

GREEN DOT CORP
Form 10-K
February 27, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

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 95-4766827
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)
3465 E. Foothill Blvd. (626) 765-2000
Pasadena, California 91107 (Registrant's telephone number, including area code)
(Address of principal executive offices, including zip code)
Securities registered pursuant to Section 12(b) of the Act:
Class A Common Stock, \$0.001 par value New York Stock Exchange
(Title of each class) (Name of each exchange on which registered)
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition

period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the common equity held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers, directors and 10% or greater stockholders are "affiliates" of the registrant) as of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$2.6 billion (based on the closing sale price of the registrant's common stock on that date as reported on the New York Stock Exchange).

There were 52,959,479 shares of Class A common stock, par value \$0.001 per share, as of January 31, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to the registrant's 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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FORWARD-LOOKING STATEMENTS

This report 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 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “assumes,” variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under “Part I, 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 report, unless otherwise specified or the context otherwise requires, “Green Dot,” “we,” “us,” and “our” refer to Green Dot Corporation and its consolidated subsidiaries, the term “GPR cards” refers to general purpose reloadable prepaid debit cards, the term “prepaid cards” refers to prepaid debit cards and the term “our cards” refers to our Green Dot-branded and co-branded GPR cards. In addition, “prepaid financial services” refers to GPR cards and associated reload services, a segment of the prepaid card industry.

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PART I

ITEM 1. Business

Overview

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

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

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

Acquisitions

In February 2017, we acquired all the membership interests of UniRush, LLC to expand our online direct-to-consumer channel and our emergent corporate payroll card business. The fair value of the total consideration in connection with the acquisition was approximately \$163.7 million, which included cash and contingent consideration in the form of an earn-out. Additional information regarding the acquisition is included in the information set forth in Note 4 — Business Acquisitions of the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data.

Our products and services

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

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

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platform partners' distribution channels that those partners use to acquire customers for their bespoke products and services that are powered by our BaaS Platform.

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

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

Our BaaS Platform

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

- Mobile banking;
- Loan disbursement accounts;
- Mobile P2P services;
- Money transfer services;
- GPR cards;
- Network branded "open loop" gift cards;
- Instant payment and wage disbursements;
- Small business checking accounts and debit cards; and
- Consumer checking accounts.

Our Segments and Distribution Channels

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

Account Services

Consumer Accounts

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

These products include:

• Network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, collectively referred to as GPR cards;

• Innovative consumer and small business checking account products, such as our GoBank product, that allow customers to acquire and manage their checking account entirely through a mobile application available on smartphone devices; and

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

Green Dot Direct

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

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Consumer Credit Card

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

PayCard and Corporate Disbursement

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

Green Dot Bank

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

• Issuing services as the payment network member bank and settlement bank for our GPR card, spend-based P2P programs, gift card and checking account products;

• Credit card issuing and capital lending services for our Green Dot Platinum Visa Secured Credit Card; and

• Settlement bank for our reload and tax refund services within our Processing and Settlement Services segment.

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

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

Processing and Settlement Services

Money Processing

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

Our "Reload@TheRegister" swipe reload service allows consumers to add funds to accounts we issue or manage and accounts issued by any third-party bank or program manager, which we refer to as network acceptance members, that has enabled its cards to accept funds through our processing system.

Our MoneyPak PIN product provides consumers the ability to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its cards to accept funds through our processing system.

Our e-cash remittance service enables consumers to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its accounts to accept funds through our processing system.

Consumers can also cash-out money sent to them by a business through the use of our e-cash remittance service when Green Dot sends a unique barcode to the customer's smartphone, which is then presented to a cashier at a participating retailer who then scans the barcode to fulfill the transfer.

Our Simply Paid Disbursement service that enables wages and any type of authorized funds disbursement to be sent to accounts we issue or manage and accounts issued by any third-party bank or program manager that has enabled its cards to accept funds through our processing system.

Tax Processing

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

• Tax refund transfers that provide the processing technology to facilitate receipt of a taxpayers' refund proceeds. When a customer of a third-party tax preparation provider chooses to pay their tax preparation fees using our

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processing services, we deduct the tax preparation service fee and our processing service fee from the customer's refund and remit the remaining balance to the customer's account;

• Small business lending to independent tax preparation providers that seek small advances in order to help provide working capital prior to generating income during the tax filing season;

GPR card offerings that are integrated into the tax preparation software that enables a tax preparation provider to offer its customers a Green Dot Bank-issued GPR card for the purpose of receiving tax refunds more rapidly and securely than check disbursements; and

Fast Cash Advance, a consumer-friendly loan that enables tax refund recipients utilizing our tax processing services the opportunity to receive a portion of their expected tax refund amount in advance of receiving their actual tax refund.

Our Relationship with Walmart

Walmart is our largest retail distributor. Green Dot Corporation has been the provider of Walmart-branded GPR cards sold at Walmart since the initiation of the Walmart MoneyCard pilot program in 2006 and that product's national launch in 2007, and Green Dot Bank has been the issuer of those card accounts since early 2014. Pursuant to our agreement with Walmart, Green Dot designs and delivers the Walmart MoneyCard product and provides all ongoing program support, including network IT, regulatory and legal compliance, website functionality, customer service and loss management. Walmart provides us with shelf space to display and offer the card accounts to consumers. As the issuing bank, Green Dot Bank holds the associated FDIC-insured deposits. All Walmart MoneyCard products are reloadable exclusively on the Green Dot Network. In addition to Walmart MoneyCards, we offer our Green Dot-branded cards and our GoBank checking account product at Walmart, providing consumers the choice to purchase either Green Dot-branded products or Walmart MoneyCard products. Our operating revenues derived from the several products and services we offer through Walmart stores and other Walmart distribution avenues in aggregate represented approximately 37%, 40%, and 45% of our total operating revenues for the years ended December 31, 2018, 2017, and 2016, respectively.

Seasonality

In the industries for prepaid financial services and tax refund processing, companies commonly experience seasonal fluctuations in revenue. For example, in recent years, 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 cards, 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. Additionally, our tax refund processing services business is 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. We expect our revenue to continue to fluctuate based on seasonal factors that affect the prepaid financial services and tax refund processing industries as a whole.

Competition

Our core businesses include the offering of several deposit account programs, including prepaid cards of various types and for various purposes, demand deposit or "checking" accounts and debit cards, and various types of financial technology and transaction processing services to a wide range of consumers through a broad-based, national distribution platform. We also provide program management and other capabilities to our platform partners utilizing our BaaS platform. Consequently, 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. Furthermore, many of our 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.

Our tax refund processing services compete directly with similar processing technologies and settlement capabilities offered by companies such as Refundo, Refund Advantage, Republic Bank and others. Furthermore, other entities,

like Jackson Hewitt and H&R Block, have either fully or partially internally-developed processing and settlement capabilities to self-provide services similar to ours. It is possible that our current or potentially new distribution partners may seek to develop their own internal capabilities that compete with our tax refund processing services. We compete primarily on the basis of the following:

• breadth of distribution;

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speed and quality of innovation;
reliability of system performance and security;
scalability of platform services;
quality of service;
compliance and regulatory capabilities;
brand recognition and reputation; and
pricing

We believe our products or platform services compete favorably with respect to these factors.

Intellectual Property

We rely on a combination of patent, trademark and copyright laws and trade secret protections in the United States, as well as confidentiality procedures and contractual provisions, to protect the intellectual property rights related to our products and services.

We own several trademarks, including Green Dot and GoBank. Through agreements with our network acceptance members, retail distributors and customers, we authorize and monitor the use of our trademarks in connection with their activities with us.

Our patent portfolio currently consists of 11 issued patents and 7 patent applications pending. The term of the patents we hold is, on average, 20 years. We feel our patents and applications are important to our business and help to differentiate our products and services from those of our competitors.

The industries in which we compete are characterized by rapidly changing technology, a large number of patents, and frequent claims and related litigation regarding patent and other intellectual property rights. There can be no assurance that our patents and other proprietary rights will not be challenged, invalidated, or circumvented; that others will not assert intellectual property rights to technologies that are relevant to us; or that our rights will give us a competitive advantage. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws of the United States. The risks associated with patents and intellectual property are more fully discussed in “Item 1A. Risk Factors,” including the risk factors entitled “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.”

Regulation and Supervision

General

Our business is heavily regulated by both federal and state agencies. We and our subsidiaries are subject to supervision, regulation and examination by various federal and state regulators, including the Board of Governors of the Federal Reserve System (the “Federal Reserve”), the Utah Department of Financial Institutions (the “Utah DFI”) and various other state regulatory agencies. The statutory and regulatory framework that governs us is generally intended to protect depositors and customers, the FDIC’s Deposit Insurance Fund (“DIF”), the U.S. banking and financial system, and financial markets as a whole.

Banking statutes, regulations and policies are continually under review by Congress, state legislatures and federal and state regulatory agencies. In addition to laws and regulations, federal and state bank regulatory agencies may issue policy statements, interpretive letters and similar written guidance applicable to Green Dot Corporation and its subsidiaries. Any change in the statutes, regulations or regulatory policies applicable to us, including changes in their interpretation or implementation, could have a material effect on our business.

Both the scope of the laws and regulations and the intensity of the supervision to which BHCs such as Green Dot Corporation are subject increased in response to the global financial crisis of 2008, as well as other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes occurred as a result of the Dodd-Frank Wall Street Reform and Consumer Protect Act (the “Dodd-Frank Act”) and its implementing regulations, most of which are now in place. While the regulatory environment has entered a period of tailoring and rebalancing of the post financial crisis framework, we expect that our business will remain subject to extensive regulation and supervision.

We are also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC, as well as the rules of the New York

Stock Exchange that apply to companies with securities listed on the New York Stock Exchange.

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The following discussion describes certain elements of the comprehensive regulatory framework applicable to us. This discussion is not intended to describe all laws and regulations applicable to Green Dot Corporation, Green Dot Bank and our other subsidiaries. Any changes in applicable laws, regulations or the interpretations thereof could have a material adverse effect on our business.

Regulatory Agencies

In 2011 we completed our acquisition of Bonneville Bancorp and became a bank holding company (“BHC”) registered with the Federal Reserve under the Bank Holding Company Act of 1956 (“BHC Act”). As a BHC, Green Dot Corporation is subject to the requirements of the BHC Act as well as supervision, regulation and examination by the Federal Reserve, which serves as the primary federal banking regulator of our consolidated organization.

As an FDIC-insured commercial bank that is chartered under the laws of Utah and a member of the Federal Reserve System, Green Dot Bank and its subsidiaries are subject to regulation, supervision and examination by the Federal Reserve and the Utah DFI.

The Consumer Financial Protection Bureau (“CFPB”) has broad rulemaking authority over a wide range of federal consumer protection laws applicable to the business of Green Dot Bank. Because Green Dot Bank currently has less than \$10 billion in total consolidated assets, Green Dot Bank is subject to regulations adopted by the CFPB, but the Federal Reserve is primarily responsible for examining Green Dot Bank’s compliance with federal consumer financial laws and those CFPB regulations. The Utah DFI is responsible for examining and supervising Green Dot Bank’s compliance with state consumer protection laws and regulations.

Permissible Activities for Green Dot Corporation as a Financial Holding Company

In general, the BHC Act limits the business of BHCs to banking, managing or controlling banks and other activities that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto. Under the BHC Act, BHCs that have qualified and elected to be treated as a financial holding company (“FHC”) generally may engage in a broader range of additional activities that are (i) financial in nature or incidental to such financial activities or (ii) complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. A BHC qualifies to become an FHC if it and its subsidiary depository institutions are “well capitalized” and “well managed” and its subsidiary depository institutions have a rating under the Community Reinvestment Act (“CRA”) of at least “Satisfactory” at their most recent examination. We have qualified and elected to be an FHC under the BHC Act, although all the activities we currently conduct are permissible for a BHC.

If at any time we or Green Dot Bank fail to be “well capitalized” or “well managed,” the Federal Reserve may impose limitations or conditions on the conduct of our activities and 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.”

In connection with our acquisition of Bonneville Bancorp in 2011 and our subsequent acquisition of certain assets and certain deposit liabilities of GE Capital Retail Bank in 2013, we submitted business plans to the Federal Reserve. Under commitments made to the Federal Reserve and the Utah DFI, we must obtain prior approval from the Federal Reserve for any major deviation or material change from the business plan we submitted in 2013. Accordingly, commitments made in connection with our business plan may limit our activities.

Permissible Activities for Banks

The activities of Green Dot Bank are limited to those specifically authorized under Utah banking laws and Utah DFI regulations and permissible under applicable federal law and Federal Reserve regulations.

Supervision, Examination and Enforcement

Bank regulators regularly examine the operations of BHCs and banks. Examination results are confidential and generally may not be disclosed. In addition, BHCs and banks are subject to periodic reporting and filing requirements. The Federal Reserve and Utah DFI have broad supervisory and enforcement authority with regard to BHCs and banks, including the power to conduct examinations and investigations, impose nonpublic supervisory agreements, issue cease and desist orders, impose fines and other civil and criminal penalties, terminate deposit insurance and appoint a

conservator or receiver.

Bank regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of a banking organization's operations are

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unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or regulation. The regulators have the power to, among other things, prohibit unsafe or unsound practices, require affirmative actions to correct any violation or practice, issue administrative orders that can be judicially enforced, direct increases in capital, direct the sale of subsidiaries or other assets, limit dividends and distributions, restrict growth, assess civil monetary penalties, remove officers and directors, and terminate deposit insurance.

Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject Green Dot Corporation, its subsidiaries, including Green Dot Bank, and their respective officers, directors and institution-affiliated parties to the remedies described above and other sanctions. In addition, the FDIC may terminate a bank's deposit insurance upon a finding that the bank's financial condition is unsafe or unsound or that the bank has engaged in unsafe or unsound practices or has violated an applicable rule, regulation, order or condition enacted or imposed by the bank's regulatory agency.

Bank and BHC Acquisitions and Mergers

The BHC Act, the Bank Merger Act, Utah's Financial Institutions Act and other federal and state statutes regulate acquisitions of banks and other FDIC-insured depository institutions. Green Dot Corporation must obtain the prior approval of the Federal Reserve before (i) acquiring direct or indirect ownership or control of any voting shares of any bank or BHC, if after such acquisition, it will directly or indirectly own or control 5% or more of any class of voting shares of the institution, (ii) acquiring all or substantially all of the assets of any bank (other than directly through Green Dot Bank) or (iii) merging or consolidating with any other BHC. Under the Bank Merger Act, the prior approval of the Federal Reserve is required for Green Dot Bank to merge with another bank or purchase all or substantially all of the assets or assume any of the deposits of another FDIC-insured depository institution. In reviewing applications seeking approval of merger and acquisition transactions, bank regulators consider, among other things, the competitive effect and public benefits of the transactions, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA, the applicant's compliance with fair housing and other consumer protection laws and the effectiveness of all organizations involved in combating money laundering activities. In addition, failure to implement or maintain adequate compliance programs could cause bank regulators not to approve an acquisition where regulatory approval is required or to prohibit an acquisition even if approval is not required.

Acquisitions of Ownership of Green Dot Corporation

The ability of a third party to acquire our stock is also limited under applicable U.S. banking laws, including regulatory approval requirements.

Federal Banking Law. The BHC Act requires any BHC to obtain the approval of the Federal Reserve before acquiring, directly or indirectly, more than 5% of our outstanding common stock. Any "company," as defined in the BHC Act, other than a BHC is required to obtain the approval of the Federal Reserve before acquiring "control" of us. "Control" generally means (i) the ownership or control of 25% or more of a class of voting securities, (ii) the ability to elect a majority of the directors or (iii) the ability otherwise to exercise a controlling influence over management and policies. An entity that controls us for purposes of the BHC Act is subject to regulation and supervision as a BHC under the BHC Act. In addition, under the Change in Bank Control Act of 1978, as amended (the "CIBC Act"), and the Federal Reserve's regulations thereunder, any person, either individually or acting through or in concert with one or more persons, is required to provide notice to the Federal Reserve prior to acquiring control, directly or indirectly, of a BHC such as Green Dot Corporation. For purposes of the CIBC Act, a rebuttable presumption of control applies to acquisitions of more than 10% of any class of a BHC's voting stock under certain circumstances including if, as is the case with Green Dot Corporation, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

Utah Change in Control Restrictions. Utah's Financial Institutions Act generally requires prior approval of the Utah DFI before a person or entity may acquire, directly or indirectly, control of a depository institution or a depository institution holding company subject to its jurisdiction. The Utah DFI defines control to include, among other things, the power, directly or indirectly, or through or in concert with one or more persons, to vote more than 10% of any class of voting securities by a person other than an individual or to vote 20% or more of any class of voting securities

by an individual.

Capital and Liquidity Requirements

In General. The U.S. banking agencies have adopted regulatory capital rules to implement the Basel III regulatory capital framework developed by the Basel Committee on Banking Supervision and related provisions in the Dodd-Frank Act (“U.S. Basel III Rules”). Under the U.S. Basel III Rules, Green Dot Corporation and Green Dot Bank are required to maintain minimum risk-based and leverage capital ratios. Green Dot Corporation and Green Dot Bank

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must also maintain a capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. For a discussion of applicable regulatory minimum and well-capitalized minimum capital ratios, as well as a description of relevant definitions related to capital amounts and ratios, see “Management's Discussion and Analysis of Financial Condition and Results of Operations--Capital Requirements for Bank Holding Companies” and Note 22 — Regulatory Requirements to the Consolidated Financial Statements included herein, which are incorporated by reference in this Item 1.

The Federal Reserve may require BHCs, including us, to maintain capital substantially in excess of mandated minimum levels, depending upon general economic conditions and a BHC’s particular condition, risk profile and growth plans. The Federal Reserve may also require BHCs or their subsidiaries to make other capital or liquidity commitments. For example, in addition the above generally applicable requirements, Green Dot Bank is subject to commitments that it and Green Dot Corporation have made to the Federal Reserve and the Utah DFI. These commitments require Green Dot Bank to maintain cash and/or cash equivalents in an amount equal to no less than 100 percent of insured deposits generated by Green Dot Bank related to GPR cards.

Failure to be well-capitalized, to meet minimum capital requirements or to comply with the other commitments to which we and Green Dot Bank are subject could result in certain mandatory and possible additional discretionary actions by regulators, including restrictions on our and Green Dot Bank’s ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications, or other restrictions on growth.

As of December 31, 2018, our and Green Dot Bank’s regulatory capital ratios were above the well-capitalized standards and met the then-applicable capital conservation buffer. Based on current estimates, we believe that Green Dot Corporation and Green Dot Bank will continue to exceed all applicable well-capitalized regulatory capital requirements and the capital conservation buffer, on a fully phased-in basis.

FDICIA and Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) requires the federal bank regulatory agencies to take “prompt corrective action” in respect of FDIC-insured depository institutions that do not meet certain capital adequacy standards. FDICIA establishes five capital categories (“well-capitalized”, “adequately capitalized”, “undercapitalized”, “significantly undercapitalized” and “critically undercapitalized”), with a depository institution’s categorization for purposes of the prompt corrective action provisions depending upon its level of capitalization and certain other factors. An institution that fails to remain well-capitalized becomes subject to a series of restrictions that increase in severity as its capital condition weakens. Such restrictions may include a prohibition on capital distributions, restrictions on asset growth or restrictions on the ability to receive regulatory approval of applications. FDICIA also provides for enhanced supervisory authority over undercapitalized institutions, including authority for the appointment of a conservator or receiver for the institution. In certain instances, a BHC may be required to guarantee the performance of an undercapitalized subsidiary bank’s capital restoration plan.

Brokered Deposits

As discussed above under “Part I, Item 1A. Risk Factors,” current FDIC guidance classifies the majority of Green Dot Bank’s deposits as brokered. Under FDIC regulations, only banks that are well-capitalized may accept brokered deposits without restriction. A bank that is adequately capitalized may not accept, renew or roll over any brokered deposit unless it has been granted a waiver by the FDIC. If such waiver is granted, the bank may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. Undercapitalized banks may not accept, renew or roll over any brokered deposits. Because a majority of Green Dot Bank’s deposits are brokered deposits, failure by Green Dot Bank to remain well-capitalized could negatively affect our operations or financial condition.

In December 2018, the FDIC released an Advanced Notice of Proposed Rulemaking seeking comment on its regulatory approach to brokered deposits and the interest rate caps that apply to banks that are not well-capitalized (“Brokered Deposit ANPR”). The Brokered Deposit ANPR is part of the FDIC’s comprehensive review of its brokered deposit and interest rate regulations in light of significant changes in technology, business models, the economic environment, and products since those regulations were initially adopted. We cannot predict whether the Brokered Deposit ANPR will result in any changes to the FDIC’s brokered deposit regulations or what the effects of any changes will be.

Safety and Soundness Guidelines

The federal banking agencies have adopted guidelines prescribing safety and soundness standards relating to internal controls, risk management, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. These guidelines in general require appropriate systems and practices to identify and manage specified risks and exposures. The guidelines also

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prohibit excessive compensation as an unsafe and unsound practice and characterize compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer or employee, director or principal shareholder. In addition, the agencies have adopted regulations that authorize but do not require an agency to order an institution that has been given notice by the agency that it is not in compliance with any of the safety and soundness standards to submit a compliance plan. If after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types, including those that may limit growth or capital distributions. If an institution fails to comply with such an order, the bank regulator may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Dividend and Share Repurchase Restrictions

Green Dot Corporation is a legal entity separate and distinct from Green Dot Bank and its other subsidiaries. There are limitations on the payment of dividends by Green Dot Bank to Green Dot Corporation, as well as by Green Dot Corporation to its shareholders, under applicable banking laws and regulations. In addition, under the U.S. Basel III Rules we must obtain prior approval from the Federal Reserve before we may redeem or repurchase our common stock.

Federal banking regulators are authorized to determine, under certain circumstances relating to the financial condition of a BHC or a bank, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In particular, federal banking regulators have stated that paying dividends that deplete a banking organization's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

Under Utah's Financial Institutions Act, Utah-chartered commercial banks, such as Green Dot Bank, may, subject to certain conditions, declare and pay dividends out of their net profits, after providing for all expenses, losses, interest, and taxes accrued or due from the bank.

Green Dot Corporation and Green Dot Bank must maintain the applicable capital conservation buffer to avoid becoming subject to restrictions on capital distributions, including dividends and share repurchases. The capital conservation buffer is currently at its fully phased-in level of 2.5%.

In addition, Federal Reserve policy provides that BHC, such as Green Dot Corporation, should generally pay dividends to shareholders only if (i) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition and (iii) the organization will continue to meet minimum capital adequacy ratios. The policy also provides that a BHC should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the BHC's capital structure. BHCs also are required to consult with the Federal Reserve before materially increasing dividends and must receive approval before redeeming or repurchasing capital instruments. In addition, the Federal Reserve could prohibit or limit the payment of dividends by a BHC if it determines that payment of the dividend would constitute an unsafe or unsound practice.

Source of Strength

Green Dot Corporation is required to serve as a source of financial and managerial strength to Green Dot Bank and, under appropriate conditions, to commit resources to support Green Dot Bank. This support may be required by the Federal Reserve at times when we might otherwise determine not to provide it or when doing so is not otherwise in the interests of Green Dot Corporation or our shareholders or creditors. The Federal Reserve may require a BHC to make capital injections into a troubled subsidiary bank and may charge the BHC with engaging in unsafe and unsound practices if the BHC fails to commit resources to such a subsidiary bank or if it undertakes actions that the Federal Reserve believes might jeopardize the BHC's ability to commit resources to such subsidiary bank.

Under these requirements, Green Dot Corporation may in the future be required to provide financial assistance to Green Dot Bank should it experience financial distress. Capital loans by Green Dot Corporation to Green Dot Bank, if any, would be subordinate in right of payment to deposits and certain other debts of Green Dot Bank. In the event of Green Dot Corporation's bankruptcy, any commitment by Green Dot Corporation to a federal banking regulator to maintain the capital of Green Dot Bank would be assumed by the bankruptcy trustee and entitled to a priority of

payment.

Receivership or Conservatorship of Green Dot Bank

Upon the insolvency of an insured depository institution, such as Green Dot Bank, the FDIC may be appointed as the conservator or receiver of the institution. Acting as a conservator or receiver, the FDIC would have broad powers to transfer any assets or liabilities of the institution without the approval of the institution's creditors or shareholders.

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Separately, the Commissioner of the Utah DFI also has the authority to take possession of or appoint a receiver or liquidator of any Utah state-chartered bank, such as Green Dot Bank, under specified circumstances, including where the bank (i) is not in a safe and sound condition to transact its business, (ii) has failed to maintain an adequate level of capital or (iii) is conducting its business in an unauthorized or unsafe manner.

Depositor Preference

The Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, including Green Dot Bank, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver would have priority over other general unsecured claims against the institution. If Green Dot Bank were to fail, insured and uninsured depositors, along with the FDIC, would have priority in payment ahead of unsecured, non-deposit creditors, including Green Dot Bank if it were a creditor at that time, with respect to any extensions of credit they have made to such insured depository institution.

Transactions between a Bank and its Affiliates

Federal banking laws and regulations impose qualitative standards and quantitative limitations upon certain transactions between a bank, such as Green Dot Bank, and its affiliates, including between a bank and its holding company and companies that control the BHC or that the BHC may be deemed to control for these purposes.

Transactions covered by these provisions must be on terms that are at least as favorable to the bank as those that it could obtain in a comparable transaction with a non-affiliate, and cannot exceed certain amounts that are determined with reference to the bank's regulatory capital. Moreover, if the transaction is a loan or other extension of credit, it must be secured by collateral in an amount and quality expressly prescribed by statute, and if the affiliate is unable to pledge sufficient collateral, the BHC may be required to provide it.

Federal banking laws also place similar restrictions on loans and other extensions of credit by FDIC-insured banks, such as Green Dot Bank, and their subsidiaries to their directors, executive officers and principal shareholders, as well as to entities controlled by such persons.

Community Reinvestment Act

Under the CRA, an insured depository institution, such as Green Dot Bank, has a continuing and affirmative obligation to help meet the credit needs of its entire community, including low and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for insured depository institutions, nor does it limit an insured depository institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. However, insured depository institutions are rated on their performance in meeting the needs of their communities.

The CRA requires the appropriate federal banking agency to take an insured depository institution's CRA record into account when evaluating certain applications by the insured depository institution or its holding company, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and bank and savings association acquisitions. An unsatisfactory record of performance may be the basis for denying or conditioning approval of an application by an insured depository institution or its holding company. The CRA also requires that all institutions publicly disclose their CRA ratings. Green Dot Bank's CRA compliance is currently evaluated under a CRA strategic plan. Green Dot Bank's strategic plan for 2018 through 2020 focuses on supporting the credit needs of its defined assessment area primarily through direct community development lending, small business lending, and investments and services in Green Dot Bank's designated Metropolitan Statistical Area of Utah and Juab Counties and the state of Utah.

Leaders of the federal banking agencies recently have indicated their support for revising the CRA regulatory framework, and on August 28, 2018, the Office of the Comptroller of the Currency issued an advance notice of proposed rulemaking to solicit ideas for building a new CRA framework. We cannot predict whether any changes will be made to applicable CRA requirements.

Insurance of Deposit Accounts

The deposits of Green Dot Bank are insured by the DIF up to the standard maximum deposit insurance amount of \$250,000 per depositor. Green Dot Bank is subject to deposit insurance assessments based on the risk it poses to the DIF, as determined by the capital category and supervisory category to which it is assigned. Brokered deposits are

subject to an assessment rate adjustment of up to 10 basis points, and therefore are generally assessed at a higher rate. The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve statutorily required reserve ratios in the DIF and to impose special additional assessments. There is a risk that Green Dot Bank's deposit insurance premiums will increase if failures of insured depository institutions deplete the DIF or if the FDIC

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changes its view of the risk Green Dot Bank poses to the DIF or increases the assessment rate adjustment applicable to Green Dot Bank's brokered deposits.

Relationships with Third-Party Issuing Banks

While Green Dot Bank acts as our banking partner for most of our products and services, we offer some products and services through arrangements with federally- or state-chartered third-party banks. We are subject to contractual requirements with those banks and are indirectly subject to the oversight of our banking partners' regulators with respect to the laws and regulations that apply to each such product or service. These types of third-party relationships are subject to increasingly demanding regulatory requirements and attention by federal banking regulators. Regulatory guidance requires financial institutions to enhance their due diligence, ongoing monitoring and control over their third party vendors and other ongoing third party business relationships.

As a result, our relationships with third-party banks may require us to undertake compliance actions similar to those that we or Green Dot Bank must perform for the products and services issued by Green Dot Bank.

Anti-Money Laundering Rules

The Bank Secrecy Act ("BSA"), the USA PATRIOT Act of 2001 and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering ("AML") program and file suspicious activity and currency transaction reports when appropriate. Among other things, these laws and regulations require Green Dot Corporation and Green Dot Bank to take steps to prevent the use of Green Dot Bank to facilitate the flow of illegal or illicit money, to report large currency transactions and to file suspicious activity reports. We also are required to develop and implement a comprehensive AML compliance program and must also have in place appropriate "know your customer" policies and procedures. We have adopted policies and procedures to comply with these requirements.

The bank regulatory agencies have increased the regulatory scrutiny of the BSA and anti-money laundering programs maintained by financial institutions. Significant penalties and fines, as well as other supervisory orders may be imposed on a financial institution for non-compliance with BSA/AML requirements.

Office of Foreign Assets Control Regulation

OFAC is responsible for administering economic sanctions that affect transactions with designated foreign countries, nationals and others, as defined by various Executive Orders and Acts of Congress. OFAC-administered sanctions take many different forms. OFAC also publishes lists of persons, organizations and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Privacy and Data Security Laws

Green Dot Bank is subject to a variety of federal and state privacy and data security laws, which govern the collection, safeguarding, sharing and use of customer information, and require that financial institutions have in place policies regarding information privacy and security. For example, the Gramm-Leach-Bliley Act of 1999 ("GLBA") requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and practices for sharing nonpublic information with third parties, provide advance notice of any changes to the policies and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties. It also requires banks to safeguard personal information of consumer customers.

Some state laws also protect the privacy of information of state residents and require adequate security for such data, and certain state laws may, in some circumstances, require Green Dot Bank to notify affected individuals of security breaches of computer databases that contain their personal information. These laws may also require Green Dot Bank to notify law enforcement, regulators or consumer reporting agencies in the event of a data breach, as well as businesses and governmental agencies that own data.

Data privacy and data security are areas of increasing state legislative focus. For example, in June of 2018, the Governor of California signed into law the California Consumer Privacy Act of 2018 ("CCPA"). The CCPA, which becomes effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA will give consumers the right to request disclosure of

information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information and the right not to be discriminated against for exercising these rights. The CCPA contains several exemptions, including an exemption applicable to information that is collected, processed, sold or disclosed pursuant

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to the GLBA. The California Attorney General has not yet proposed or adopted regulations implementing the CCPA, and the California State Legislature has amended the Act since its passage. Because we have a physical footprint in California, we will be required to comply with the CCPA. The impact of the CCPA on our business is yet to be determined. In addition, laws similar to the CCPA may be adopted by other states where we do business and the federal government may also pass data privacy or data security legislation.

Like other lenders, Green Dot Bank and other of our subsidiaries use credit bureau data in their underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act (“FCRA”), and the FCRA also regulates reporting information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on Green Dot Corporation and Green Dot Bank.

Consumer Protection Laws

The CFPB has broad rulemaking authority over a wide range of federal consumer protection laws that apply to banks and other providers of financial products and services, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. For example, our deposit operations are subject to the following federal laws, among others: the Truth in Savings Act and Regulation DD issued by the CFPB, which require disclosure of deposit terms to consumers;

Regulation CC issued by the Federal Reserve, which relates to the availability of deposit funds to consumers; the Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and the Electronic Fund Transfer Act and Regulation E issued by the CFPB, which govern automatic deposits to and withdrawals from deposit accounts and customers’ rights and liabilities arising from the use of automated teller machines and other electronic banking services.

The CFPB has also adopted amendments to Regulation E and Regulation Z to add protections for prepaid accounts (“CFPB Prepaid Rule”). The CFPB Prepaid Rule includes requirements related to treatment of funds on lost or stolen cards, error resolution and investigation, upfront fee disclosures, access to account information, and overdraft features if offered in conjunction with prepaid accounts. The CFPB Prepaid Rule becomes effective April 1, 2019.

Because it has less than \$10 billion in total consolidated assets, the Federal Reserve, and not the CFPB, is responsible for examining and supervising Green Dot Bank’s compliance with these and other federal consumer financial laws and regulations. In addition, the Dodd-Frank Act authorizes state attorneys general and state regulators to enforce consumer protection rules issued by the CFPB. State authorities have recently increased their focus on and enforcement of consumer protection rules.

Money Transmission Licensing and Regulation

Regulations promulgated by the Financial Crimes Enforcement Network of the U.S. Department of the Treasury (“FinCEN”) require certain persons to register at the federal level as a money services business (“MSB”) and comply with anti-money laundering laws and regulations. In addition, most U.S. states require licenses for persons engaged in the business of money transmission. These U.S. state licensing laws may subject money transmitters to periodic examinations and may require them and their agents to comply with federal and/or state anti-money laundering laws and regulations.

We have registered with FinCEN as an MSB and have obtained licenses to operate as a money transmitter in all U.S. jurisdictions in which such a license is required for us to conduct our business.

Payment Networks

In order to provide our products and services, we, as well as Green Dot Bank, are contracted members with Visa and MasterCard. Therefore, we and Green Dot Bank are subject to Visa and MasterCard’s respective payment network rules and standards. These rules and standards implicate a variety of our activities and services, including by imposing data security obligations, allocating liability for certain acts or omissions (including liability in the event of a data breach) and providing rules governing how consumers and merchants may use their cards. Payment networks may, and routinely do, modify these rules and standards as they determine in their sole discretion and with or without advance notice to us. These modifications may impose additional costs and expenses on, or may otherwise be disadvantageous to, our business. In addition, we are subject to audit by various payment networks. The payment

networks may fine or penalize us or suspend our registration if those audits find that we have failed to comply with applicable rules and standards.

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Escheatment Laws

Unclaimed property laws of every U.S. jurisdiction require that we track certain information on our card products and services and that, if customer funds are unclaimed at the end of an applicable statutory abandonment period, the proceeds of the unclaimed property be remitted to the appropriate jurisdiction. We manage escheatment law compliance with respect to our card products and services and have an ongoing program to comply with those laws.

Statutory abandonment periods applicable to our card products and services typically range from three to seven years.

Employees

As of December 31, 2018, we had approximately 1,100 employees globally. None of our employees is represented by a labor union or is covered by a collective bargaining agreement. We have never experienced any employment-related work stoppages and consider relations with our employees to be good.

Other Information

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

Our principal executive offices are located at 3465 East Foothill Boulevard, Pasadena, California 91107, and our telephone number is (626) 765-2000.

We maintain a website at www.greendot.com. We make available free of charge, on or through our website via the Investor Relations section at ir.greendot.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the Securities and Exchange Commission, or the SEC. References to website addresses in this report are intended to be inactive textual references only, and none of the information contained on our website is part of this report or incorporated in this report by reference.

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ITEM 1A. Risk Factors

Risks Related to Our Business

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

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

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

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

A significant portion of our operating revenues are derived from the products and services sold at our four largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart was approximately 37% for the year ended December 31, 2018. We expect that Walmart will continue to have a significant impact on our operating revenues in future periods, particularly in our Account Services segment. It would be difficult to replace Walmart and the operating revenues derived from products and services sold at their stores. Accordingly, the loss of Walmart would have a material adverse effect on our business and results of operations. In addition, any publicity associated with the loss of any of our large retail distributors could harm our reputation, making it more difficult to attract and retain consumers and other retail distributors, and could lessen our negotiating power with our remaining and prospective retail distributors.

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

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

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

Our future success depends upon the active and effective promotion of our products and services by retail distributors and tax preparation partners, but their interests and operational decisions might not always align with our interests. Most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. In addition, a large portion of our Processing and Settlement Services revenues are dependent on tax preparation partners as the revenues we generate from our tax refund processing services are largely derived from products and services sold through retail tax preparation businesses and income tax software providers. Revenues from our retail distributors and tax preparation partners depend on a number of factors outside our control and may vary from period to period. Because we compete with many other providers of products and services, including competing prepaid cards and tax refund processing services, for placement and promotion of products in the stores of our retail distributors or in conjunction with the delivery of tax preparation services by our tax preparation providers, our success depends on our retail distributors and tax preparation partners and their willingness to promote our products and services successfully. In general, our contracts with these third parties allow them to exercise significant discretion over the placement and promotion of our products and services; they could give higher priority to the products and services of other companies for a variety of reasons. Accordingly, losing the support of our retail distributors and tax preparation partners might limit or reduce the sales of our products and services. Our operating

revenues and operating expenses may also be negatively affected by operational decisions by our retail distributors and tax preparation partners. For example, if a retail distributor reduces shelf space for our products or implements changes in its systems that disrupt the integration between its systems and ours, our product sales could be reduced or decline and we may incur additional merchandising costs to ensure our products are appropriately stocked. Similarly, for a variety of reasons, many of our tax preparation partners that provide commercial income tax preparation software offer their customers several types for tax refund processing services, including those of our competitors. Even if our retail distributors and tax preparation

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partners actively and effectively promote our products and services, there can be no assurance that their efforts will maintain or result in growth of our operating revenues.

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

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

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

Our ability to increase account usage and account holder retention and to attract new long-term users of our products can have a significant impact on our operating revenues. We may be unable to generate increases in account usage, account holder retention or attract new long-term users of our products for a number of reasons, including if we are unable to maintain our existing distribution channels, predict accurately consumer preferences or industry changes and to 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, which could adversely affect our results of operations.

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

Many existing and potential competitors are entities substantially larger in size, more highly diversified in revenue and substantially more established with significantly more broadly known brand awareness than ours. As such, many of our competitors can leverage their size, robust networks, financial wherewithal, brand awareness, pricing power and technological assets to compete with us. Additionally, some of our current and potential competitors are subject to fewer regulations and restrictions than we are and thus may be able to respond more quickly in the face of regulatory and technological changes. We could also experience increased price competition as a result of new entrants offering

free or low-cost alternatives to our products and services. If this happens, we expect that the purchase and use of our products and services would decline. If price competition materially intensifies, we may have to increase the incentives

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that we offer to our retail distributors and our tax preparation partners and decrease the prices of our products and services, any of which would likely adversely affect our results of operations.

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

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

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

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

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

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

The electronic payments industry is subject to rapid and significant technological changes. We cannot predict the effect of technological changes on our business. We rely in part on third parties for the development of, and access to, new technologies. We expect that new services and technologies applicable to our industry will continue to emerge,

and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. Additionally, we may make future investments in, or enter into strategic alliances to develop, new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. However, our ability to transition to new services and technologies that we develop may be inhibited by a lack of industry-wide standards, by resistance from our retail distributors, BaaS platform partners, third-party processors or consumers to these changes, or by the intellectual

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property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful or may have an adverse effect on our business, financial condition and results of operations.

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

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

In addition, to address the challenges we face with respect to fraudulent activity, we have implemented risk control mechanisms that have made it more difficult for all customers, including legitimate customers, to obtain and use our products and services. We believe it is likely that our risk control mechanisms may continue to adversely affect our new card activations for the foreseeable future and that our operating revenues will be negatively impacted as a result. As a bank holding company, we are subject to extensive and potentially changing regulation and may be required to serve as a source of strength for Green Dot Bank, which may adversely affect our business, financial position and results of operations.

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

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

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

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

We operate in a highly regulated environment, and failure by us, the banks that issue our cards or the businesses that participate in our reload network or other business partners to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements

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and a wide range of federal and other state laws and regulations. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities. For example, we are subject to the anti-money laundering reporting and recordkeeping requirements the Bank Secrecy Act (“BSA”), as amended by the PATRIOT Act. In addition, legal requirements relating to the collection, storage, handling, use, disclosure, transfer, and security of personal data continue to increase, along with enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations.

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

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

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

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

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

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

Changes in rules or standards set by the payment networks, such as Visa and MasterCard, or changes in debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations. We are subject to association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as MasterCard PTS. The termination of the card association registrations held by us or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse

effect on our business, operating results and financial condition. In addition, from time to time, card associations may increase the fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, results of operations and financial condition.

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Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the year ended December 31, 2018, interchange revenues represented 29.8% of our total operating revenues, and we expect interchange revenues to continue to represent a significant percentage of our total operating revenues. The amount of interchange revenues that we earn is highly dependent on the interchange rates that the payment networks set and adjust from time to time.

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

Our actual operating results may differ significantly from our guidance.

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

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

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

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

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

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

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

As the prepaid financial services industry evolves, consumers may find prepaid financial services to be less attractive than traditional or other financial services. Consumers might not use prepaid financial services for any number of reasons, including the general perception of our industry, new technologies and a decrease in our distribution partners' willingness to sell these products as a result of a more challenging regulatory environment. If consumers do not continue or increase their usage of prepaid cards, including making changes in the way prepaid cards are loaded, our operating revenues may decline. Any projected growth for the industry may not occur or may occur more slowly than estimated.

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If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected or if there is a shift in the mix of payment forms, such as cash, credit cards, traditional debit cards and prepaid cards, away from our products and services, it could have a material adverse effect on our financial position and results of operations.

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

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

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

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

We are subject to regulatory oversight in the normal course of our business and have been and from time to time may be subject to securities class actions and other litigation or regulatory or judicial proceedings or investigations. The outcome of litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, seek to have aspects of our business suspended or modified or seek to impose sanctions, including significant monetary fines. The monetary and other impact of these actions, litigations, proceedings or investigations may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant. Further, an unfavorable resolution of litigation, proceedings or investigations against us could have a material adverse effect on our business, operating results, or financial condition. In this regard, such costs could make it more difficult to maintain the capital, leverage and other financial commitments at levels we have agreed to with the Federal Reserve Board and the Utah Department of Financial Institutions. If regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, adverse publicity that may be associated with these proceedings or investigations could negatively impact our relationships with retail distributors, tax preparation partners, network acceptance members, other business partners and card processors and decrease acceptance and use of, and loyalty to, our products and related services, and could impact the price of our Class A common stock. In

addition, such proceedings or investigations could increase the risk that we will be involved in litigation. The outcome of any such litigation is difficult to predict and the cost to defend, settle or otherwise resolve these matters may be significant. For the foregoing reasons, if regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, our business, results of operations and financial condition could be adversely affected or our stock price could decline.

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

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

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

Additionally, our patents could be circumvented by third-parties.

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

We are exposed to losses from customer accounts.

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

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

Maintenance fee assessment overdrafts occur as a result of our charging a cardholder, pursuant to the card's terms and conditions, the monthly maintenance fee at a time when he or she does not have sufficient funds in his or her account.

Our remaining overdraft exposure arises primarily from late-posting. A late-post occurs when a merchant posts a transaction within a payment network-permitted timeframe but subsequent to our release of the authorization for that transaction, as permitted by card association rules. Under card association rules, we may be liable for the amount of the transaction even if the cardholder has made additional purchases in the intervening period and funds are no longer available on the card at the time the transaction is posted.

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

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

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

challenges, including:

- increased regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business;

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

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

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

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

Because we have grown in part through acquisitions, our net goodwill and intangible assets represent a significant portion of our consolidated assets. Our net goodwill and intangible assets were \$551.1 million as of December 31, 2018. Under accounting principles generally accepted in the United States, or U.S. GAAP, we are required to test the carrying value of goodwill and intangible assets at least annually or sooner if events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's fair value, legal and regulatory factors, operating performance indicators, competition and other factors.

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

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

The majority of our business is conducted through retail distributors that sell our products and services to consumers at their store locations. Our retail distributors collect funds from the consumers who purchase our products and services and then must remit these funds directly to accounts established for the benefit of these consumers at the banks that issue our cards. The remittance of these funds by the retail distributor takes on average two business days. If a retail distributor becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to our card issuing bank from the sales of our products and services, we are liable for any amounts owed to our customers. As of December 31, 2018, we had assets subject to settlement risk of \$154.0 million. Given the possibility of recurring volatility in global financial markets, the approaches we use to assess and monitor the creditworthiness of our retail distributors may be inadequate, and we may be unable to detect and take steps to mitigate an increased credit risk in a timely manner.

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

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

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

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

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

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

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

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

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

• issuing additional shares of our Class A common stock or other equity securities;

issuing convertible or other debt securities; and
borrowing funds under a credit facility.

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

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

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

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

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

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no

evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and

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could result in regulatory action, and could require us to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

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

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements.

Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC and banking regulators) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the need to revise and republish prior period financial statements.

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

In October 2014 we entered into a \$225.0 million term credit agreement with Bank of America, N.A., as administrative agent, Wells Fargo Bank, National Association, and other lenders. This agreement contains various covenants that may have the effect of limiting, among other things, our ability and the ability of certain of our subsidiaries to: merge with other entities, enter into a transaction resulting in a change in control, create new liens, incur additional indebtedness, sell assets outside of the ordinary course of business, enter into transactions with affiliates (other than subsidiaries) or substantially change the general nature of our and our subsidiaries' business, taken as a whole, make certain investments, enter into restrictive agreements, or make certain dividends or other distributions. These restrictions could limit our ability to take advantage of financing, merger, acquisition or other opportunities, to fund our business operations or to fully implement our current and future operating strategies. Under the agreement, we have agreed to maintain compliance with a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio of 1.75 and 1.25, respectively, at the end of any fiscal quarter. Our ability to meet these financial ratios and tests will be dependent upon our future performance and may be affected by events beyond our control (including factors discussed in this "Risk Factors" section). If we fail to satisfy these requirements, our indebtedness under these agreements could become accelerated and payable at a time when we are unable to pay them. This would adversely affect our ability to implement our operating strategies and would have a material adverse effect on our financial condition.

Risks Related to Ownership of Our Class A Common Stock

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

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

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our Class A common stock;

actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
the public's reaction to our press releases, other public announcements and filings with the SEC;

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- business disruptions and costs related to shareholder activism;
- litigation and investigations or proceedings involving us, our industry or both or investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic conditions;
- changes to the indices in which our Class A common stock is included;
- and
- sales of shares of our Class A common stock by us or our stockholders.

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

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

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

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

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

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

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

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

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ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our headquarters is located in Pasadena, California where we lease approximately 140,000 square feet. We own the real property where our subsidiary bank's only office is located in Provo, Utah. Through our wholly owned subsidiaries, we lease office facilities in Birmingham, Alabama; San Diego, California; San Ramon, California; Cincinnati, Ohio; Sandy, Utah; and Shanghai, China. We also lease additional technology development and sale and support offices in Tampa, Florida; Rogers, Arkansas; Kingston, New Jersey; West Chester, Pennsylvania and Manila, Philippines. We believe that our existing and planned facilities are adequate to support our existing operations and that, as needed, we will be able to obtain suitable additional facilities on commercially reasonable terms.

ITEM 3. Legal Proceedings

Information with respect to this item may be found under the caption "Litigation and Claims" in Note 20 — Commitments and Contingencies to the Consolidated Financial Statements included herein, which information is incorporated into this Item 3 by reference.

ITEM 4. Mine Safety Disclosures

Not applicable.

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PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A common stock is listed on the NYSE under the symbol "GDOT."

Holders of Record

As of January 31, 2019, we had 73 holders of record of our Class A common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our Class A common stock for the foreseeable future. As a bank holding company, the Federal Reserve Board's risk-based and leverage capital requirements, as well as other federal laws applicable to banks and bank holding companies, could limit our ability to pay dividends. We expect to retain future earnings, if any, to fund the development and future growth of our business. Additionally, our ability to pay dividends on our Class A common stock is limited by restrictions on our ability to pay dividends or make distributions under the terms of our existing credit facility. Any future determination to pay dividends on our Class A common stock, if permissible, will be at the discretion of our board of directors and will depend upon, among other factors, our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our board of directors may deem relevant.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We had no repurchase activity during the year ended December 31, 2018.

In May 2017, our Board of Directors authorized, subject to regulatory approval, expansion of our stock repurchase program by an additional \$150 million. However, any additional stock repurchases contemplated and certain other uses of capital are subject to regulatory approval and compliance with our internal and regulatory capital and liquidity requirements.

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Stock Performance Graph

This performance graph shall not be deemed “filed” for purposes of section 18 of the Exchange Act, or otherwise subject to the liabilities under that section and shall not be deemed to be incorporated by reference into any filing of Green Dot Corporation under the Securities Act or the Exchange Act.

The graph and table below compare the cumulative total stockholder return of Green Dot Corporation Class A common stock, the Russell 2000 Index, the S&P Small Cap 600 Index and the S&P 500 Financials Index for the period beginning on the close of trading on the NYSE on December 31, 2013 and ending on the close of trading on the NYSE on December 31, 2018. The graph assumes a \$100 investment in our Class A common stock and each of the indices, and the reinvestment of dividends.

The comparisons in the graph and table below are based on historical data and are not intended to forecast the possible future performance of our Class A common stock.

Total Return to Shareholders (Includes reinvestment of dividends)

Company/ Index	Base Period 12/31/13	2014	2015	2016	2017	2018
Green Dot Corporation	\$ 100	\$81	\$65	\$94	\$240	\$316
Russell 2000	\$ 100	\$105	\$100	\$122	\$139	\$124
S&P Smallcap 600	\$ 100	\$106	\$104	\$131	\$149	\$136
S&P Financials	\$ 100	\$115	\$113	\$139	\$170	\$148

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ITEM 6. Selected Financial Data

The following tables present selected historical financial data for our business. This information should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data of this report. The selected consolidated financial data in this section is not intended to replace the financial statements and is qualified in its entirety by the consolidated financial statements and related notes.

We derived the statements of operations data for the years ended December 31, 2018, 2017, and 2016, respectively, and the balance sheet data as of December 31, 2018 and 2017 from our audited consolidated financial statements included in Item 8 of this report. We derived the statements of operations data for the years ended December 31, 2015 and 2014, and balance sheet data as of December 31, 2016, 2015 and 2014, from our audited consolidated financial statements not included in this report. Our historical results are not necessarily indicative of our results to be expected in any future period.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Operating revenues:					
Card revenues and other fees	\$482,881	\$414,775	\$337,821	\$318,083	\$253,155
Processing and settlement service revenues	247,958	217,454	184,342	182,614	179,289
Interchange revenues	310,919	257,922	196,611	196,523	178,040
Stock-based retailer incentive compensation(1)	—	—	—	(2,520)	(8,932)
Total operating revenues	1,041,758	890,151	718,774	694,700	601,552
Operating expenses:					
Sales and marketing expenses	326,333	280,561	249,096	230,441	235,227
Compensation and benefits expenses(2)	221,627	194,654	159,456	168,226	123,083
Processing expenses	181,160	161,011	107,556	102,144	79,053
Other general and administrative expenses	206,040	155,601	139,350	134,560	105,200
Total operating expenses	935,160	791,827	655,458	635,371	542,563
Operating income	106,598	98,324	63,316	59,329	58,989
Interest income	23,701	11,243	7,367	4,737	4,064
Interest expense	(6,482)	(6,109)	(9,122)	(5,944)	(1,276)
Other income	—	—	—	—	7,129
Income before income taxes	123,817	103,458	61,561	58,122	68,906
Income tax expense	5,114	17,571	19,961	19,707	26,213
Net income	118,703	85,887	41,600	38,415	42,693
Income attributable to preferred stock	—	—	(802)	(1,102)	(4,842)
Net income allocated to common stockholders	\$118,703	\$85,887	\$40,798	\$37,313	\$37,851
Basic earnings per common share:					
Class A common stock	\$2.27	\$1.70	\$0.82	\$0.73	\$0.92
Basic weighted-average common shares issued and outstanding:					
Class A common stock	52,222	50,482	49,535	51,332	40,907
Diluted earnings per common share:					
Class A common stock	\$2.18	\$1.61	\$0.80	\$0.72	\$0.90
Diluted weighted-average common shares issued and outstanding:					
Class A common stock	54,481	53,198	50,797	51,875	41,770

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	As of December 31,				
	2018	2017	2016	2015	2014
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and restricted cash(3)	\$ 1,095,218	\$ 1,010,095	\$ 744,761	\$ 777,922	\$ 728,805
Investment securities, available-for-sale	201,183	153,509	208,426	181,539	120,431
Settlement assets(4)	153,992	209,399	137,083	69,165	148,694
Loans to bank customers	21,363	18,570	6,059	6,279	6,550
Total assets	2,287,118	2,197,531	1,740,344	1,691,448	1,614,288
Deposits	1,005,485	1,022,180	737,414	652,145	565,401
Obligations to customers(4)	58,370	95,354	46,043	61,300	98,052
Settlement obligations(4)	5,788	6,956	4,877	5,074	4,484
Short-term debt	58,705	20,906	20,966	20,966	20,966
Long-term debt	—	58,705	79,720	100,686	121,651
Total liabilities	1,377,306	1,432,981	1,056,611	1,028,126	985,298
Total stockholders' equity	909,812	764,550	683,733	663,322	628,990

Represents the recorded fair value of the shares for which our right to repurchase lapsed during the specified period (1) pursuant to the terms of the agreement under which we issued 2,208,552 shares of our Class A common stock to Walmart. Our right to repurchase these shares fully lapsed in May 2015.

(2) Includes stock-based compensation expense of \$50.1 million, \$40.7 million, \$28.3 million, \$27.0 million, and \$20.3 million for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

(3) Includes \$0.5 million, \$90.9 million, \$12.1 million, \$5.8 million, and \$4.2 million of restricted cash as of December 31, 2018, 2017, 2016, 2015, and 2014, respectively. Also includes \$0.5 million of federal funds sold as of December 31, 2014. There were no federal funds sold as of December 31, 2018, 2017, 2016, and 2015.

Our retail distributors collect customer funds for purchases of new cards and reloads at the point of sale and then remit these funds directly to bank accounts established for the benefit of these customers by the banks that issue our cards. Our retail distributors' remittance of these funds takes an average of two business days. Settlement assets represent the amounts due from our retail distributors and partners for customer funds collected at the point of sale (4) that have not yet been received by our subsidiary bank. Also included in this balance are payroll amounts funded in advance (up to two days early) to certain cardholders who are eligible to participate in our early direct deposit programs. Obligations to customers represent customer funds collected from or to be remitted by our retail distributors for which the underlying products have not been activated. Settlement obligations represent the customer funds received by our subsidiary bank that are due to third-party card issuing banks upon activation.

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ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K, including this Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the “Exchange Act”). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “assumes,” variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under “Part I, 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 Annual Report, unless otherwise specified or the context otherwise requires, “Green Dot,” “we,” “us,” and “our” refer to Green Dot Corporation and its consolidated subsidiaries.

Overview

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

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

Financial Results and Trends

Our results of operations for the years ended December 31, 2018 and 2017 were as follows:

	Year Ended			
	December 31,			
	2018	2017	Change	%
	(In thousands, except percentages)			
Total operating revenues	\$1,041,758	\$890,151	\$151,607	17.0%
Total operating expenses	935,160	791,827	143,333	18.1%
Net income	118,703	85,887	32,816	38.2%

Total operating revenues

Our total operating revenues for the year ended December 31, 2018 increased 17.0% over the prior year. Our growth was driven by year-over-year increases in both our Account Services and Processing and Settlement Services segments. Within our Account Services segment, revenue growth was driven primarily by year-over-year increases in

active accounts throughout the year and the continuation of greater customer engagement of our new product lines as evidenced by growth in gross dollar volume, purchase volume and ATM transactions. Within our Processing and Settlement Services segment, total operating revenues also increased as a result of year-over-year growth in the total

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number of cash transfers and tax refunds processed, as well as the number of disbursements from our Simply Paid platform.

Total operating expenses

Our total operating expenses for the year ended December 31, 2018 increased 18.1% over the prior year. This increase was the result of several factors, including higher sales and marketing expenses attributable to the year-over-year increases in operating revenues generated from products that are subject to revenue share payments to our distributors and partners, higher processing expenses as a result of increased transactional usage and higher compensation and benefits expenses attributable to a growth in employee headcount, principally in late 2017, and third-party contractor costs to support our growth initiatives in 2018. We also incurred higher transaction losses, a component of other general and administrative expenses, as a result of our increased purchase volume.

Our operating expenses for the year ended December 31, 2018 also increased over the prior year, in part as a result of the resolution of the final performance period payment under an earn-out provision for the 2014 acquisition of our tax refund processing business. We agreed to a payment of \$13.5 million, which is reflected as a component of other general and administrative expenses on our consolidated income statement for the year ended December 31, 2018.

Income taxes

Income tax expense for the year ended December 31, 2018 decreased \$12.5 million from the prior year as a result of a lower effective tax rate. This decrease was principally the result of a lower effective tax rate due to enactment in December 2017 of the Tax Cuts and Jobs Act (the "Tax Act"), which reduced the U.S. federal corporate tax rate for 2018 from 35% to 21%.

Key Metrics

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

Gross Dollar Volume — represents the total dollar volume of funds loaded to our account products. Our dollar volume was \$40.0 billion, \$31.1 billion, and \$21.9 billion for the years ended December 31, 2018, 2017, and 2016, respectively. We use this metric to analyze the total amount of money moving onto our account programs and determine the overall engagement and usage patterns of our account holder base. We believe it serves as a leading indicator of revenue generated through our Account Services segment products, inclusive of interest income generated on deposits held at Green Dot Bank, fees charged to account holders and interchange revenues generated through the spending of account balances. The increase in gross dollar volume of 29% during the year ended December 31, 2018 from the comparable prior year period was principally driven by higher dollar volume from direct deposit onto our products and the launch of several new programs.

Number of Active Accounts — represents any bank account within our Account Services segment that is subject to United States PATRIOT Act compliance and therefore, requires customer identity verification prior to use and is intended to accept ongoing customer cash or ACH deposits. This includes general purpose reloadable prepaid card accounts, demand deposit or "checking" accounts, and credit card accounts in our portfolio that had a purchase, deposit or ATM withdrawal transaction during the applicable quarter. We had 5.34 million, 5.30 million, and 4.13 million active accounts outstanding as of December 31, 2018, 2017, and 2016, respectively. We use this metric to analyze the overall size of our active customer base and to analyze multiple metrics expressed as an average across this active account base. The increase in the number of active accounts was primarily driven by the launch of several new programs in 2018 and growth from our existing account programs. Additionally, a subset of our active account base is comprised of accountholders that are enrolled in direct deposit ("direct deposit active accounts"). We experienced year-over-year double digit growth in our 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. Our purchase volume was \$26.0 billion, \$21.6 billion, and \$16.3 billion for the years ended December 31, 2018, 2017, and 2016, respectively. We use this metric to analyze interchange revenue, which is a key component of our financial performance. The increase in purchase volume of 20% during the year ended December 31, 2018, from the comparable prior year periods was driven by an increase in Gross Dollar Volume, as described above.

Number of Cash Transfers — represents the total number of cash transfer transactions conducted by consumers, such as a point-of-sale swipe reload transaction, the purchase of a MoneyPak or an e-cash mobile remittance transaction marketed under various brand names, that we conducted through our retail distributors in a specified period. This metric excludes disbursements made through our Simply Paid wage disbursement platform. We processed 42.25

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million, 38.60 million, and 37.79 million reload transactions for the years ended December 31, 2018, 2017, and 2016, respectively. We review this metric as a measure of the size and scale of our retail cash processing network, as an indicator of customer engagement and usage of our products and services, and to analyze cash transfer revenue, which is a key component of our financial performance. Our cash transfers increased 9% during the year ended December 31, 2018 over the prior year primarily due to year-over-year growth in our swipe reload services and our MoneyPak PIN product utilized by our accounts holders, as well as third-party programs, partially offset by an increase in direct deposit penetration in our active account portfolio as direct deposit customers, on average, perform fewer cash reloads.

Number of Tax Refunds Processed — represents the total number of tax refunds processed in a specified period. We processed 11.71 million, 11.17 million and 10.52 million tax refund transactions for the years ended December 31, 2018, 2017 and 2016, respectively. 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 our products and services. The increase in the number of tax refunds processed of 5% for the year ended December 31, 2018 from the comparable prior year period was primarily driven by an increase of refunds processed through online tax filing software platforms, partially offset by a decrease in the number of refunds processed by traditional tax preparation providers.

Key components of our results of operations

Operating Revenues

We currently classify our operating revenues into the following three categories. Beginning with the first quarter of 2019, we will also present net interest income generated at Green Dot Bank from the investment of customer deposits as a component of total operating revenues.

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

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

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

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

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Operating Expenses

We classify our operating expenses into the following four categories:

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

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

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

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

Income Tax Expense

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

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience, current circumstances and various other assumptions that our management believes to be reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results

could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

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Revenue Recognition

As prescribed under our recent adoption of Accounting Standards Codification 606, Revenue from Contracts with Customers, we recognize revenues when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services, as determined under a five-step process.

Our new card fee provides our cardholders a material right and accordingly we defer and recognize new card fee revenues on a straight-line basis over the period commensurate with our performance obligation to our customers. We consider the performance obligation period to be the average card lifetime, which is currently less than one year for our GPR cards and gift cards. For GPR cards, average card lifetime is determined based on recent historical data using the period from sale (or activation) of the card through the date of last positive balance. We reassess average card lifetime quarterly. Average card lifetimes may vary in the future as cardholder behavior changes relative to historical experience because customers are influenced by changes in the pricing of our services, the availability of substitute products, and other factors.

We also defer commissions paid to retail distributors related to new card sales as costs to obtain contracts and expense ratably over the average card lifetime commensurate with our GPR and gift cards.

Transaction prices related to our account services are based on stand-alone fees stated within the terms and conditions and may also include certain elements of variable consideration depending upon the product's features, such as cardholder incentives, monthly fee concessions and reserves on accounts that may become overdrawn. We estimate such amounts using historical data and customer behavior patterns to determine these estimates which are recorded as a reduction to the corresponding fee revenue. Additionally, while the number of transactions that a cardholder may perform is unknown, any uncertainty is resolved at the end of each daily service contract.

We report our different types of revenues on a gross or net basis based on our assessment of whether we act as a principal or an agent in the transaction. To the extent we act as a principal in the transaction, we report revenues on a gross basis. In concluding whether or not we act as a principal or an agent, we evaluate whether we obtain control of the good or service prior to the good or service being transferred to the customer. For all our significant revenue-generating arrangements, we record revenues on a gross basis except for our tax refund processing service revenues which are recorded on a net basis.

Stock-Based Compensation

We record employee stock-based compensation expense based on the grant-date fair value. For stock options and stock purchases under our employee stock purchase plan, we base compensation expense on fair values estimated at the grant date using the Black-Scholes option-pricing model. For stock awards, including restricted stock units, we base compensation expense on the fair value of our Class A common stock at the grant date. We recognize compensation expense for awards with only service conditions that have graded vesting schedules on a straight-line basis over the vesting period of the award. Vesting is based upon continued service to our company.

For performance based awards, we recognize compensation cost for the restricted stock units if and when we conclude it is probable that the performance will be satisfied, over the requisite service period based on the grant-date fair value of the stock. We reassess the probability of vesting at each reporting period and adjust compensation expense based on the probability assessment. For market based restricted stock units, we base compensation expense on the fair value estimated at the date of grant using a Monte Carlo simulation or similar lattice model. We recognize compensation expense over the requisite service period regardless of the market condition being satisfied, provided that the requisite service has been provided, since the estimated grant date fair value already incorporates the probability of outcomes that the market condition will be achieved.

We measure the fair value of equity instruments issued to non-employees as of the earlier of the date a performance commitment has been reached by the counterparty or the date performance is completed by the counterparty. We determine the fair value using the Black-Scholes option-pricing model or the fair value of our Class A common stock, as applicable, and recognize related expense in the same periods that the goods or services are received.

Reserve for Uncollectible Overdrawn Accounts

Our cardholder accounts may become overdrawn as a result of maintenance fee assessments or from purchase transactions that we honor, in each case in excess of the funds in the cardholder's account. While we decline

authorization attempts for amounts that exceed the available balance in a cardholder's account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card's monthly maintenance fee, among other things, can result in overdrawn accounts. Overdrawn account balances are deemed to be our receivables due from cardholders, and we include them as a component of accounts receivable, net, on our consolidated

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balance sheets. We generally recover overdrawn account balances from those cardholders that perform a reload transaction. In addition, we recover some overdrawn account balances related to purchase transaction through enforcement of payment network rules, which allow us to recover the amounts from the merchant where the purchase transaction was conducted. However, we are exposed to losses from any unrecovered overdrawn account balances. The probability of recovering these amounts is primarily related to the number of days that have elapsed since an account had activity, such as a purchase, ATM transaction or fee assessment. Generally, we recover 50-60% of overdrawn account balances in accounts that have had activity in the last 30 days, less than 15% in accounts that have had activity in the last 30 to 60 days, and less than 10% when more than 60 days have elapsed.

We establish a reserve for uncollectible overdrawn accounts. We classify overdrawn accounts into age groups based on the number of days since the account last had activity. We then calculate a reserve factor for each age group based on the average recovery rate for the most recent six months. These factors are applied to these age groups to estimate our overall reserve. We rely on these historical rates because they have remained relatively consistent over time. When more than 90 days have passed without any activity in an account, we consider recovery to be remote and charge off the full amount of the overdrawn account balance against the reserve for uncollectible overdrawn accounts. Our actual recovery rates and related estimates thereof may change in the future in response to factors such as customer behavior, product pricing and features that impact the frequency and velocity of reloads and other deposits to such accounts.

We include our provision for uncollectible overdrawn accounts related to maintenance fees and purchase transactions as an offset to card revenues and other fees and in other general and administrative expenses, respectively, in our consolidated statements of operations.

Goodwill and Intangible Assets

We review the recoverability of goodwill at least annually or whenever significant events or changes occur, which might impair the recovery of recorded costs. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill may not be recoverable include a decline in our stock price and market capitalization, declines in the market conditions of our products, reductions in our future cash flow estimates, and significant adverse industry or economic market trends. We test for impairment of goodwill by assessing various qualitative factors with respect to developments in our business and the overall economy and calculating the fair value of a reporting unit using the discounted cash flow method, as necessary. In the event that the carrying value of assets is determined to be unrecoverable, we would estimate the fair value of the reporting unit and record an impairment charge for the excess of the carrying value over the fair value. The estimate of fair value requires management to make a number of assumptions and projections, which could include, but would not be limited to, future revenues, earnings and the probability of certain outcomes.

Intangible and other long lived-assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Certain factors which may occur and indicate that an impairment exists include, but are not limited to, the following: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the underlying assets; and significant adverse industry or market economic trends. In reviewing for impairment, we compare the carrying value of such assets to the estimated undiscounted future net cash flows expected from the use of the assets and their eventual disposition. In the event that the carrying value of assets is determined to be unrecoverable, we would estimate the fair value of the assets and record an impairment charge for the excess of the carrying value over the fair value. The estimate of fair value requires management to make a number of assumptions and projections, which could include, but would not be limited to, future revenues, earnings and the probability of certain outcomes. We completed our annual goodwill impairment test as of September 30, 2018. Based on the results of step one of the annual goodwill impairment test, we determined that step two was not required for each of our reporting units as their fair values exceeded their carrying values indicating there was no impairment. No impairment charges were recognized related to goodwill or intangible assets for the years ended December 31, 2018, 2017, and 2016.

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Comparison of Consolidated Results for the Years Ended December 31, 2018 and 2017

Operating Revenues

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

	Year Ended December 31,			
	2018	2017	2018	2017
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$482,881	46.4 %	\$414,775	46.6 %
Processing and settlement service revenues	247,958	23.8	217,454	24.4
Interchange revenues	310,919	29.8	257,922	29.0
Total operating revenues	\$1,041,758	100.0 %	\$890,151	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled \$482.9 million for the year ended December 31, 2018, an increase of \$68.1 million, or 16%, from the comparable prior year period. The increase is attributable to the year-over-year growth in the number of active accounts throughout the year and greater engagement by our account holders, resulting in increased revenues associated with ATM fees, monthly maintenance fees, and transaction-based fees earned within our Account Services segment.

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled \$248.0 million for the year ended December 31, 2018, an increase of \$30.5 million, or 14%, from the comparable prior year period. The increase was driven primarily by a higher volume of cash transfers and revenue earned per cash transfer, as well as an increase in disbursement transactions processed by our Simply Paid platform.

Interchange Revenues — Interchange revenues totaled \$310.9 million for the year ended December 31, 2018, an increase of \$53.0 million, or 21%, from the comparable prior year period. The increase was primarily due to year-over-year growth in purchase volume from our account holders.

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:

	Year Ended December 31,			
	2018	2017	2018	2017
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating expenses:				
Sales and marketing expenses	\$326,333	31.3 %	\$280,561	31.5 %
Compensation and benefits expenses	221,627	21.3	194,654	21.9
Processing expenses	181,160	17.4	161,011	18.1
Other general and administrative expenses	206,040	19.8	155,601	17.5
Total operating expenses	\$935,160	89.8 %	\$791,827	89.0 %

Sales and Marketing Expenses — Sales and marketing expenses totaled \$326.3 million for the year ended December 31, 2018, an increase of \$45.7 million, or 16% compared to the year ended December 31, 2017. This increase was primarily driven by an increase in sales commissions associated with higher revenues generated from products that are subject to revenue-sharing agreements, partially offset by a year-over-year decrease of \$1.9 million in advertising expenses and \$1.5 million in cost of materials.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$221.6 million for the year ended December 31, 2018, an increase of \$26.9 million, or 14%, compared to the year ended December 31, 2017. The increase was primarily the result of higher salaries and wages and third-party contractor expenses of \$15.8 million in support of our growth initiatives in 2018 and \$9.4 million increase in employee stock-based compensation expenses.

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Processing Expenses — Processing expenses totaled \$181.2 million for the year ended December 31, 2018, an increase of \$20.2 million, or 13%, compared to the year ended December 31, 2017. This increase was principally the result of higher volume of ATM and purchase transactions initiated by our account holders and higher merchant acquiring costs associated with peer-to-peer payment activity on our mobile-only accounts by our account holders within our Account Services segment. The year-over-year increase was also attributable to the growth in disbursement transactions processed by our Simply Paid platform within our Processing and Settlement Services segment.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$206.0 million for the year ended December 31, 2018, an increase of \$50.4 million, or 32%, from the comparable prior year period. During the year ended December 31, 2018, we recorded a \$13.5 million expense related to the resolution of the final earn-out calculation with the selling shareholders of our tax refund processing business, as well as a \$3.3 million expense as a result of an estimated change in fair value of our contingent consideration for UniRush. Other general and administrative expenses for the comparable prior year period also benefited from \$9.7 million in gains associated with the change in fair value of contingent consideration related to these acquisitions. The remainder of the increase in other general and administrative expenses was due to an increase in transaction losses correlated with the increase in purchase volume relative to the comparable prior year period and \$5.1 million in higher depreciation and amortization of property and equipment.

Income Tax Expense

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

	Year Ended	
	December 31,	
	2018	2017
U.S. federal statutory tax rate	21.0 %	35.0 %
State income taxes, net of federal tax benefit	(0.5)	(2.3)
General business credits	(2.2)	(2.8)
Employee stock-based compensation	(17.1)	(12.4)
Tax Cuts and Jobs Act remeasurement	0.2	(5.0)
IRC 162(m) limitation	2.2	1.5
Other	0.5	3.0
Effective tax rate	4.1 %	17.0 %

Our income tax expense amounted to \$5.1 million for the year ended December 31, 2018, a decrease of \$12.5 million from the prior year period due to a decrease in our effective tax rate from 17.0% to 4.1%. This decrease is primarily due to the Tax Act, which reduced the U.S. federal corporate tax rate from 35% to 21% and the recognition of significant excess tax benefits related to our employee stock-based compensation expense. The Tax Act also repealed the performance-based exception to the limitation on executive compensation under IRC 162(m) which resulted in an increased IRC 162(m) limitation for the year ended December 31, 2018. Refer to Note 14 — Income Taxes to the Consolidated Financial Statements included herein for additional information about income tax expense and the impact of the Tax Act.

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

Results of Operations by Segment

Information with respect to the results of operations for each of our reportable segments may be found under Note 24 — Segment Information to the Consolidated Financial Statements included herein, which information is incorporated herein by reference.

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Comparison of Consolidated Results for the Years Ended December 31, 2017 and 2016

Operating Revenues

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

	Year Ended December 31,			
	2017	2016	2017	2016
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$414,775	46.6 %	\$337,821	47.0 %
Processing and settlement service revenues	217,454	24.4	184,342	25.6
Interchange revenues	257,922	29.0	196,611	