudited consolidated financial statements**

**GREEN DOT CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Net income	\$ 15,008	\$ 24,933	\$ 53,632	\$ 50,668
Other comprehensive (loss) income				
Unrealized holding (loss) gains, net of tax	(79,983)	8,652	(192,579)	(13,892)
Comprehensive (loss) income	<u>\$ (64,975)</u>	<u>\$ 33,585</u>	<u>\$ (138,947)</u>	<u>\$ 36,776</u>

**See notes to unaudited consolidated financial statements**

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

Three Months Ended June 30, 2022						
	Class A Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
(In thousands)						
<b>Balance at March 31, 2022</b>	54,293	\$ 54	\$ 388,299	\$ 737,994	\$ (142,403)	\$ 983,944
Common stock issued under stock plans, net of withholdings and related tax effects	292	1	2,013	—	—	2,014
Stock-based compensation	—	—	5,635	—	—	5,635
Repurchases of Class A Common Stock	(845)	(1)	(19,045)	—	—	(19,046)
Net income	—	—	—	15,008	—	15,008
Other comprehensive loss	—	—	—	—	(79,983)	(79,983)
<b>Balance at June 30, 2022</b>	<b>53,740</b>	<b>\$ 54</b>	<b>\$ 376,902</b>	<b>\$ 753,002</b>	<b>\$ (222,386)</b>	<b>\$ 907,572</b>

Three Months Ended June 30, 2021						
	Class A Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
(In thousands)						
<b>Balance at March 31, 2021</b>	54,389	\$ 54	\$ 364,926	\$ 677,625	\$ (19,116)	\$ 1,023,489
Common stock issued under stock plans, net of withholdings and related tax effects	251	1	2,259	—	—	2,260
Stock-based compensation	—	—	8,366	—	—	8,366
Net income	—	—	—	24,933	—	24,933
Other comprehensive income	—	—	—	—	8,652	8,652
<b>Balance at June 30, 2021</b>	<b>54,640</b>	<b>\$ 55</b>	<b>\$ 375,551</b>	<b>\$ 702,558</b>	<b>\$ (10,464)</b>	<b>\$ 1,067,700</b>

See notes to unaudited consolidated financial statements

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

Six Months Ended June 30, 2022

	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
<b>Balance at December 31, 2021</b>	54,868	\$ 55	\$ 401,055	\$ 699,370	\$ (29,807)	\$ 1,070,673
Common stock issued under stock plans, net of withholdings and related tax effects	498	1	(602)	—	—	(601)
Stock-based compensation	—	—	20,493	—	—	20,493
Repurchases of Class A Common Stock	(1,626)	(2)	(44,044)	—	—	(44,046)
Net income	—	—	—	53,632	—	53,632
Other comprehensive loss	—	—	—	—	(192,579)	(192,579)
<b>Balance at June 30, 2022</b>	<u>53,740</u>	<u>\$ 54</u>	<u>\$ 376,902</u>	<u>\$ 753,002</u>	<u>\$ (222,386)</u>	<u>\$ 907,572</u>

Six Months Ended June 30, 2021

	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
	(In thousands)					
<b>Balance at December 31, 2020</b>	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	606	1	(4,512)	—	—	(4,511)
Stock-based compensation	—	—	25,603	—	—	25,603
Net income	—	—	—	50,668	—	50,668
Other comprehensive loss	—	—	—	—	(13,892)	(13,892)
<b>Balance at June 30, 2021</b>	<u>54,640</u>	<u>\$ 55</u>	<u>\$ 375,551</u>	<u>\$ 702,558</u>	<u>\$ (10,464)</u>	<u>\$ 1,067,700</u>

See notes to unaudited consolidated financial statements

**GREEN DOT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six Months Ended June 30,	
	2022	2021
	(In thousands)	
<b>Operating activities</b>		
Net income	\$ 53,632	\$ 50,668
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and internal-use software	28,399	27,181
Amortization of intangible assets	12,181	13,887
Provision for uncollectible overdrawn accounts from purchase transactions	7,407	10,213
Provision for loan losses	18,452	10,143
Stock-based compensation	20,493	25,603
Losses (earnings) in equity method investments	6,647	(578)
Amortization of (discount) premium on available-for-sale investment securities	(544)	1,588
Impairment of long-lived assets	4,134	—
Other	(1,445)	84
Changes in operating assets and liabilities:		
Accounts receivable, net	5,614	(757)
Prepaid expenses and other assets	15,809	6,330
Deferred expenses	9,562	9,644
Accounts payable and other accrued liabilities	12,046	(15,505)
Deferred revenue	(14,192)	(12,542)
Income tax receivable/payable	11,968	(1,958)
Other, net	(2,709)	(4,545)
Net cash provided by operating activities	<u>187,454</u>	<u>119,456</u>
<b>Investing activities</b>		
Purchases of available-for-sale investment securities	(694,358)	(217,652)
Proceeds from maturities of available-for-sale securities	165,635	72,666
Proceeds from sales and calls of available-for-sale securities	2,875	5,198
Payments for acquisition of property and equipment	(36,537)	(23,826)
Net changes in loans	(18,732)	(16,487)
Investment in TailFin Labs, LLC	(35,000)	(35,000)
Purchases of other investments	(31,934)	(50,000)
Other investing activities	(1,448)	(599)
Net cash used in investing activities	<u>(649,499)</u>	<u>(265,700)</u>
<b>Financing activities</b>		
Borrowings on revolving line of credit	50,000	—
Repayments on revolving line of credit	(50,000)	—
Proceeds from exercise of options and ESPP purchases	3,415	5,230
Taxes paid related to net share settlement of equity awards	(4,016)	(9,741)
Net changes in deposits	85,240	125,539
Net changes in settlement assets and obligations to customers	(120,063)	425,821
Contingent consideration payments	(1,647)	(2,000)
Repurchase of Class A common stock	(44,046)	—
Net cash (used in) provided by financing activities	<u>(81,117)</u>	<u>544,849</u>
Net (decrease) increase in unrestricted cash, cash equivalents and restricted cash	(543,162)	398,605
Unrestricted cash, cash equivalents and restricted cash, beginning of period	1,325,640	1,496,701
Unrestricted cash, cash equivalents and restricted cash, end of period	<u>\$ 782,478</u>	<u>\$ 1,895,306</u>
Cash paid for interest	\$ 326	\$ 274
Cash paid for income taxes	\$ 4,086	\$ 17,289
<b>Reconciliation of unrestricted cash, cash equivalents and restricted cash at end of period:</b>		
Unrestricted cash and cash equivalents	\$ 776,305	\$ 1,891,100
Restricted cash	6,173	4,206
Total unrestricted cash, cash equivalents and restricted cash, end of period	<u>\$ 782,478</u>	<u>\$ 1,895,306</u>

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 giving all people the power to bank seamlessly, affordably, and with confidence. 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, 2021 for additional disclosures, including a summary of our significant accounting policies. There have been no material changes to our significant accounting policies during the six months ended June 30, 2022, 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 June 30, 2022 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 a variety of factors, including those identified under Part II, Item 1A. “Risk Factors” in this report.

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

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 adopted the provisions of ASU 2020-06 on January 1, 2022, the results of which did not have a material impact on our consolidated financial statements.

**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.

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

**Note 3—Revenues (continued)**

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

Three Months Ended June 30, 2022				
	Consumer Services	B2B Services	Money Movement Services	Total
<b>Timing of recognition</b>	(In thousands)			
Transferred point in time	\$ 92,430	\$ 42,467	\$ 53,337	\$ 188,234
Transferred over time	53,971	109,068	806	163,845
Operating revenues <sup>(1)</sup>	<u>\$ 146,401</u>	<u>\$ 151,535</u>	<u>\$ 54,143</u>	<u>\$ 352,079</u>
Three Months Ended June 30, 2021				
	Consumer Services	B2B Services	Money Movement Services	Total
<b>Timing of recognition</b>	(In thousands)			
Transferred point in time	\$ 113,924	\$ 43,016	\$ 64,715	\$ 221,655
Transferred over time	62,506	80,412	1,304	144,222
Operating revenues <sup>(1)</sup>	<u>\$ 176,430</u>	<u>\$ 123,428</u>	<u>\$ 66,019</u>	<u>\$ 365,877</u>
Six Months Ended June 30, 2022				
	Consumer Services	B2B Services	Money Movement Services	Total
<b>Timing of recognition</b>	(In thousands)			
Transferred point in time	\$ 187,320	\$ 83,690	\$ 149,741	\$ 420,751
Transferred over time	113,500	207,822	1,718	323,040
Operating revenues <sup>(1)</sup>	<u>\$ 300,820</u>	<u>\$ 291,512</u>	<u>\$ 151,459</u>	<u>\$ 743,791</u>
Six Months Ended June 30, 2021				
	Consumer Services	B2B Services	Money Movement Services	Total
<b>Timing of recognition</b>	(In thousands)			
Transferred point in time	\$ 226,576	\$ 91,875	\$ 153,835	\$ 472,286
Transferred over time	128,532	150,661	2,551	281,744
Operating revenues <sup>(1)</sup>	<u>\$ 355,108</u>	<u>\$ 242,536</u>	<u>\$ 156,386</u>	<u>\$ 754,030</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.

Revenues recognized at a point in time are comprised of interchange fees, ATM fees, overdraft protection 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 presented 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 \$9.0 million and \$9.1 million in revenue for the three months ended June 30, 2022 and 2021, respectively, and \$25.5 million and \$26.6 million for the six months ended June 30, 2022 and 2021, 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.

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

**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)				
<b>June 30, 2022</b>				
Corporate bonds	\$ 10,000	\$ —	\$ (726)	\$ 9,274
Agency bond securities	240,185	—	(35,777)	204,408
Agency mortgage-backed securities	2,396,285	149	(249,534)	2,146,900
Municipal bonds	30,251	—	(5,258)	24,993
Asset-backed securities	5,766	11	(2)	5,775
Total investment securities	<u>\$ 2,682,487</u>	<u>\$ 160</u>	<u>\$ (291,297)</u>	<u>\$ 2,391,350</u>
<b>December 31, 2021</b>				
Corporate bonds	\$ 10,000	\$ —	\$ (27)	\$ 9,973
Agency bond securities	230,841	—	(9,245)	221,596
Agency mortgage-backed securities	1,879,793	806	(32,268)	1,848,331
Municipal bonds	28,135	288	(243)	28,180
Asset-backed securities	7,326	99	(4)	7,421
Total investment securities	<u>\$ 2,156,095</u>	<u>\$ 1,193</u>	<u>\$ (41,787)</u>	<u>\$ 2,115,501</u>

As of June 30, 2022 and December 31, 2021, 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)						
<b>June 30, 2022</b>						
Corporate bonds	\$ 9,274	\$ (726)	\$ —	\$ —	\$ 9,274	\$ (726)
Agency bond securities	9,221	(123)	195,188	(35,654)	204,409	(35,777)
Agency mortgage-backed securities	1,688,226	(181,315)	440,726	(68,219)	2,128,952	(249,534)
Municipal bonds	24,993	(5,258)	—	—	24,993	(5,258)
Asset-backed securities	—	—	774	(2)	774	(2)
Total investment securities	<u>\$ 1,731,714</u>	<u>\$ (187,422)</u>	<u>\$ 636,688</u>	<u>\$ (103,875)</u>	<u>\$ 2,368,402</u>	<u>\$ (291,297)</u>
<b>December 31, 2021</b>						
Corporate bonds	\$ 9,973	\$ (27)	\$ —	\$ —	\$ 9,973	\$ (27)
Agency bond securities	\$ 52,865	\$ (2,128)	\$ 168,730	\$ (7,117)	\$ 221,595	\$ (9,245)
Agency mortgage-backed securities	1,661,091	(27,899)	106,510	(4,369)	1,767,601	(32,268)
Municipal bonds	9,678	(243)	—	—	9,678	(243)
Asset-backed securities	2,358	(4)	—	—	2,358	(4)
Total investment securities	<u>\$ 1,735,965</u>	<u>\$ (30,301)</u>	<u>\$ 275,240</u>	<u>\$ (11,486)</u>	<u>\$ 2,011,205</u>	<u>\$ (41,787)</u>

Our investments generally consist of highly rated securities, substantially all of which are directly or indirectly backed by the U.S. federal government, as 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 six months ended June 30, 2022 or 2021 on our available-for-sale investment securities. Unrealized losses as of June 30, 2022 and December 31, 2021 are the result of recent fluctuations in interest rates as our investment portfolio is comprised predominantly of fixed rate securities. Substantially all of the underlying securities within our investment portfolio were in an unrealized loss position as of June 30, 2022 and December 31, 2021 due to the timing of our investment purchases, as a significant portion of our investments were purchased prior to recent increases in interest rates by the Federal Reserve.

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

**Note 4—Investment Securities (continued)**

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 June 30, 2022, 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	\$ 19,344	\$ 18,494
Due after five years through ten years	190,841	163,523
Due after ten years	70,251	56,658
Mortgage and asset-backed securities	2,402,051	2,152,675
Total investment securities	<u>\$ 2,682,487</u>	<u>\$ 2,391,350</u>

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

**Note 5—Accounts Receivable**

Accounts receivable, net consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Trade receivables	\$ 27,029	\$ 33,921
Reserve for uncollectible trade receivables	(106)	(82)
Net trade receivables	<u>26,923</u>	<u>33,839</u>
Overdrawn cardholder balances from purchase transactions	4,787	5,395
Reserve for uncollectible overdrawn accounts from purchase transactions	(2,033)	(3,394)
Net overdrawn cardholder balances from purchase transactions	<u>2,754</u>	<u>2,001</u>
Cardholder fees	4,609	4,054
Receivables due from card issuing banks	4,201	4,645
Fee advances, net	1,983	20,643
Other receivables	26,910	15,219
Accounts receivable, net	<u>\$ 67,380</u>	<u>\$ 80,401</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Balance, beginning of period	\$ 4,348	\$ 2,280	\$ 3,394	\$ 1,653
Provision for uncollectible overdrawn accounts from purchase transactions	2,707	7,219	7,407	10,213
Charge-offs	(5,022)	(3,987)	(8,768)	(6,354)
Balance, end of period	<u>\$ 2,033</u>	<u>\$ 5,512</u>	<u>\$ 2,033</u>	<u>\$ 5,512</u>

**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)						
<b>June 30, 2022</b>						
Residential	\$ —	\$ —	\$ —	\$ —	\$ 4,482	\$ 4,482
Commercial	—	—	—	—	2,539	2,539
Installment	—	—	—	—	1,320	1,320
Consumer	2,887	—	—	2,887	13,490	16,377
Secured credit card	635	531	1,606	2,772	3,811	6,583
Total loans	<u>\$ 3,522</u>	<u>\$ 531</u>	<u>\$ 1,606</u>	<u>\$ 5,659</u>	<u>\$ 25,642</u>	<u>\$ 31,301</u>
Percentage of outstanding	11.3 %	1.7 %	5.1 %	18.1 %	81.9 %	100.0 %
<b>December 31, 2021</b>						
Residential	\$ —	\$ —	\$ —	\$ —	\$ 3,722	\$ 3,722
Commercial	—	—	—	—	3,392	3,392
Installment	—	—	3	3	1,340	1,343
Consumer	2,244	—	—	2,244	7,788	10,032
Secured credit card	43	98	853	994	5,342	6,336
Total loans	<u>\$ 2,287</u>	<u>\$ 98</u>	<u>\$ 856</u>	<u>\$ 3,241</u>	<u>\$ 21,584</u>	<u>\$ 24,825</u>
Percentage of outstanding	9.2 %	0.4 %	3.5 %	13.1 %	86.9 %	100.0 %

We offer an optional overdraft protection program service on certain demand deposit account programs that allows cardholders who opt-in to spend up to a pre-authorized amount in excess of their available card balance. When overdrawn, the purchase related balances due on these deposit accounts are reclassified as consumer loans. Fees due from our cardholders for our overdraft service are included as a component of accounts receivable. Overdrawn balances are unsecured and considered immediately due from the cardholder.

In December 2021, we made the determination to sell a portion of our secured credit card portfolio and reclassified these assets as loans held for sale. These loans are included in the long-term portion of prepaid and other assets on our consolidated balance sheets. Upon reclassification, we reversed any previous allowance for credit loss on these portfolios and recorded an estimated valuation allowance to reflect the portfolio at its estimated fair value. Changes in valuation allowances are recorded as a component of other income and expenses on our consolidated statement of operations. As of June 30, 2022 and December 31, 2021, the fair value of the loans held for sale amounted to approximately \$4.3 million and \$5.1 million, respectively.

**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, 2021 for further information on the criteria for classification as nonperforming.

	June 30, 2022	December 31, 2021
(In thousands)		
Residential	\$ 172	\$ 195
Installment	105	115
Secured credit card	1,606	853
Total loans	<u>\$ 1,883</u>	<u>\$ 1,163</u>

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

**Note 6—Loans to Bank Customers (continued)**

*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 include those designated as substandard, doubtful, or loss, consistent with regulatory guidelines. Secured credit card loans are considered classified if they are greater than 90 days past due. However, 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:

	June 30, 2022		December 31, 2021	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Residential	\$ 4,241	\$ 241	\$ 3,481	\$ 241
Commercial	2,539	—	3,392	—
Installment	1,205	115	1,228	115
Consumer	16,377	—	10,032	—
Secured credit card	4,977	1,606	5,483	853
Total loans	<u>\$ 29,339</u>	<u>\$ 1,962</u>	<u>\$ 23,616</u>	<u>\$ 1,209</u>

*Allowance for Credit Losses*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Balance, beginning of period	\$ 9,058	\$ 1,531	\$ 5,555	\$ 757
Provision for loans	7,953	8,733	18,452	10,143
Loans charged off	(6,807)	(3,645)	(13,803)	(4,352)
Recoveries of loans previously charged off	—	74	—	145
Balance, end of period	<u>\$ 10,204</u>	<u>\$ 6,693</u>	<u>\$ 10,204</u>	<u>\$ 6,693</u>

Activity within our allowance for credit losses increased during the comparable periods principally due to the introduction of our optional overdraft protection program services on certain demand deposit accounts and other consumer advances related to our tax processing services.

**Note 7—Equity Method Investments**

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 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

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

**Note 7—Equity Method Investments (continued)**

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 June 30, 2022 and December 31, 2021, our net investment in TailFin Labs amounted to approximately \$89.4 million and \$61.5 million, respectively, and is included in the long-term portion of prepaid expenses and other assets on our consolidated balance sheets. We recorded equity in losses from TailFin Labs of approximately \$5.0 million and \$0.7 million for the three months ended June 30, 2022 and 2021, respectively, and \$7.1 million and \$2.3 million for the six months ended June 30, 2022 and 2021, respectively, which are recorded as a component of other income and expense on our consolidated statements of operations.

Our equity method investments also include an investment held by our bank, which amounted to \$6.8 million and \$6.4 million at June 30, 2022 and December 31, 2021, respectively. Equity in earnings from this investment were de minimis for the three months ended June 30, 2022 and approximately \$2.1 million for the three months ended June 30, 2021. We recorded equity in earnings of approximately \$0.4 million and \$2.9 million for the six months ended June 30, 2022 and 2021, respectively.

**Note 8—Deposits**

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

	June 30, 2022	December 31, 2021
	(In thousands)	
Non-interest bearing deposit accounts	\$ 3,350,756	\$ 3,258,650
Interest-bearing deposit accounts		
Checking accounts	3,706	5,900
Savings	8,063	7,398
Secured card deposits	8,338	9,673
Time deposits, denominations greater than or equal to \$250	2,258	2,497
Time deposits, denominations less than \$250	2,883	2,771
Total interest-bearing deposit accounts	25,248	28,239
Total deposits	\$ 3,376,004	\$ 3,286,889

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

	June 30, 2022
	(In thousands)
Due in 2022	\$ 2,016
Due in 2023	1,189
Due in 2024	541
Due in 2025	483
Due in 2026	746
Thereafter	166
Total time deposits	\$ 5,141

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

**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 June 30, 2022, we had no borrowings outstanding on the 2019 Revolving Facility and had the full amount available for use.

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) 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 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 also pay a commitment fee, which varies from 0.20% to 0.35% 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 terms of our existing agreement also provide for a method to determine an alternative benchmark interest rate, which will apply when the LIBOR rates cease to be available in June 2023. This alternative benchmark rate will be selected between the parties taking into consideration recommendations from regulatory bodies or based on prevailing market conventions at the time the alternative rate is established, and may include the Secured Overnight Financing Rate.

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 June 30, 2022, 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 meaningful cash interest expense related to our debt during the three and six months ended June 30, 2022 and 2021.

**Note 10—Income Taxes**

Income tax expense for the six months ended June 30, 2022 and 2021 differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	Six Months Ended June 30,	
	2022	2021
U.S. federal statutory tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	0.8	1.1
General business credits	(1.7)	(1.9)
Employee stock-based compensation	1.7	(2.9)
IRC 162(m) limitation	2.3	6.4
Nondeductible expenses	0.4	0.1
Other	(0.5)	(0.3)
Effective tax rate	<u>24.0 %</u>	<u>23.5 %</u>



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

**Note 10—Income Taxes (continued)**

The effective tax rate for the six months ended June 30, 2022 and 2021 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 net increase in the effective tax rate for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is primarily due to a \$3.1 million decline in excess tax benefits from stock-based compensation. We recognized a discrete tax expense related to tax shortfalls from stock based-compensation of \$1.2 million for the six months ended June 30, 2022, compared to a \$1.9 million excess tax benefit for the prior year comparable period. These increases were partially offset by the impact of general business credits and a decrease of \$2.7 million subject to the IRC 162(m) limitation on the deductibility of executive compensation.

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 six months ended June 30, 2022 and 2021, the provision for GILTI tax expense was not material to our financial statements.

We establish a valuation allowance when we consider it more-likely-than-not that some portion or all of the deferred tax assets will not be realized. As of June 30, 2022 and 2021, 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.

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 2021. 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 June 30, 2022. We do not expect the outcome of these examinations will have any material impact on our consolidated financial statements.

As of June 30, 2022, we have federal net operating loss carryforwards of approximately \$17.2 million and state net operating loss carryforwards of approximately \$89.1 million, which will be available to offset future income. If not used, the federal net operating losses will expire between 2029 and 2034. Of our total state net operating loss carryforwards, approximately \$57.3 million will expire between 2026 and 2041, while the remaining balance of approximately \$31.8 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 \$20.7 million that can be carried forward indefinitely and other state business tax credits of approximately \$1.1 million that will expire between 2023 and 2027.

As of June 30, 2022 and December 31, 2021, we had a liability of \$12.4 million and \$11.0 million, respectively, for unrecognized tax benefits related to various federal and state income tax matters excluding interest, penalties and related tax benefits. The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is as follows:

	Six Months Ended June 30,	
	2022	2021
	(In thousands)	
Beginning balance	\$ 10,972	\$ 9,518
Increases related to positions taken during prior years	—	—
Increases related to positions taken during the current year	1,410	1,470
Ending balance	<u>\$ 12,382</u>	<u>\$ 10,988</u>
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	\$ 12,055	\$ 10,801

As of June 30, 2022 and 2021, we recognized accrued interest and penalties related to unrecognized tax benefits of approximately \$1.0 million and \$0.6 million, respectively.

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

**Note 11—Stockholders' Equity****Stock Repurchase Program**

In May 2017, our Board of Directors authorized, subject to regulatory approval, \$150 million for our stock repurchase program under which we repurchased \$100 million of shares in 2019. In February 2022, our Board of Directors provided authorization to increase our remaining stock repurchase limit to \$100 million for any future repurchases.

*Accelerated Share Repurchases*

In March 2022, we entered into an accelerated share repurchase arrangement ("ASR") with a financial institution. Pursuant to the terms of the ASR agreement and in exchange for an up-front payment of \$25 million, we received an initial 781,555 shares of our Class A Common Stock. Final settlement of the ASR was completed in April 2022, at which point we received an additional 132,482 shares from the financial institution. The final number of shares received upon settlement for the ASR was determined based on the volume-weighted average price of our common stock over the term of the agreement less an agreed upon discount and subject to adjustments pursuant to the terms and conditions of the ASR. Total shares repurchased under the ASR amounted to 914,037 shares at an average price of \$27.35.

The up-front payments were accounted for as a reduction to shareholders' equity on our consolidated balance sheets in the period the payments were made. The ASR was accounted for in two separate transactions: 1) a treasury stock repurchase for the initial shares received and 2) a forward stock purchase contract indexed to our own stock for the unsettled portion of the ASR. The par value of the shares received were recorded as a reduction to common stock with the remainder recorded as a reduction to additional paid-in capital. The ASR met all of the applicable criteria for equity classification, and therefore was not accounted for as a derivative instrument. The initial repurchase of shares resulted in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted earnings per share. The shares were retired upon repurchase, but remain authorized for registration and issuance in the future.

*Other Repurchases*

In March 2022, we also entered into a repurchase plan under Rule 10b5-1 of the Exchange Act for \$75 million that went into effect at the conclusion of the ASR. The agreement allows for \$10 million of monthly share repurchases through the remainder of 2022 until the contract amount is reached. The timing and amount of purchases depend on a variety of factors, including market conditions and the volume limit defined by Rule 10b-18. As of June 30, 2022, we have repurchased 712,057 shares at an average price of \$26.75 under our 10b5-1 plan, with approximately \$56 million available for additional purchases.

**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; however, Walmart is entitled to voting rights and to participate in any dividends paid from the issuance date on the unvested balance. As such, the total amount of restricted shares issued are included in our total Class A shares outstanding. As of June 30, 2022, there were 162,502 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.

**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 \$5.6 million and \$8.4 million for the three months ended June 30, 2022 and 2021, respectively, and \$20.5 million and \$25.6 million for the six months ended June 30, 2022 and 2021, respectively.

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

**Note 12—Stock-Based Compensation (continued)***Restricted Stock Units*

Restricted stock unit activity for awards subject to only service conditions was as follows for the six months ended June 30, 2022:

	Shares	Weighted-Average Grant- Date Fair Value
	(In thousands, except per share data)	
Outstanding at December 31, 2021	1,596	\$ 42.71
Restricted stock units granted	725	29.88
Restricted stock units vested	(430)	38.94
Restricted stock units canceled	(122)	43.14
Outstanding at June 30, 2022	<u>1,769</u>	<u>\$ 38.34</u>

*Performance-Based Restricted Stock Units*

Performance-based restricted stock unit activity for the six months ended June 30, 2022 was as follows:

	Shares	Weighted-Average Grant- Date Fair Value
	(In thousands, except per share data)	
Outstanding at December 31, 2021	1,377	\$ 35.36
Performance restricted stock units granted	115	32.75
Performance restricted stock units vested	(53)	49.78
Performance restricted stock units canceled	(246)	34.15
Outstanding at June 30, 2022	<u>1,193</u>	<u>\$ 34.72</u>

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 vesting period based on the grant date fair value of the award.

*Stock Options*

Total stock option activity for the six months ended June 30, 2022 was as follows:

	Options	Weighted-Average Exercise Price
	(In thousands, except per share data)	
Outstanding at December 31, 2021	1,204	\$ 26.62
Options exercised	(4)	22.06
Outstanding at June 30, 2022	<u>1,200</u>	<u>\$ 26.63</u>
Exercisable at June 30, 2022	<u>951</u>	<u>\$ 27.37</u>

We have not issued any stock option awards from our 2010 Equity Incentive Plan for the periods presented in these consolidated financial statements.

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

**Note 13—Earnings per Common Share**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(In thousands, except per share data)				
<b>Basic earnings per Class A common share</b>				
Numerator:				
Net income	\$ 15,008	\$ 24,933	\$ 53,632	\$ 50,668
Amount attributable to unvested Walmart restricted shares	(53)	(235)	(226)	(517)
Net income allocated to Class A common stockholders	\$ 14,955	\$ 24,698	\$ 53,406	\$ 50,151
Denominator:				
Weighted-average Class A shares issued and outstanding	53,928	54,005	54,240	53,829
Basic earnings per Class A common share	\$ 0.28	\$ 0.46	\$ 0.98	\$ 0.93
<b>Diluted earnings per Class A common share</b>				
Numerator:				
Net income allocated to Class A common stockholders	\$ 14,955	\$ 24,698	\$ 53,406	\$ 50,151
Re-allocated earnings	1	4	3	11
Diluted net income allocated to Class A common stockholders	\$ 14,956	\$ 24,702	\$ 53,409	\$ 50,162
Denominator:				
Weighted-average Class A shares issued and outstanding	53,928	54,005	54,240	53,829
Dilutive potential common shares:				
Stock options	121	446	169	477
Service-based restricted stock units	182	362	191	453
Performance-based restricted stock units	148	242	243	293
Employee stock purchase plan	10	6	12	7
Diluted weighted-average Class A shares issued and outstanding	54,389	55,061	54,855	55,059
Diluted earnings per Class A common share	\$ 0.27	\$ 0.45	\$ 0.97	\$ 0.91

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.

For the periods presented, we excluded certain restricted stock units and stock options outstanding, 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, or whereby the result of including such awards was anti-dilutive.

The following table shows the weighted-average number of anti-dilutive shares excluded from the diluted EPS calculation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(In thousands)				
<b>Class A common stock</b>				
Options to purchase Class A common stock	139	139	139	139
Service-based restricted stock units	1,256	562	1,204	320
Performance-based restricted stock units	867	829	822	742
Unvested Walmart restricted shares	190	515	230	555
Total	2,452	2,045	2,395	1,756

**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, 2021.

As of June 30, 2022 and December 31, 2021, 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)			
<b>June 30, 2022</b>				
<b>Assets</b>				
Investment securities:				
Corporate bonds	\$ —	\$ 9,274	\$ —	\$ 9,274
Agency bond securities	—	204,408	—	204,408
Agency mortgage-backed securities	—	2,146,900	—	2,146,900
Municipal bonds	—	24,993	—	24,993
Asset-backed securities	—	5,775	—	5,775
Loans held for sale	—	—	4,313	4,313
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 2,391,350</b>	<b>\$ 4,313</b>	<b>\$ 2,395,663</b>
<b>December 31, 2021</b>				
<b>Assets</b>				
Investment securities:				
Corporate bonds	\$ —	\$ 9,973	\$ —	\$ 9,973
Agency bond securities	—	221,596	—	221,596
Agency mortgage-backed securities	—	1,848,331	—	1,848,331
Municipal bonds	—	28,180	—	28,180
Asset-backed securities	—	7,421	—	7,421
Loans held for sale	—	—	5,148	5,148
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 2,115,501</b>	<b>\$ 5,148</b>	<b>\$ 2,120,649</b>
<b>Liabilities</b>				
Contingent consideration	\$ —	\$ —	\$ 1,347	\$ 1,347

We based the fair value of our fixed income securities held as of June 30, 2022 and December 31, 2021 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets or liabilities during the three and six months ended June 30, 2022 or 2021.

A reconciliation of changes in fair value for Level 3 assets or liabilities are not considered material to these consolidated financial statements and therefore are not presented for any of the periods presented.

**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, 2021. 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 June 30, 2022 and December 31, 2021 are presented in the table below.

	June 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
<b>Financial Assets</b>				
Loans to bank customers, net of allowance	\$ 21,097	\$ 20,910	\$ 19,270	\$ 17,481
<b>Financial Liabilities</b>				
Deposits	\$ 3,376,004	\$ 3,375,929	\$ 3,286,889	\$ 3,286,837

**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 of less than 1 year to approximately 5 years, many of which generally include renewal options of varying terms.

Our total lease expense amounted to approximately \$1.2 million and \$0.6 million for the three months ended June 30, 2022 and 2021, respectively, and \$2.3 million and \$1.8 million for the six months ended June 30, 2022 and 2021, 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.

**Additional Information**

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

	June 30, 2022
Cash paid for operating lease liabilities (in thousands)	\$ 4,275
Weighted average remaining lease term (years)	2.66
Weighted average discount rate	4.8 %

Maturities of our operating lease liabilities as of June 30, 2022 is as follows:

	Operating Leases (In thousands)
Remainder of 2022	\$ 3,596
2023	3,786
2024	3,704
2025	1,051
2026	38
	12,175
Less: imputed interest	(1,448)
Total lease liabilities	\$ 10,727

**Note 17—Commitments and Contingencies***Financial Commitments*

As discussed in *Note 7 — Equity Method Investments*, we are committed to making annual capital contributions in TailFin Labs, LLC of \$35.0 million per year from January 2020 through January 2024.

Our definitive agreement to acquire all of the equity interests of UniRush provided for a minimum \$4.0 million annual earn-out payment for five years following the closing, and ended in February 2022. The final earn-out payment was made in April 2022.

*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 *Koffsmon 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.



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

**Note 17—Commitments and Contingencies (continued)**

On October 6, 2021, the Court appointed the New York Hotel Trades Council & Hotel Association of New York City, Inc. Pension Fund as lead plaintiff, and on April 1, 2022, plaintiff filed its First Amended Complaint. Defendants filed a motion to dismiss the First Amended Complaint on May 31, 2022, and the motion is scheduled to be heard on November 7, 2022. 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 and, pursuant to a stipulated agreement between the parties, the *Hellman* suit is stayed pending resolution of any motions to dismiss in the *Koffman* case reference above, after which time the parties will meet and confer on a case schedule, including the schedule for defendants to respond to the complaint. 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 these matters. Given the uncertainty of litigation and the preliminary stage of these claims, we are currently unable to estimate the probability of the outcome of these actions or the range of reasonably possible losses, if any, or the impact on our results of operations, financial condition or cash flows, except as disclosed.

*Settlement*

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 \$165.0 million in cash for the TRS assets. On October 4, 2021, we announced that 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 provided for a termination fee payable by us of \$5.0 million, which we recorded in the fourth quarter of 2021 and paid in January 2022 (the "Termination Fee"). On October 5, 2021, Republic Bank filed a claim against us in the Court of Chancery of the State of Delaware. The lawsuit claimed that we had breached the contract in which we agreed, subject to certain conditions, to purchase the TRS business. On June 3, 2022, Republic Bank agreed to settle its claims in exchange for a \$13.0 million payment (which amount was in addition to the Termination Fee) by us to Republic Bank, which we recorded during three months ended June 30, 2022 and is included as a component of other general and administrative expenses on our consolidated statements of operations.

*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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Walmart	21%	23%	21%	24%

In addition, approximately 29% and 20% of our total operating revenues for the three months ended June 30, 2022 and 2021, respectively, and 26% and 18% for the six months ended June 30, 2022 and 2021, respectively, were generated from a single BaaS partner, without a corresponding concentration to gross profit for the periods.

**Note 19—Segment Information**

Our Chief Operating Decision Maker (our "CODM" who is our Chief Executive Officer) organizes and manages our businesses primarily on the basis of the channels in which our product and services are offered and uses net revenue and segment profit to assess profitability. Segment profit reflects each segment's net revenue less direct costs, such as sales and marketing expenses, processing expenses, third-party call center support and transaction losses. Our operations are 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 the United States' 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, such as cash deposit and disbursements, 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.

Revenues within Corporate and Other are comprised of net interest income and certain other investment 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, impairment charges, 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. 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)**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Segment Revenue</b>	<b>(In thousands)</b>			
Consumer Services	\$ 150,959	\$ 182,093	\$ 309,716	\$ 366,434
B2B Services	143,514	112,589	277,414	218,564
Money Movement Services	54,143	66,019	151,459	156,386
Corporate and Other	6,485	(2,763)	11,190	(3,641)
Total segment revenues	<u>355,101</u>	<u>357,938</u>	<u>749,779</u>	<u>737,743</u>
BaaS commissions and processing expenses	8,429	11,435	14,941	25,116
Other income	(761)	—	(1,334)	—
Total operating revenues	<u>\$ 362,769</u>	<u>\$ 369,373</u>	<u>\$ 763,386</u>	<u>\$ 762,859</u>

Segment 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, as well as certain other investment income earned by our bank, which is included in Corporate and Other.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Segment Profit</b>	<b>(In thousands)</b>			
Consumer Services	\$ 60,376	\$ 55,790	\$ 114,664	\$ 109,317
B2B Services	22,775	18,174	45,039	35,707
Money Movement Services	30,151	38,192	91,611	87,006
Corporate and Other	(45,754)	(49,232)	(93,440)	(95,746)
Total segment profit	<u>67,548</u>	<u>62,924</u>	<u>157,874</u>	<u>136,284</u>
Reconciliation to income before income taxes				
Depreciation and amortization of property, equipment and internal-use software	14,595	13,981	28,399	27,181
Stock based compensation and related employer taxes	5,770	8,444	20,939	25,626
Amortization of acquired intangible assets	5,664	6,943	12,181	13,887
Impairment charges	1,871	—	4,134	—
Legal settlement expenses	13,921	—	13,495	10
Other expense	1,788	1,753	3,195	3,792
Operating income	<u>23,939</u>	<u>31,803</u>	<u>75,531</u>	<u>65,788</u>
Interest expense, net	29	38	116	75
Other (expense) income, net	(4,038)	1,633	(4,808)	547
Income before income taxes	<u>\$ 19,872</u>	<u>\$ 33,398</u>	<u>\$ 70,607</u>	<u>\$ 66,260</u>

## 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, as amended, (the "Securities Act") and the Securities Exchange Act of 1934, as amended, (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 continuing impact of the coronavirus ("COVID-19") pandemic on our business, results of operations and financial condition and governmental and our further responses 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 giving all people the power to bank seamlessly, affordably, and with confidence. 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. Through our bank, we offer a suite of financial products to consumers and businesses including debit, prepaid, checking, credit and payroll cards, as well as robust money processing services, such as tax refund processing, cash deposits and disbursements.

Our Chief Operating Decision Maker (our "CODM" who is our Chief Executive Officer) organizes and manages our businesses primarily on the basis of the channels in which our product and services are offered and uses net revenue and segment profit to assess profitability. Segment profit reflects each segment's net revenue less direct costs, such as sales and marketing expenses, processing expenses, third-party call center support and transaction losses. Our operations are aggregated amongst three reportable segments: 1) Consumer Services, 2) Business to Business ("B2B") Services, and 3) Money Movement Services. Net interest income and certain other investment income earned by our bank, eliminations of intersegment revenues and expenses, unallocated corporate expenses, and other costs that are not considered when our CODM evaluates the performance of our three reportable segments are recorded in Corporate and Other expenses. Refer to our 2021 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 six months ended June 30, 2022 and 2021 were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Change	%	2022	2021	Change	%
	(In thousands, except percentages)							
Total operating revenues	\$ 362,769	\$ 369,373	\$ (6,604)	(1.8)%	\$ 763,386	\$ 762,859	\$ 527	0.1 %
Total operating expenses	338,830	337,570	1,260	0.4 %	687,855	697,071	(9,216)	(1.3)%
Net income	15,008	24,933	(9,925)	(39.8)%	53,632	50,668	2,964	5.8 %

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 six months ended June 30, 2022 decreased \$6.6 million, or 2%, and increased \$0.5 million, or 0.1%, respectively, over the prior year comparable periods. Net changes within each of these periods were driven by lower revenues earned from our Consumer Services and Money Movement Services segments, partially offset by higher revenues in our B2B Services segment and higher net interest income in our Corporate and Other segment.

Our deposit account programs within our Consumer Services and B2B Services segments have previously benefited from shifts in consumer behavior towards electronic payments throughout the COVID-19 pandemic, which created a higher demand and usage of our products and services. In part, this was driven by the economic stimulus funds and incremental unemployment benefits enacted by the U.S. federal government distributed to new and existing customers. In March 2021, an additional \$1.9 trillion economic package was authorized under the American Rescue Plan Act of 2021, which provided for additional direct payments, enhanced unemployment benefits that expired in September 2021 and monthly child tax credit payments that expired in December 2021. No such economic stimulus packages have been enacted to date in 2022 and as a result, our key metrics have normalized, creating more challenging year-over-year comparisons. The timing and magnitude of these federal relief programs in the prior year, as well as our strategic decision to reduce marketing spend on GO2bank during the first half of the year due to higher than expected acquisition costs per account, have resulted in a decrease in our consolidated active accounts year over year by 24% as of June 30, 2022. These factors have also impacted gross dollar volume, which decreased 0.2% and 9% for the three and six months ended June 30, 2022, respectively, and purchase volume, which decreased 24% and 28% for the three and six months ended June 30, 2022, respectively, over the prior year comparable periods. The impact of further governmental actions and whether or not any of these benefits are reinstated may impact our future results. We expect our key performance indicators to continue to normalize on a year-over-year basis as the effect of federal and state governmental actions continues to lessen.

In our Consumer Services segment, revenues decreased during the three and six months ended June 30, 2022 by 17% and 15%, respectively, over the prior year comparable periods. Gross dollar volume, the number of active accounts, direct deposit active accounts and purchase volume declined year-over-year for three months ended June 30, 2022 by 30%, 30%, 27% and 29%, respectively. Gross dollar volume and purchase volume decreased by 33% and 29%, respectively, for the six months ended June 30, 2022. We believe these decreases are primarily attributable to the timing of stimulus payments and other federal benefits received by our cardholders in 2021 as discussed above, as well as lower account acquisition from reduced marketing spend, which has impacted the amount of revenue we earn, such as monthly maintenance fees, ATM fees and interchange. These revenue declines in our Consumer Services segment were partially offset by the customer adoption of recent features, such as our optional overdraft protection program services made available to cardholders across our portfolios, 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.

Within our B2B Services segment, revenues increased during the three and six months ended June 30, 2022 by 27% over the prior year comparable periods. Gross dollar volume grew overall during the three months ended June 30, 2022 by 26% year-over-year, while active accounts and purchase volume decreased by 11% and 10%, respectively. For the six months ended June 30, 2022, gross dollar volume increased by 14% and purchase volume decreased by 24% over the prior year comparable periods. Overall, many of our BaaS partners within our B2B Services segment were impacted by similar trends seen in our Consumer Services segment; however, growth in gross dollar volume from certain programs resulted in a net increase in segment revenue due to higher program management service fees earned from BaaS partners, despite a lower number of active accounts and lower purchase volume. During the second quarter of 2022, we also engaged in contract renewal negotiations with several BaaS partners, but after extensive negotiations, could not agree upon terms that would best serve the long-term interests of both us and our BaaS partners. We expect these non-renewals to have a modest impact on our B2B Services segment key metrics and financial results in the second half of 2022.

Total Money Movement Services segment revenues for the three and six months ended June 30, 2022 decreased by 18% and 3%, respectively, over the prior year comparable periods, driven primarily by a decrease in the number of cash transfers processed of 12% and 13%, respectively. The Green Dot Network is a service provider to accountholders in our Consumer Services and B2B Services segments, as well as third-party programs. The decrease in cash transfers was the result of lower active accounts within our Consumer Services and B2B Services segments discussed above. In addition, for the three months ended June 30, 2022, despite a higher number of tax refund transfers processed for the comparable periods, the amount of tax processing revenues decreased due to a mix-shift between our professional and consumer tax channels, which generated a lower revenue per refund transfer. For the six months ended June 30, 2022, segment revenues were partially offset by an overall increase in

our tax processing revenues, driven by an overall increase in the number of tax refunds processed, which increased by 22% over the first half of the prior year tax season.

Net interest income earned by Green Dot Bank, a component of our Corporate and Other segment, increased during the three and six months ended June 30, 2022 by 206% and 123%, respectively. The increase in net interest income was attributable to the increase in the overall size of our investment securities portfolio, as well as an increase in short-term interest rates by the Federal Reserve, which are expected to result in an increase in net interest income compared to 2021 levels for the remainder of the fiscal year.

### **Total operating expenses**

Our total operating expenses for the three months ended June 30, 2022 were roughly flat relative to the prior year comparable period and decreased by \$9.2 million, or 1%, for the six months ended June 30, 2022 year-over-year. The decrease in total operating expenses for the six months ended June 30, 2022 was a result of several factors, including lower sales and marketing expenses principally due to a decrease in sales commissions from lower revenues on products subject to revenue-sharing agreements and reduced marketing spend associated with GO2bank, and lower compensation and benefits expenses principally due to lower employee stock-based compensation and third-party call center support costs within our Consumer Services and B2B Services segments.

Our third-party call center support costs have decreased in part due to a decline in active accounts, but also as a result of our efforts to improve our customer service over the course of 2021. In 2021, we increased our third-party call center support costs to meet the increased demand in our customer service center in an effort to improve our customers' overall experience. Benefits from these improvements with our customers included reduced third-party call center costs in the first half of 2022.

During the three months ended June 30, 2022, we have also seen meaningful improvements in overall transaction losses (a component within other general and administrative expenses) compared to the prior year period, in part as a result of decreases in gross dollar volume across the enterprise, but also from improvements in operational efficiencies to more effectively manage customer disputes and fraud. These decreases were offset primarily due to an increase in processing expenses within our B2B Services segment associated with the growth of certain BaaS account programs, and the \$13 million legal settlement agreed to with Republic Bank as a result of our inability to consummate the Tax Refund Solutions acquisition (a component within other general and administrative expenses).

We intend to continue to make growth-oriented investments and incur other expenditures that will benefit our financial results in 2022 and beyond. Our growth-oriented investments are focused on increasing marketing initiatives in support of our GO2bank product for the remainder of the year 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. To support our efforts in building a modern banking platform, we expect our software license and hosting costs, a component of other general and administrative expenses, and salary and wage expenses, a component of compensation and benefits expenses to increase year-over-year. We also expect to invest in and incur additional expenses in connection with our anti-money laundering program, including improvements to our compliance controls, policies and procedures.

### **Income taxes**

Our income tax expense for the six months ended June 30, 2022 increased \$1.4 million, or 9%, on a year-over-year basis. The increase in our income tax expense was primarily due to an increase in our taxable income and an increase in our effective tax rate. Our effective tax rate for the six months ended June 30, 2022 was 24.0%, compared to 23.5% for the prior year period. The increase in our effective rate was primarily due to a decline in excess tax benefits from stock-based compensation, partially offset by a decrease in state income taxes expense and a reduction in the amount of compensation expense that was subject to the IRC 162(m) limitation on the deductibility of certain executive compensation.

### **COVID-19 Update**

The health and safety of our employees remains a top priority for our business and in the U.S., we have closed most of our U.S. leased office locations and shifted to a remote working strategy. However, we will be required to continue making our contractual payments until our operating leases are formally terminated or expire. As a result of the resurgence of the COVID-19 pandemic's Omicron variant in China during the first quarter of 2022, we closed our offices again in China and shifted to a remote workforce strategy in China. While we have resumed normal operations in China, it is possible that we may continue to experience similar issues in the future due to the pandemic.

In response to the economic impact caused by COVID-19, the Federal Reserve announced reductions in short-term interest rates in March 2020, which in recent years has impacted the yields on our cash and investment balances. Recently, the Federal Reserve has announced several increases in the federal funds rate, resulting in a range currently of 2.25% to 2.50%. It is widely expected that the Federal Reserve will continue to increase interest rates in 2022 to control the effects of economic inflation. The Federal Reserve's decision-making policies for 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. 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 June 30,				Six Months Ended June 30,			
	2022	2021	Change	%	2022	2021	Change	%
	(In millions, except percentages)							
Gross Dollar Volume	\$ 17,356	\$ 17,399	\$ (43)	(0.2)%	\$ 34,792	\$ 38,065	\$ (3,273)	(8.6)%
Number of Active Accounts*	4.61	6.03	(1.42)	(23.5)%	n/a	n/a	n/a	n/a
Purchase Volume	\$ 6,760	\$ 8,870	\$ (2,110)	(23.8)%	\$ 13,952	\$ 19,315	\$ (5,363)	(27.8)%
Cash Transfers	9.00	10.19	(1.19)	(11.7)%	17.87	20.51	(2.64)	(12.9)%
Tax Refunds Processed	4.48	4.15	0.33	8.0 %	14.09	11.59	2.5	21.6 %

\* Represents the number of active accounts as of June 30, 2022 and 2021, 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 the USA PATRIOT Act of 2001 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.

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. Refer to sub-section entitled Consumer Services under "Segment Results" below for key metric results for direct deposit 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. 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 prepaid 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 prepaid card, gift card, or a checking account product through our Retail channel. 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 prepaid 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 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 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 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, amortization of our intangible assets, impairment charges of long-lived assets, 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, impairment charges of long-lived 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, 2021.



## Comparison of Three-Month Periods Ended June 30, 2022 and 2021

### 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 June 30,			
	2022		2021	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$ 218,574	60.3 %	\$ 197,937	53.6 %
Cash processing revenues	57,467	15.8	66,825	18.1
Interchange revenues	76,038	21.0	101,115	27.4
Interest income, net	10,690	2.9	3,496	0.9
Total operating revenues	\$ 362,769	100.0 %	\$ 369,373	100.0 %

*Card Revenues and Other Fees* — Card revenues and other fees totaled \$218.6 million for the three months ended June 30, 2022, an increase of \$20.7 million, or 10.5%, from the comparable prior year period. Card revenues and other fees increased primarily due to growth in gross dollar volume in our B2B Services segment programs, which resulted in higher program management service fees earned from BaaS partners. In addition, card revenues and other fees also increased due to optional features launched on our card programs, such as our overdraft protection program, as well as an increase in gift card breakage revenue relative to the prior year period. These increases were partially offset by decreases in cardholder fees, such as monthly maintenance fees and ATM fees for the reasons discussed above in our "Overview."

*Cash Processing Revenues* — Cash processing revenues totaled \$57.5 million for the three months ended June 30, 2022, a decrease of \$9.3 million, or 14%, from the comparable prior year period. The decrease is primarily due to the decline in the number of cash transfers processed as a result of lower active accounts within our Consumer Services and B2B Services segments, and lower overall tax processing revenues. Despite a higher number of tax refund transfers processed for the comparable periods, the amount of tax processing revenues decreased due to a mix-shift between our professional and consumer tax channels, which generated a lower revenue per refund transfer.

*Interchange Revenues* — Interchange revenues totaled \$76.0 million for the three months ended June 30, 2022, a decrease of \$25.1 million, or 25%, from the comparable prior year period. The decrease was primarily due to a decrease in purchase volume during the three months ended June 30, 2022, as the effective interchange rate earned remained consistent for the comparable periods. Our interchange fees have both fixed and variable components, and as a result, the effective rate we earn may vary based on the size of transactions, amongst other factors.

*Interest Income, net* — Net interest income totaled \$10.7 million for the three months ended June 30, 2022, an increase of \$7.2 million, or 206%, 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, funded primarily from the use of our cardholder deposit account programs. In addition, the Federal Reserve has instituted several increases in interest rates in 2022 to manage the effects of recent economic inflation, which has also increased the amount of interest income we earn on our deposits and recent investments.

## Operating Expenses

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

	Three Months Ended June 30,			
	2022		2021	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating expenses:				
Sales and marketing expenses	\$ 77,376	21.3 %	\$ 96,507	26.1 %
Compensation and benefits expenses	57,611	15.9	59,984	16.2
Processing expenses	112,388	31.0	94,316	25.5
Other general and administrative expenses	91,455	25.2	86,763	23.5
Total operating expenses	\$ 338,830	93.4 %	\$ 337,570	91.3 %

*Sales and Marketing Expenses* — Sales and marketing expenses totaled \$77.4 million for the three months ended June 30, 2022, a decrease of \$19.1 million, or 20% 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 and a decrease in marketing expenses as a result of our strategic decision to reduce marketing spend on GO2bank during the first half of the year due to higher than expected acquisition costs per account.

*Compensation and Benefits Expenses* — Compensation and benefits expenses totaled \$57.6 million for the three months ended June 30, 2022, a decrease of \$2.4 million or 4% from the comparable prior year period. The decrease was primarily due to lower employee stock-based compensation driven by fluctuations in the expected achievement of certain performance-based awards and a reduction in third-party call center support costs due to a decline in active accounts and our efforts to improve customer service over the course of 2021. These decreases were partially offset by an increase in salary and wage expenses and related benefits as a result of our growth-oriented initiatives discussed above in our "Overview."

*Processing Expenses* — Processing expenses totaled \$112.4 million for the three months ended June 30, 2022, an increase of \$18.1 million or 19% from the comparable prior year period. This increase was principally due to growth in certain 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 \$91.5 million for the three months ended June 30, 2022, an increase of \$4.7 million or 5%, from the comparable prior year period. The increase in other general and administrative expenses was primarily due to the \$13 million legal settlement associated with our inability to consummate the Tax Refund Solutions acquisition, partially offset by decreases in transaction losses as a result of lower gross dollar volume in our Consumer Services segment and improvements in operational efficiencies over how we manage customer disputes and fraud.

## Income Taxes

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

	Three Months Ended June 30,	
	2022	2021
U.S. federal statutory tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	(0.7)	1.5
General business credits	(1.8)	(1.7)
Employee stock-based compensation	2.9	0.3
IRC 162(m) limitation	1.6	4.5
Nondeductible expenses	0.9	(0.2)
Other	0.6	(0.1)
Effective tax rate	24.5 %	25.3 %

Our income tax expense totaled \$4.9 million for the three months ended June 30, 2022, a decrease of \$3.6 million or 43% from the prior year comparable period, primarily due to a decrease in taxable income and our effective tax rate. The decrease in our effective tax rate for the three months ended June 30, 2022 as compared to

the three months ended June 30, 2021 is primarily due to a decrease in state income taxes expense and a reduction in the amount of compensation expense that was subject to the IRC 162(m) limitation on the deductibility of certain executive compensation. These decreases were partially offset by the decline in excess tax benefits from stock-based compensation and higher nondeductible expenses during the quarter.

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

## Comparison of Six-Month Periods Ended June 30, 2022 and 2021

### 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:

	Six Months Ended June 30,			
	2022		2021	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$ 431,402	56.5 %	\$ 383,949	50.3 %
Cash processing revenues	157,495	20.6	157,740	20.7
Interchange revenues	154,894	20.3	212,341	27.8
Interest income, net	19,595	2.6	8,829	1.2
Total operating revenues	<u>\$ 763,386</u>	<u>100.0 %</u>	<u>\$ 762,859</u>	<u>100.0 %</u>

*Card Revenues and Other Fees* — Card revenues and other fees totaled \$431.4 million for the six months ended June 30, 2022, an increase of \$47.5 million, or 12%, from the comparable prior year period. This increase was driven principally by the same factors discussed above under "Comparison of Three-Month Periods Ended June 30, 2022 and 2021—Operating Revenues—Card Revenues and Other Fees."

*Cash Processing Revenues* — Cash processing revenues totaled \$157.5 million for the six months ended June 30, 2022, and remained consistent from the comparable prior year period. Cash processing revenues decreased as a result of a decline in the number of cash transfers processed due to lower active accounts within our Consumer Services and B2B Services segments, partially offset by an increase in the number of tax refunds processed.

*Interchange Revenues* — Interchange revenues totaled \$154.9 million for the six months ended June 30, 2022, a decrease of \$57.4 million, or 27%, from the comparable prior year period. The decrease was primarily due to a decrease in purchase volume during the six months ended June 30, 2022.

*Interest Income, net* — Net interest income totaled \$19.6 million for the six months ended June 30, 2022, an increase of \$10.8 million, or 123%, from the comparable prior year period. This increase was driven principally by the same factors discussed above under "Comparison of Three-Month Periods Ended June 30, 2022 and 2021—Operating Revenues—Interest Income, net."

## Operating Expenses

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

	Six Months Ended June 30,			
	2022		2021	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating expenses:				
Sales and marketing expenses	\$ 160,902	21.1 %	\$ 215,410	28.2 %
Compensation and benefits expenses	123,875	16.2	134,951	17.7
Processing expenses	224,480	29.4	191,985	25.2
Other general and administrative expenses	178,598	23.4	154,725	20.3
Total operating expenses	<u>\$ 687,855</u>	<u>90.1 %</u>	<u>\$ 697,071</u>	<u>91.4 %</u>

*Sales and Marketing Expenses* — Sales and marketing expenses totaled \$160.9 million for the six months ended June 30, 2022, a decrease of \$54.5 million, or 25% from the comparable prior year period. This decrease was driven by the same factors as discussed above under “Comparison of Three-Month Periods Ended June 30, 2022 and 2021—Operating Expenses—Sales and Marketing Expenses.”

*Compensation and Benefits Expenses* — Compensation and benefits expenses totaled \$123.9 million for the six months ended June 30, 2022, a decrease of \$11.1 million or 8% from the comparable prior year period. The decrease was primarily due to a reduction in third-party call center support costs due to a decline in active accounts and our efforts to improve customer service over the course of 2021, as well as lower employee stock-based compensation driven by fluctuations in the expected achievement of certain performance-based awards for the comparable periods.

*Processing Expenses* — Processing expenses totaled \$224.5 million for the six months ended June 30, 2022, an increase of \$32.5 million or 17% from the comparable prior year period. This increase was driven by the same factors as discussed above under “Comparison of Three-Month Periods Ended June 30, 2022 and 2021—Operating Expenses—Processing Expenses.”

*Other General and Administrative Expenses* — Other general and administrative expenses totaled \$178.6 million for the six months ended June 30, 2022, an increase of \$23.9 million or 15%, from the comparable prior year period. This increase was primarily due to the \$13 million legal settlement associated with our inability to consummate the Tax Refund Solutions acquisition, as well as higher professional fees and software license expenses as a result of our investments in our modern banking platform and higher impairment charges associated with certain capitalized internal-use software. These increases were partially offset by lower telephone and communication expenses as a result of decreases in third-party call center support.

## Income Taxes

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

	Six Months Ended June 30,	
	2022	2021
U.S. federal statutory tax rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	0.8	1.1
General business credits	(1.7)	(1.9)
Employee stock-based compensation	1.7	(2.9)
IRC 162(m) limitation	2.3	6.4
Nondeductible expenses	0.4	0.1
Other	(0.5)	(0.3)
Effective tax rate	<u>24.0 %</u>	<u>23.5 %</u>

Our income tax expense totaled \$17.0 million for the six months ended June 30, 2022, an increase of \$1.4 million or 9% from the prior year comparable period, primarily due to an increase in taxable income and our effective tax rate. The increase in the effective tax rate for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is primarily due to a decline in excess tax benefits from stock-based compensation and an increase in state income taxes expense. These increases were partially offset by the impact of general business credits and a reduction in the amount of compensation expense that was subject to the IRC 162(m) limitation on the deductibility of certain executive compensation.

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 six months ended June 30, 2022 and 2021 were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Change	%	2022	2021	Change	%
(In thousands, except percentages)								
<b>Financial Results</b>								
Segment revenues	\$ 150,959	\$ 182,093	\$ (31,134)	(17.1)%	\$ 309,716	\$ 366,434	\$ (56,718)	(15.5)%
Segment expenses	90,583	126,303	(35,720)	(28.3)%	195,052	257,117	(62,065)	(24.1)%
Segment profit	<u>\$ 60,376</u>	<u>\$ 55,790</u>	<u>\$ 4,586</u>	8.2 %	<u>\$ 114,664</u>	<u>\$ 109,317</u>	<u>\$ 5,347</u>	4.9 %
(In millions, except percentages)								
<b>Key Metrics</b>								
Gross Dollar Volume	\$ 5,715	\$ 8,188	\$ (2,473)	(30.2)%	\$ 12,336	\$ 18,344	\$ (6,008)	(32.8)%
Active Accounts*	2.78	3.97	(1.19)	(30.0)%	n/a	n/a	n/a	n/a
Direct Deposit Active Accounts*	0.67	0.92	(0.25)	(27.2)%	n/a	n/a	n/a	n/a
Purchase Volume	\$ 4,588	\$ 6,455	\$ (1,867)	(28.9)%	\$ 9,605	\$ 13,593	\$ (3,988)	(29.3)%

\* Represents number of active and direct deposit active accounts as of June 30, 2022 and 2021, respectively.

As additional supplemental information, our key metrics within our Consumer Services segment is presented on a quarterly basis as follows:

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
(In millions)						
<b>Key Metrics</b>						
Gross dollar volume	\$ 5,715	\$ 6,621	\$ 6,300	\$ 6,811	\$ 8,188	\$ 10,156
Number of active accounts	2.78	3.04	3.10	3.38	3.97	4.07
Direct deposit active accounts	0.67	0.69	0.76	0.83	0.92	0.97
Purchase volume	\$ 4,588	\$ 5,017	\$ 4,881	\$ 5,166	\$ 6,455	\$ 7,138

Segment revenues within Consumer Services for the three and six months ended June 30, 2022 decreased \$31.1 million, or 17%, and \$56.7 million, or 15%, respectively, compared to the prior year comparable periods, while our segment expenses for the three and six months ended June 30, 2022 decreased \$35.7 million, or 28%, and \$62.1 million, or 24%, respectively.

Our gross dollar volume, purchase volume, total number of active accounts and direct deposit active accounts decreased during the three months ended June 30, 2022 by 30%, 29%, 30% and 27%, respectively, from the comparable prior year period primarily due to the timing of stimulus payments and other federal benefits received by our cardholders in 2021. No such economic stimulus packages have been enacted to date in 2022. For similar reasons, gross dollar volume and purchase volume decreased for the six months ended June 30, 2022 from the prior year comparable period.

Our monthly maintenance fees, ATM revenue and interchange revenues decreased as a result of the decreases in each of our key metrics stated above. These decreases were partially offset by increasing customer adoption 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.

Consumer Services expenses decreased for the three and six months ended June 30, 2022 from the comparable prior year period due to several factors, including a decrease in sales commissions from lower revenues on products subject to revenue-sharing agreements, a decrease in third-party call center support costs in part due to a decline in active accounts, but also as a result of our efforts to improve our customer service over the course of 2021, a decrease in transactions losses due to lower gross dollar volume and improvement in loss rates, and a decrease in marketing and supply chain expenses in connection with GO2bank. As a result, despite lower revenues, our segment profit increased for the three and six months ended June 30, 2022 by 8% and 5%, respectively.

### B2B Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Change	%	2022	2021	Change	%
(In thousands, except percentages)								
<b>Financial Results</b>								
Segment revenues	\$ 143,514	\$ 112,589	\$ 30,925	27.5 %	\$ 277,414	\$ 218,564	\$ 58,850	26.9 %
Segment expenses	120,739	94,415	26,324	27.9 %	232,375	182,857	49,518	27.1 %
Segment profit	\$ 22,775	\$ 18,174	\$ 4,601	25.3 %	\$ 45,039	\$ 35,707	\$ 9,332	26.1 %
<b>Key Metrics</b>								
(In millions, except percentages)								
Gross Dollar Volume	\$ 11,641	\$ 9,211	\$ 2,430	26.4 %	\$ 22,456	\$ 19,721	\$ 2,735	13.9 %
Active Accounts*	1.83	2.06	(0.23)	(11.2)%	n/a	n/a	n/a	n/a
Purchase Volume	\$ 2,172	\$ 2,415	\$ (243)	(10.1)%	\$ 4,347	\$ 5,722	\$ (1,375)	(24.0)%

\* Represents number of active accounts as of June 30, 2022 and 2021, respectively.

As additional supplemental information, our key metrics within our B2B Services segment is presented on a quarterly basis as follows:

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
(In millions)						
<b>Key Metrics</b>						
Gross dollar volume	\$ 11,641	\$ 10,815	\$ 10,053	\$ 9,593	\$ 9,211	\$ 10,510
Number of active accounts	1.83	1.89	1.97	1.99	2.06	2.28
Purchase volume	\$ 2,172	\$ 2,175	\$ 2,184	\$ 2,190	\$ 2,415	\$ 3,307

Segment revenues within our B2B Services for the three and six months ended June 30, 2022 increased \$30.9 million, or 27%, and \$58.9 million, or 27%, respectively, compared to the prior year periods, while our segment expenses for the three and six months ended June 30, 2022 increased \$26.3 million, or 28% and \$49.5 million, or 27%, respectively.

Our total gross dollar volume during the three and six months ended June 30, 2022 increased 26% and 14% respectively, from the comparable prior year periods as we continued to experience organic growth from both new

and existing users in certain BaaS programs as the demand for digital payments continues. Total gross dollar volume increased despite the number of active accounts decreasing within this segment by 11% year-over-year and purchase volume decreasing for the three and six months ended June 30, 2022 by approximately 10% and 24% respectively, from the comparable prior year periods.

Overall, many of our BaaS partners within our B2B Services segment were impacted by similar trends seen in our Consumer Services segment, however, growth in gross dollar volume from certain programs resulted in a net increase in segment revenue due to higher program management service fees earned from BaaS partners, despite a lower number of active accounts and lower purchase volume. This increase was partially offset by a decrease in the amount of interchange revenue earned associated with the decrease in purchase volume.

B2B Services expenses increased for the three and six months ended June 30, 2022 from the comparable prior year period, principally due to higher processing expenses with the growth of certain BaaS account programs and higher overall transaction losses as a result of the increase in gross dollar volume.

This segment also experienced margin compression because certain BaaS partnerships were structured based on a fixed profit and therefore, our segment profit for certain arrangements will not scale with revenue growth.

During the second quarter of 2022, we also engaged in contract renewal negotiations with several BaaS partners, but after extensive negotiations, could not agree upon terms that would best serve the long-term interests of both us and our BaaS partners. We expect these non-renewals to have a modest impact on our B2B Services segment key metrics and financial results in the second half of 2022. 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 June 30,				Six Months Ended June 30,			
	2022	2021	Change	%	2022	2021	Change	%
(In thousands, except percentages)								
<b>Financial Results</b>								
Segment revenues	\$ 54,143	\$ 66,019	\$ (11,876)	(18.0)%	\$ 151,459	\$ 156,386	\$ (4,927)	(3.2)%
Segment expenses	23,992	27,827	(3,835)	(13.8)%	59,848	69,380	(9,532)	(13.7)%
Segment profit	\$ 30,151	\$ 38,192	\$ (8,041)	(21.1)%	\$ 91,611	\$ 87,006	\$ 4,605	5.3 %
<b>Key Metrics</b>								
(In millions, except percentages)								
Cash Transfers	9.00	10.19	(1.19)	(11.7)%	17.87	20.51	(2.64)	(12.9)%
Tax Refunds Processed	4.48	4.15	0.33	8.0 %	14.09	11.59	2.5	21.6 %

As additional supplemental information, our key metrics within our Money Movement Services segment is presented on a quarterly basis as follows:

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
(In millions)						
<b>Key Metrics</b>						
Number of cash transfers	9.00	8.87	9.95	10.05	10.19	10.32
Number of tax refunds processed	4.48	9.61	0.12	0.43	4.15	7.44

Segment revenues within our Money Movement services for the three and six months ended June 30, 2022 decreased \$11.9 million, or 18%, and \$4.9 million, or 3%, respectively, from the comparable prior year periods, and segment expenses for the three and six months ended June 30, 2022 decreased \$3.8 million, or 14%, and \$9.5 million, or 14%, respectively.

The decrease in segment revenues for the three and six months ended June 30, 2022 was driven primarily by a lower number of cash transfers processed, which decreased by 12% and 13%, respectively, from the prior year comparable periods. The Green Dot Network is a service provider to accountholders in our Consumer Services and B2B Services segments, as well as third-party programs. The decrease in cash transfers was the result of lower active accounts within our Consumer Services and B2B Services segments discussed above.

Segment revenues for the three months ended June 30, 2022 also decreased from the prior year comparable period as a result of lower tax processing revenues. Despite a higher number of tax refund transfers processed for the comparable periods, the amount of tax processing revenues decreased due to a mix-shift between our



professional and consumer tax channels, which generated a lower revenue per refund transfer. Our tax processing revenues increased for the six months ended June 30, 2022, due to an increase in the number of tax refunds processed. The number of tax refunds processed during the first half of 2022 increased by 22% over the first half of the prior year tax season.

Segment expenses decreased during the three and six months ended June 30, 2022, primarily due to a decrease in sales commissions from lower cash transfer revenues and lower third-party costs in support of our tax refund processing services.

### Corporate and Other

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Change	%	2022	2021	Change	%
(In thousands, except percentages)								
<b>Financial Results</b>								
Unallocated revenue and intersegment eliminations	\$ 6,485	\$ (2,763)	\$ 9,248	(334.7)%	\$ 11,190	\$ (3,641)	\$ 14,831	(407.3)%
Unallocated corporate expenses and intersegment eliminations	52,239	46,469	5,770	12.4 %	104,630	92,105	12,525	13.6 %
	<u>\$ (45,754)</u>	<u>\$ (49,232)</u>	<u>\$ 3,478</u>	(7.1)%	<u>\$ (93,440)</u>	<u>\$ (95,746)</u>	<u>\$ 2,306</u>	(2.4)%

Revenues within Corporate and Other are comprised of net interest income and other investment income earned by our bank and intersegment 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, impairment charges 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 six months ended June 30, 2022 as a result of an increase in the size of our investment securities portfolio and recent increases in interest rates by the Federal Reserve.

Unallocated corporate expenses for the three and six months ended June 30, 2022 increased year-over-year by approximately 12% and 14%, respectively, as a result of higher salaries and wages, professional services expenses and software licenses, each in support of our investments to build a modern and scalable core banking and card management platform, as well as other growth initiatives.

### Liquidity and Capital Resources

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

	Six Months Ended June 30,	
	2022	2021
(In thousands)		
Total cash provided by (used in)		
Operating activities	\$ 187,454	\$ 119,456
Investing activities	(649,499)	(265,700)
Financing activities	(81,117)	544,849
(Decrease) increase in unrestricted cash, cash equivalents and restricted cash	<u>\$ (543,162)</u>	<u>\$ 398,605</u>

For the six months ended June 30, 2022 and 2021, we financed our operations primarily through our cash flows generated from operations. From time to time, we may also finance short-term working capital activities through our borrowings under our credit facility. As of June 30, 2022, our primary source of liquidity was unrestricted cash and cash equivalents totaling \$776.3 million. We also consider our \$2.4 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 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 material trends on our business to ensure our liquidity and capital resources remain appropriate throughout this period of uncertainty.

#### **Cash Flows from Operating Activities**

Our \$187.5 million of net cash provided by operating activities during the six months ended June 30, 2022 was the result of \$53.6 million of net income, adjusted for certain non-cash operating items of \$95.7 million and increases in net changes in our working capital assets and liabilities of \$38.1 million. Our \$119.5 million of net cash provided by operating activities during the six months ended June 30, 2021 was the result of \$50.7 million of net income, adjusted for certain non-cash operating items of \$88.1 million and decreases in net changes in our working capital assets and liabilities of \$19.3 million.

#### **Cash Flows from Investing Activities**

Our \$649.5 million of net cash used in investing activities during the six months ended June 30, 2022 was primarily due to purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of \$525.8 million, the purchase of other bank investments of \$31.9 million, capital contributions related to our investment in TailFin Labs, LLC of \$35.0 million, and the acquisition of property and equipment of \$36.5 million. Our \$265.7 million of net cash used in investing activities during the six months ended June 30, 2021 was primarily due to purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of \$139.8 million, the purchase of other bank investments of \$50.0 million, capital contributions related to our investment in TailFin Labs, LLC of \$35.0 million, and the acquisition of property and equipment of \$23.8 million.

#### **Cash Flows from Financing Activities**

Our \$81.1 million of net cash used in financing activities during the six months ended June 30, 2022 was principally the result of a decrease of \$120.1 million in obligations to customers and share repurchases of our Class A common stock of \$44.0 million, partially offset by a net increase in customer deposits of \$85.2 million. We also borrowed and have repaid \$50.0 million on our revolving line of credit during the six months ended June 30, 2022.

Our \$544.8 million of net cash provided from financing activities during the six months ended June 30, 2021 was principally the result of a net increase in customer deposits of \$125.5 million and a net increase of \$425.8 million in obligations to customers. Total customer deposit balances increased year-over-year, principally as a result of additional economic stimulus funds and other government benefits received by our cardholders.

#### **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 \$100.0 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.

The terms of our existing agreement also provide for a method to determine an alternative benchmark interest rate in anticipation of the discontinuation of LIBOR under reference rate reform. This alternative benchmark rate will be selected between the parties taking into consideration recommendations from regulatory bodies or based on prevailing market conventions at the time the alternative rate is established, and may include the Secured Overnight Financing Rate.

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 June 30, 2022, 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, including GO2bank, new features for our existing products and IT infrastructure such as our core banking and card management systems in order to scale and operate effectively to meet our strategic objectives. While we expect these capital expenditures will exceed the amount of our capital expenditures in 2021, 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. If another economic relief package is signed into law that provides for substantial additional direct payments and unemployment benefits, we may need to increase the size of our cash contributions to Green Dot Bank to maintain its capital, leverage and other financial commitments.

We also have certain contractual payment obligations, in each case, as described in more detail below.

#### *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, 2021.

## 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 and Green Dot Bank 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 and Green Dot Bank 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%. Either or both of Green Dot Corporation and Green Dot Bank may qualify for and opt to use, from time to time, the community bank leverage ratio framework under the Federal Reserve's version of the U.S. Basel III Rules. Under the community bank leverage ratio framework, a qualifying community banking organization may generally satisfy its capital requirements (and capital conservation buffer) under the U.S. Basel III rules, provided that it has a Tier 1 leverage ratio greater than 9% and satisfies other applicable conditions. In 2021, Green Dot Corporation and Green Dot Bank qualified for (including, in the case of Green Dot Bank, through grace periods) and opted to use the community bank leverage ratio framework. Going forward, we expect that Green Dot Corporation will continue to qualify for and use the community bank leverage ratio framework, and that Green Dot Bank will calculate and disclose its risk-based capital ratios and Tier 1 leverage ratio under standardized approach of the U.S. Basel III Rules.

As of June 30, 2022 and December 31, 2021, we and Green Dot Bank were categorized as "well capitalized" under applicable regulatory standards. To be categorized as "well capitalized," we and Green Dot Bank must maintain specific total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since June 30, 2022 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 credit losses, subject to certain limits
Average total assets	Average total consolidated assets during the period less deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles assets
Risk-weighted assets	Represents the amount of assets or exposure multiplied by the standardized risk weight (%) associated with that type of asset or exposure. The standardized risk weights are prescribed in the bank capital rules and reflect regulatory judgment regarding the riskiness of a type of asset or exposure

The actual amounts and ratios, and required "well capitalized" minimum capital amounts and ratios at June 30, 2022 and December 31, 2021 were as follows:

June 30, 2022				
	Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum
(In thousands, except ratios)				
<b>Green Dot Corporation:</b>				
Tier 1 leverage	\$ 644,801	15.2 %	4.0 %	n/a
Common equity Tier 1 capital	\$ 644,801	46.0 %	4.5 %	n/a
Tier 1 capital	\$ 644,801	46.0 %	6.0 %	6.0 %
Total risk-based capital	\$ 658,893	47.0 %	8.0 %	10.0 %
<b>Green Dot Bank:</b>				
Tier 1 leverage	\$ 332,208	8.1 %	4.0 %	5.0 %
Common equity Tier 1 capital	\$ 332,208	32.6 %	4.5 %	6.5 %
Tier 1 capital	\$ 332,208	32.6 %	6.0 %	8.0 %
Total risk-based capital	\$ 339,999	33.3 %	8.0 %	10.0 %
December 31, 2021				
	Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum
(In thousands, except ratios)				
<b>Green Dot Corporation:</b>				
Tier 1 leverage	\$ 637,338	15.9 %	4.0 %	n/a
Common equity Tier 1 capital	\$ 637,338	54.0 %	4.5 %	n/a
Tier 1 capital	\$ 637,338	54.0 %	6.0 %	6.0 %
Total risk-based capital	\$ 648,038	54.9 %	8.0 %	10.0 %
<b>Green Dot Bank:</b>				
Tier 1 leverage	\$ 329,162	9.1 %	4.0 %	5.0 %
Common equity Tier 1 capital	\$ 329,162	40.7 %	4.5 %	6.5 %
Tier 1 capital	\$ 329,162	40.7 %	6.0 %	8.0 %
Total risk-based capital	\$ 336,461	41.6 %	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 meaningful component to our consolidated operating results, we do not consider our investment portfolio to be subject to material interest rate risk since it is comprised predominantly of fixed rate securities. This portfolio is price sensitive to rate changes, which can impact the associated unrealized gain or loss. However, we have the ability and intent to hold these instruments until the securities recover their amortized cost bases, which may be at maturity. Our cash and cash equivalents are subject to changes in short-term rates. The Federal Open Market Committee ("FOMC") again increased the federal funds target rate in June 2022 to a range of 2.25%-2.50%, which will continue to impact the amount of net interest income we earn. While it is expected that the FOMC will continue to increase interest rates throughout 2022 to slow the effects of economic inflation, it is uncertain when or how many times interest rates will be increased. The FOMC's decision-making policies for short-term interest rates will continue to impact the amount of net interest income we earn in the future.

As of June 30, 2022, 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 credit agreement is drawn up to its maximum borrowing capacity of \$100.0 million, based on the applicable LIBOR and margin in effect as of June 30, 2022, 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 only to the extent necessary to manage our exposure. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

#### *Inflation risks*

It is difficult to assess whether inflation has or will have a material effect on our business, financial condition or results of operations. Nonetheless, if our borrowing rates were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through rate increases. Our inability or failure to do so could harm our business, financial condition and results of operations. Additionally, interest rate increases may adversely impact our customers' spending levels or our customers' ability to pay outstanding amounts owed to us. However, we believe this risk is largely offset by the higher interest rate yields on our cash and investment portfolios as well as anticipated increases in consumer spending caused by inflation that would result in increased interchange revenue. Further, because the majority of our investment portfolio is subject to longer maturity dates, we believe the risk of realized losses from selling fixed income securities at a discount to the market is immaterial.

#### *Credit and liquidity risks*

We are exposed to credit and liquidity risks associated with the financial institutions that hold our cash and cash equivalents, restricted cash, available-for-sale investment securities, settlement assets due from retail distributors, third-party payment processors and other partners 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 risks associated with our cash and cash equivalents, available-for-sale investment securities, loans 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 settlement assets is mitigated due to the short time period, currently an average of two days that settlement assets are outstanding. We perform an initial credit review and assign a credit limit to each new retail distributor, third-party payment processors and other partners. We monitor each 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 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 June 30, 2022 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 we have shifted to a remote workforce strategy in the U.S. The design of our processes and controls allows 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* 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. We have shifted to a remote workforce strategy for our employees in the U.S. and we have closed most of our leased office locations in the U.S., which could result in a less effective workforce in the long-term. As a result of the resurgence of the COVID-19 pandemic's Omicron variant in China during the first quarter of 2022, we closed our offices again in China and shifted to a remote workforce strategy in China. While we have resumed normal operations in China, it is possible that we may continue to experience similar issues in the future due to the pandemic, which over a prolonged period of time, could potentially delay our ability to launch new products or services. In addition, many of the third-party call centers we rely on to provide customer support experienced periodic disruptions in 2021 due to the ongoing pandemic, which resulted in delayed responses to customers and a higher usage of automated services, and contributed to higher costs and transaction losses compared to prior periods. 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. We may continue to experience increased costs, which could continue to adversely affect our business, results of operations, and financial condition in future periods.

Despite widespread vaccination efforts as well as dropping infection and hospitalization rates in the United States, COVID-19 could still have an adverse impact on our business as the duration and magnitude of the continuing effects of COVID-19 remain uncertain and dependent on various factors, including the continued severity and transmission rates of the virus and variants of the virus, the effectiveness of COVID-19 vaccines against such variants, the nature and duration of future preventative measures, the extent and effectiveness of future containment and mitigation efforts, including vaccination programs and mandates, the type of stimulus measures and other policy responses that the U.S. government or regulators may further adopt, including interest rate increases, if any, and the impact of these and other factors on our employees, customers, retail distributors, partners and vendors. Governmental actions such as the American Rescue Plan of 2021 helped mitigate the effects of COVID-19 on our business in 2021 but have since expired, and our income has and could continue to be impacted as a result.

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.

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

***Worsening economic conditions, a rising rate of inflation, or other potential causes of economic distress could materially and adversely impact our business and financial results.***

The effects of the economic downturn associated with the COVID-19 pandemic, and other economic factors, have resulted in a significant increase in the rate of inflation, rising interest rates, and may further increase unemployment, all of which could reduce consumer credit ratings and credit availability, which may adversely affect our operations. Such an outcome could cause us to adjust pricing to account for an increasing cost of funds and increased credit risk in a down economy and thereby erode our margins and negatively impact our future financial performance and the price of our Class A Common Stock. Additionally, if our borrowing rates were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through rate increases. Our inability or failure to do so could harm our business, financial condition and results of operations. Additionally, interest rate increases may adversely impact our customers' spending levels or our customers' ability to pay outstanding amounts owed to us.

Please see "Quantitative and Qualitative Disclosures about Market Risk" for more information regarding the potential impact of the various market risks on our business.



## RISKS RELATED TO OUR BUSINESS

***The loss of operating revenues from Walmart or any of our largest retail distributors as well as our significant BaaS partners, third-party processors or other major consumers would adversely affect our business.***

A significant portion of our operating revenues are derived from the products and services sold at our largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart were approximately 21.0% for the three and six months ended June 30, 2022, 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 and rising inflation, 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, significant BaaS partners, third-party processors or other major consumers could harm our reputation, making it more difficult to attract and retain consumers, BaaS partners, third-party processors and other retail distributors, and could lessen our negotiating power with our remaining and prospective retail distributors, BaaS partners, third-party processors and consumers.

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 Walmart and our 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, significant BaaS partners, third-party processors or consumers 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. For example, during the three months ended June 30, 2022, we and several business partners failed to reach agreement on renewal of their agreements with us, and we are also in the midst of a dispute with Uber over their obligations under our agreements with them. Our operating revenues and results of operations could suffer if, among other things, any of our retail distributors, significant BaaS partners, third-party processors or consumers 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 certain 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 2021, we launched GO2bank, a mobile bank account aimed at serving the low-and moderate-income market and continue to enhance its features and functionality. 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 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 in the long-term 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. For cardholders who are not enrolled or do not meet the eligibility requirements of our overdraft protection program, we generally decline authorization attempts for amounts that exceed the available balance in a cardholder's account, however, 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 still result in overdrawn accounts. Our overdraft exposure in these instances 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.

Additionally, in 2021, we introduced an optional overdraft protection program service on certain demand deposit account programs that allows eligible cardholders who opt-in to spend up to a pre-authorized amount in excess of their available card balance.

We maintain reserves to cover the risk that we may not recover these amounts 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.***

A large portion of our business is conducted through retail distributors that sell our products and services to consumers at their store locations or other partners that collect funds and fees from our customers on our behalf. Our retail distributors and partners collect funds from the consumers who purchase our products and services and then must remit these funds directly to our subsidiary bank. The remittance of these funds by the retail distributor or partner takes on average two business days. If a retail distributor or partner becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to our card issuing bank from the sales of our products and services, we are liable for any amounts owed to our customers. As of June 30, 2022, we had assets subject to settlement risk of \$498.1 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. Additionally, 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.

We are currently in the process of bringing processing in-house instead of using third-party processors. As a result, some customers may experience disruptions in service in connection with this ongoing project despite significant investments in planning and testing on the part of us and our processing technology partners. In addition, our inability to transition to in-house processing, or any failure by us to process transactions in a timely manner once we begin processing transactions, could cause significant disruptions to our customers and our business.

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 to potentially 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. Regardless of whether or not we are sued or face regulatory actions, a breach will require us to carefully assess the materiality of a cyber-attack. Depending on the nature and magnitude of the accessed data, this effort may require substantial resources. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If we are 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 hiring an external party to conduct a forensic investigation, 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.

***Failure to maintain satisfactory compliance with certain privacy and data protection laws and regulations may subject us to substantial negative financial consequences and civil or criminal penalties.***

Complex existing and emerging local, state, and federal laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal information. These privacy laws and regulations are quickly evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Complying with these laws and regulations can be costly and can impede the development and offering of new products and services. In addition, our failure to comply with applicable laws and regulations or other obligations to which we may be subject relating to personal information, or to protect personal information from unauthorized access, use, or other processing, could result in enforcement actions and regulatory investigations against us, claims for damages by customers and other affected individuals, fines, damage to our reputation, and loss of goodwill, any of which could have a material adverse effect on our operations, financial performance, and business.

***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, cash processing, 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 or if they elected not to renew their contracts with us, and our business and operations would be adversely affected. Additionally, replacing third-party vendors with in-house solutions may lead to unanticipated operating costs and potential exposure to increased regulatory scrutiny. In particular, due to the seasonality in our business, any material service interruptions, service delays or changes in service contracts with key vendors during the tax season would 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 experienced periodic disruptions in 2021 due to the ongoing 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 higher costs and transaction losses as compared to prior periods. Any prolonged closure or disruption in the services provided by such call centers would 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. For example, as a result of the resurgence of the COVID-19 pandemic's Omicron variant in China, our offices in Shanghai, China were closed during the first quarter of 2022 and shifted to a remote workforce strategy. 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 and geopolitical instability and military conflicts, including between Russia and Ukraine;
- limited protection of our intellectual property and other assets;
- compliance with 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 Green Dot Bank fails to comply with its applicable capital and leverage requirements, the Federal Reserve Board may limit our or Green Dot Bank's 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 an FHC, we are generally prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies and FHCs. 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." Currently, under the BHC Act, we may not be able to engage in new activities or acquire shares or control of other businesses. Such restrictions 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 properly classify its deposits could have an adverse effect on our financial condition.***

The FDIC issued a final rule relating to the classification of brokered deposits with full compliance required by 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," for purposes of the classification of deposits as brokered deposits and exemptions from such a classification. As a result of the new rule, Green Dot Bank reclassified its deposits as non-brokered. We cannot predict how the FDIC will interpret the new rule and whether it will result in a change in the way our deposits are classified. If the FDIC determines that Green Dot Bank's deposits should actually be classified as brokered, such a finding could have an adverse impact on our financial condition.

***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 BSA, as amended by the PATRIOT Act. Failure to fully comply with these requirements exposes us to the risk of being required to undertake substantial remediation efforts and to the risk of enforcement actions, either of which could have a material adverse impact on our results of operations, financial condition or business prospects.

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 current administration and leadership at federal agencies such as the CFPB, we expect that financial institutions will remain heavily regulated in the near future and that additional laws or regulations may be adopted that further regulate specific banking practices, including with respect to the fees we are permitted to charge to customers.

If additional regulatory requirements were imposed on our bank or the sale of our products and services, the requirements could lead to a loss of retail distributors, tax preparation partners or other business partners, which 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 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 materially and adversely affect our business, financial position and operating results.

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 June 30, 2022, interchange revenues represented 21% 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 Green Dot 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. The outcome of litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, seek to have aspects of our business suspended or modified or seek to impose sanctions, including significant monetary fines. The monetary and other impacts 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. Refer to *Note 17 - Commitments and Contingencies* to the Consolidated Financial Statements for further information regarding certain of our legal proceedings.

***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, 2 published patents and 1 patent application 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 our cost-savings measures are ineffective or result in us incurring greater costs, our operating results could be adversely affected.

***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.

## 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 including the occurrence of one or more of the events or circumstances described in these risk 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;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell or changes in the mix of our client retail distributors;
- the timing of commencement of new and existing product roll outs, developments and initiatives and the lag before those new products, channels or retail distributors generate material operating revenues;
- our ability to effectively sell our products through direct-to-consumer initiatives;
- costs associated with significant changes in our risk policies and controls;
- the amount and timing of major advertising campaigns, including sponsorships;
- the amount and timing of capital expenditures and operating costs;
- interest rate volatility;
- our ability to control costs, including third-party service provider costs and sales and marketing expenses;
- volatility in the trading price of our Class A common stock;
- changes in the political or regulatory environment affecting the industries in which we operate;
- economic recessions or uncertainty in financial markets, and the uncertainty regarding the impact of inflation; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics, including the COVID-19 pandemic as well as the other items included in these risk factors.

### ***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. Additionally, our U.S.-based employees, including our senior management team, work for us on an at-will basis and there is no assurance that any such employee will remain with us. Further, in 2021, the labor market in the U.S. began experiencing a significant increase in workers leaving their positions (often referred to as the "Great Resignation"), which has made the market to replace these individuals increasingly competitive and has resulted in significant wage inflation in response to labor shortages, and may further increase the challenge of employee attraction and retention for companies like ours.

***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 the recent lawsuit filed by Republic Bank), and our stock price may also suffer as the failure to consummate such an 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 systems and operations generally with ours;
- integration of employees from the acquired company into our organization;
- loss or termination, including costs associated with the termination or replacement of 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.***

Our net goodwill and intangible assets represent a significant portion of our consolidated assets. Our net goodwill and intangible assets were \$455.7 million as of June 30, 2022. Under generally accepted accounting principles in the United States, or ("U.S. GAAP"), we are required to test the carrying value of goodwill 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**

The following is a summary of issuer purchases of equity securities during the quarter ended June 30, 2022 (in thousands, except per share amounts). See *Note 11 — Stockholders Equity* of our notes to our consolidated financial statements for information regarding our stock repurchase program.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2022 - April 30, 2022	148 <sup>(1)</sup>	\$ 27.23	148	\$ 74,581
May 1, 2022 - May 31, 2022	321	27.29	321	65,819
June 1, 2022 - June 30, 2022	375	26.30	375	55,956
Total	845	\$ 26.84	845	\$ 55,956

(1) Includes the settlement of 132 shares received from our March 2022 accelerated share repurchase arrangement at an average price per share of \$27.35.

After giving effect to our share repurchases during the three months ended June 30, 2022, the remaining amount available under the current authorization totaled \$56.0 million with no expiration date.

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

**ITEM 6. Exhibits**

The following documents are filed as exhibits to this report:

<b>Exhibit Number</b>	<b>Description of Exhibits</b>
31.1	<a href="#">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.</a>
31.2	<a href="#">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.</a>
32.1	<a href="#">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.</a> *
32.2	<a href="#">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.</a> *
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, 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)

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\* 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: August 5, 2022

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: August 5, 2022

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 June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Green Dot Corporation.

Date: August 5, 2022

By: /s/ George Gresham

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