RR Donnelley & Sons Co
Form DEF 14A
April 09, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

R. R. Donnelley & Sons Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form of Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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WHEN:	WHERE	RECORD DATE
Thursday, May 17, 2018	Hotel Arista	The close of business
11 a.m. Central time	2139 City Gate Lane	March 30, 2018
	Naperville, Illinois 60563	

Dear Stockholders:

We are pleased to invite you to the R. R. Donnelley & Sons Company 2018 Annual Meeting of Stockholders.

Items of Business

Item 1. To elect the nominees identified in this proxy statement to serve as directors until the 2019 Annual Meeting of Stockholders

Item 2. To approve, on an advisory basis, the compensation of our named executive officers

Item 3. To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm

Item 4. To transact other business as may properly come before the meeting and any adjournments or postponements of the meeting

Stockholders of record as of the close of business on March 30, 2018 are entitled to vote at the 2018 Annual Meeting of Stockholders and any postponement or adjournment thereof. On the record date, there were 70,319,816 shares of common stock of R. R. Donnelley & Sons Company (RRD or the Company) issued and outstanding and entitled to vote at the meeting**.**

Your vote is important! We strongly encourage you to exercise your right to vote as a stockholder. Please sign, date and return the enclosed proxy card or voting instruction card in the envelope provided. You may also vote by calling the toll-free number or logging on to the Internet even if you plan to attend the meeting. You may revoke your proxy at any time before it is exercised.

You will find instructions on how to vote on page 8. While most stockholders vote by proxy and do not attend the meeting in person, as long as you were a stockholder at the close of business on March 30, 2018, you are invited to attend the meeting, or to send a representative. Please note that only persons with an admission ticket or evidence of stock ownership, or who are guests of the Company, will be admitted to the meeting.

By Order of the Board of Directors,

Deborah L. Steiner

General Counsel and Corporate Secretary

April 9, 2018

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 17, 2018

This proxy statement and our annual report to stockholders are available at www.rrd.com/proxymaterials. On this site, you will be able to access our 2018 Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and all amendments or supplements to the foregoing materials that are required to be furnished to stockholders.

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1. ELECTION OF DIRECTORS

The following information about the business background of each person nominated by the Board of Directors (the Board) has been furnished to the Company by the nominees for director. Each director will serve until the next annual meeting of stockholders and until a successor is elected and qualified, or until such director s earlier resignation, removal, or death. Mr. Katz has decided not to stand for re-election at the annual meeting.

Described below are certain individual qualifications, experiences and skills of our directors that contribute to the Board s effectiveness as a whole.

This proxy statement is issued by RRD in connection with the 2018 Annual Meeting of Stockholders scheduled for May 17, 2018. This proxy statement and accompanying proxy card are first being mailed to stockholders on or about April 9, 2018.

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PROPOSALS: 1. Election of Directors

The names of the nominees, along with their present positions, their principal occupations, their current directorships held with other public corporations, as well as such directorships held during the past five years, their ages and the year first elected as a director, among other things, are set forth below.

Daniel L. Knotts

Daniel L. Knotts has served as a member of our Board since 2016.

Current Directorships:

None

Former Directorships:

None

Since October 2016, Mr. Knotts has been the President and Chief Executive Officer of RRD. Prior to that, Mr. Knotts was the Company s Chief Operating Officer since 2013. He served as Group President from 2008 until 2012 and, from 2007 until 2008, he served as Chief Operating Officer of the Global Print Solutions business. From 1986 until 2007, Mr. Knotts held positions of increasing responsibility at RRD within finance, operations, sales management and business unit leadership at various locations in the United States, including serving as Senior Vice President of Operations for the Magazine Business, President of the Specialized Publishing Services business and President of the Magazine, Catalog and Retail businesses.

Age: 53

Director since: 2016

Qualifications:

Mr. Knotts brings over 30 years of experience in the printing industry. He has served in various operational and leadership capacities throughout the Company and his deep knowledge of the industry and RRD give him unique strategic insights.

John C. Pope

John C. Pope is the Chair of our Board. Mr. Pope has been a member of our Board since 2004.

Current Directorships:

The Kraft Heinz Company

Talgo SA

Waste Management, Inc.

Former Directorships:

Con-way, Inc.

Dollar Thrifty Automotive Group, Inc.

Navistar International Corporation

Kraft Foods, Inc.

MotivePower Industries

Age: 69

Director since: 2004

Mr. Pope has served as the Chairman of PFI Group, LLC, a private investment company, since 1994. From 1988 until 1994, Mr. Pope served in various capacities at United Airlines and its parent company UAL Corporation, including serving as President, Chief Operating Officer and a director.

Qualifications:

Mr. Pope s experience as chairman and senior executive of various public companies provides financial, strategic and operational leadership experience to the Board. He is an audit committee financial expert based on his experience as chief financial officer of a public company as well as his experience as a member and chairman of other public company audit committees. He has considerable corporate governance experience through his years of service on other public company boards in a variety of industries.

Irene M. Esteves

Irene M. Esteves has served as a member of our Board since 2017.

Current Directorships:

Aramark

Ms. Esteves most recently served as the Chief Financial Officer of Time Warner Cable Inc. from 2011 to 2013. She previously served as the Executive Vice President and Chief Financial Officer of XL Group plc from 2010 to 2011. Prior to that, Ms. Esteves was the Senior Vice President and Chief

Spirit AeroSystems Holdings, Inc.

Former Directorships:

Level 3 Communications

TW Telecom Inc.

Age: 59

Director since: 2017

Financial Officer of Regions Financial Corporation from 2008 to 2010.

Qualifications:

Ms. Esteves experience as a chief financial officer of multiple companies brings financial and strategy expertise to the Board. She is an audit committee financial expert based on her experience as a chief financial officer of other public companies and brings deep knowledge of financial reporting, internal controls and procedures and risk management to our Board. Ms. Esteves also has considerable corporate governance experience gained through her service on other public company boards.

BOARD SKILLS KEY Financial Global Business Governance Leadership Sales & Marketing Strategy

Susan M. Gianinno

Susan M. Gianinno has served as a member of our Board since 2013. Ms. Gianinno is the Chair of our Corporate Responsibility & Governance Committee.

Current Directorships:

None

Former Directorships:

A.T. Cross, Inc.

Age: 69

Director since: 2013

Since 2014, Ms. Gianinno has served as the Chairman of Publicis Worldwide, North America, an advertising agency network, and, in 2017, also became the Chairman of Publicis Academy. She was the Chairman and CEO of Publicis USA from 2003 to 2014. In addition, from 2014 until 2015, Ms. Gianinno was an Advanced Leadership Fellow at Harvard University. Prior to joining Publicis, Ms. Gianinno was a member of the Executive Committee of BCom3 Group, Inc., an advertising agency, until 2002, and Chairman and President of D Arcy Masius Benton & Bowles, Inc. from 1998 to 2012.

Qualifications:

Ms. Gianinno s experience as chief executive officer and president of various companies in the advertising industry gives the Board a different perspective regarding the ways in which new media, the internet and e-commerce have affected the advertising industry and the broader strategies of the Company s clients. In addition, Ms. Gianinno brings substantial governance and strategy experience to the Board.

Timothy R. McLevish

Timothy R. McLevish has been a member of our Board since 2016. Mr. McLevish serves as the Chair of our Audit Committee.

Current Directorships:

Kennametal, Inc.

Former Directorships:

ConAgra Foods, Inc.

From 2016 until 2017, Mr. McLevish served as the Executive Chairman of Lamb Weston Holdings, Inc., a global leader in processing frozen potatoes for food service, quick serve restaurants and retail. Prior to that, Mr. McLevish served as Senior Advisor to the Chief Executive Officer of Walgreens Boots Alliance, Inc., a retail drug store chain, from 2015 until 2016 and served as their Executive Vice President and Chief Financial Officer from 2014 until 2015. From 2007 to 2014, Mr. McLevish held various positions with Kraft Foods Group, Inc. and its predecessor company Kraft Foods, Inc., manufacturers and

Lamb Weston Holdings, Inc.

URS Corporation

US Foods, Inc.

Age: 63

Director since: 2016

marketers of packaged food products, including serving as Executive Vice President and Chief Financial Officer of Kraft Foods Group from 2012 to 2013, Executive Vice President and advisor to the Chief Executive Officer of Kraft Foods, Inc. from 2011 until 2013 and as Chief Financial Officer of Kraft Foods, Inc. from 2007 to 2011. From 2002 until 2007, Mr. McLevish was the Senior Vice President and Chief Financial Officer of Ingersoll-Rand Company Limited, a diversified industrial company. Mr. McLevish was the Vice President and Chief Financial Officer of Mead Corporation, a manufacturer of wood products, from 1999 to 2002.

Qualifications:

Mr. McLevish s experience as chief financial officer of multiple multinational companies brings deep financial and global business experience to the Board. He is an audit committee financial expert based on his experience as chief financial officer of various public companies and brings deep knowledge of financial reporting, internal controls and procedures and risk management to our Board. Mr. McLevish also has considerable corporate governance experience gained through his years of experience on other public company boards, including having served as the Executive Chairman of the board of Lamb Weston Holdings, Inc.

Jamie Moldafsky

Jamie Moldafsky has been a member of the Board since 2016.

Current Directorships:

None

Former Directorships:

None

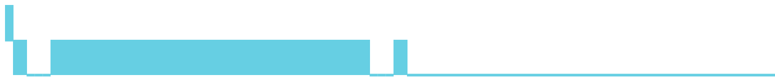
Age: 56

Director since: 2016

Ms. Moldafsky has served as the Chief Marketing Officer of Wells Fargo & Company, a global banking and financial services company, since 2011 and Executive Vice President, Sales, Marketing, Strategy & Home Equity from 2005 to 2011. Prior to this, she held various marketing, general management and leadership positions at several companies including Whirlpool Corporation, Charles Schwab Corporation, Applause Enterprises, Inc. and American Express Company.

Qualifications:

Ms. Moldafsky s extensive sales and marketing experience provides the Board with a combination of operational and strategic insights. Her experience in marketing and digital communications provides leadership and innovative thinking which will further the Company s evolution as a global provider of multichannel communications.



BOARD SKILLS KEY	Financial	Global Business	Governance	Leadership	Sales & Marketing	Strategy

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PROPOSALS: 1. Election of Directors

P. Cody Phipps

P. Cody Phipps has been a member of our Board since 2016. Mr. Phipps serves as the Chair of our
Human Resources Committee.

Current Directorships:

Owens & Minor, Inc.

Former Directorships:

Con-Way, Inc.

Essendant, Inc.

Age: 56

Director since: 2016

Since 2015, Mr. Phipps has served as the President, Chief Executive Officer and a member of the board of directors of Owens & Minor, Inc., a medical device and supply company and, since 2017, has served as its Chairman of the Board. From 2003 until 2015, Mr. Phipps held various leadership positions at Essendant, Inc. (formerly United Stationers, Inc.), a wholesale distributor of workplace supplies, furniture and equipment, including serving as the President, Chief Executive Officer and member of the board of directors from 2011 to 2015. Previously, he was a Partner at McKinsey & Company, Inc., where he co-founded and led its service strategy and operations initiative, which focused on driving operational improvements in complex service and logistic environments.

Qualifications:

Mr. Phipps experience as president and chief executive officer of multiple companies helps the Board further the Company s role as a global provider of integrated communications and provides experience in strategic planning and leadership of evolving organizations. His extensive experience as a strategic consultant helps the Board supervise the Company s ongoing drive for operational improvements.

BOARD SKILLS KEY	Financial	Global Business	Governance	Leadership	Sales & Marketing	Strategy

In 2017, the Board met 12 times. Each director of the Company during 2017 attended at least 75% of the total number of meetings of the Board and those committees of which the director was a member during the period he or she served as a director.

If any nominee does not stand for election, proxies voting for that nominee may be voted for a substitute nominee selected by the Board. The Board may also choose to reduce the number of directors to be elected at the meeting.

Only directors that receive a majority of the votes cast FOR their election will be elected. In the event that an incumbent director is not re-elected, the Company s *Principles of Corporate Governance* require that director to promptly tender his or her resignation. The Board will accept this resignation unless it determines that the best interests of the Company and its stockholders would not be best served by doing so.

The Board recommends that the stockholders vote FOR each of our nominees for director.

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2. ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

As required by Section 14A of the Securities Exchange Act of 1934 (the Exchange Act), the Company is presenting a proposal that gives stockholders the opportunity to cast an advisory (non-binding) vote on our executive compensation for our named executive officers (our NEOs) by voting for or against it(Say-on-Pay). At the 2017 Annual Meeting, stockholders were asked to vote on an advisory (non-binding) basis on whether the Say-on-Pay vote should be held annually, every two years or every three years. Our stockholders indicated a preference for holding such a vote on an annual basis. As a result of such vote on the frequency of the Say-on-Pay vote, our Board holds an advisory vote to approve our executive compensation every year.

The Company received a 94.6% vote in support of its executive compensation program in the 2017 Say-on-Pay advisory vote. During the course of 2017, the Company continued its practice of engaging with stockholders about various corporate governance topics including executive compensation. The feedback received from investors and the results of past advisory votes were taken into consideration by the Board s Human Resources Committee (the HR Committee) in the review and administration of our program throughout the year and in the full scale evaluation of executive compensation that was conducted in 2017.

As discussed in the *Compensation Discussion and Analysis* beginning on page 18, we believe the 2017 compensation decisions and the overall executive compensation program are tailored to our business strategies, align pay with performance and take into account the feedback received from our investors.

In 2017, compensation for the NEOs was comprised of three major components: base salary, annual incentive compensation and long-term incentive compensation. In addition, the NEOs were eligible to participate in benefit programs generally available to other executives within the Company and other benefits provided to certain executives as further described under *Benefit Programs* beginning on page 24 of this proxy statement.

As in prior years, in addition to the foregoing, RRD s 2017 compensation philosophy was guided by five principles:

- to link pay to performance by making a substantial percentage of total executive compensation variable, or at risk, through annual incentive compensation and long-term incentive awards;

- to align a significant portion of executive pay with stockholder interests through equity awards and stock ownership requirements;

- to base a substantial portion of each NEO s long-term incentive award on achieving or exceeding targeted levels of performance while maintaining a meaningful portion that vests over time and is therefore focused on retention of our top talent;

- to establish target compensation levels that are competitive within the industries and markets in which we compete for executive talent; and

to structure compensation so that our executives share in our short- and long-term successes and challenges by varying compensation from target levels based upon business and individual performance.

Consistent with our compensation philosophy, RRD has adopted the following compensation best practices:

Clawback Policy	Awards granted under our cash incentive plans, stock option grants and performance shares or other performance based awards are subject to forfeiture in the case of fraud or intentional misconduct by an executive officer
No Tax Gross-Ups	No NEO is entitled to receive gross-ups for excise taxes or gross-ups on any supplemental benefits or perquisites
No Dividends or Dividend Equivalents	We do not pay or accrue for dividends on performance share units or restricted share units
Limited Perquisites	We provided limited perquisites to executive officers
Stock Ownership Guidelines	We have meaningful stock ownership guidelines for the executive officers to further strengthen the alignment of management and stockholder interests
No Repricing	Our equity plans do not permit option re-pricing or option grants below fair market value
Risk Management	Employees, directors and certain of their immediate family members are prohibited from pledging, short sales, trading in publicly traded options, puts or calls, hedging or similar transactions with respect to our stock
Annual Compensation Review	The HR Committee conducts an annual review of the executive compensation program to determine how well actual compensation targets and levels met our overall philosophy and targeted objectives in comparison to both market data and, where available, peer group data

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PROPOSALS: 2. Advisory Vote to Approve Executive Compensation

This proposal gives our stockholders the opportunity to express their views on the overall compensation of our NEOs and the philosophy, policies and practices described in this proxy statement.

The Say-on-Pay vote is an advisory vote only and, therefore, it will not bind the Company or our Board. However, the Board and the HR Committee will consider the voting results as appropriate when making future decisions regarding executive compensation.

The affirmative vote of the holders of a majority of the shares of the Company s common stock present in person or by proxy at the 2018 Annual Meeting and entitled to vote on the advisory resolution on executive compensation is required to approve the proposal.

For the reasons discussed above, we are asking our stockholders to indicate their support for our NEOs compensation by voting FOR the following resolution at the 2018 Annual Meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion & Analysis, the 2017 Summary Compensation Table and the other related tables and disclosures in this Proxy Statement.

The Board recommends that the stockholders vote FOR approval, on an advisory basis, of the compensation of our NEOs as disclosed in this proxy statement.

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3. RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Proposal 3 is the ratification of the Audit Committee s appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for fiscal year 2018. In the event the stockholders fail to ratify the appointment, the Audit Committee will reconsider this appointment. The Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company s and its stockholders best interests. Representatives of Deloitte & Touche LLP will be present at the meeting. They will be available to respond to your questions and may make a statement if they desire.

The affirmative vote of the holders of a majority of the shares of the Company s common stock present in person or by proxy at the 2018 Annual Meeting and entitled to vote on the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018 is required to approve the proposal.

The Board and the Audit Committee recommend that the stockholders vote FOR the ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2018.

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Below are instructions on how to vote, as well as information on your rights as a stockholder as they relate to voting. Some of the instructions vary depending on how your stock is held. It s important to follow the instructions that apply to your situation.

Q: Who can vote?

A: You are entitled to one vote on each proposal for each share of the Company s common stock that you own as of the close of business on the record date, March 30, 2018.

Q: What is the difference between holding shares as a stockholder of record and a street name holder?

A: If your shares are registered directly in your name through Computershare, the Company s transfer agent, you are considered a stockholder of record. If your shares are held in a brokerage account or bank, you are considered a street name holder.

Q: How do I vote if shares are registered in my name (as stockholder of record)?

A: **By Mail:**

Sign, date and return the enclosed proxy card in the postage paid envelope provided. Your voting instructions must be received by May 16, 2018.

By Telephone or Internet:

Call the toll-free number listed on your proxy card, log on to the website listed on your proxy card or scan the QR code on your proxy card and follow the simple instructions provided.

The telephone and Internet voting procedures are designed to allow you to vote your shares and to confirm that your instructions have been properly recorded consistent with applicable law. Please see your proxy card for specific instructions. Stockholders who wish to vote over the Internet should be aware that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, and that there may be some risk a stockholder s vote might not be properly recorded or counted because of an unanticipated electronic malfunction.

Voting by telephone and the Internet will be closed at 1:00 a.m. Chicago time on the date of the 2018 Annual Meeting.

Q: How do I vote if my shares are held in street name?

A:

You should give instructions to your broker on how to vote your shares. If you do not provide voting instructions to your broker, your broker has discretion to vote those shares on matters that are routine. However, a broker cannot vote shares on non-routine matters without your instructions. This is referred to as a brokenon-vote.

Proposals 1 and 2 are considered non-routine matters. Accordingly, your broker will not have the discretion to vote shares as to which you have not provided voting instructions with respect to any of these matters.

Proposal 3, the ratification of the appointment of the independent registered public accounting firm, is considered a routine matter, so there will not be any broker non-votes with respect to that proposal.

Q: Can I vote my shares in person at the Annual Meeting?

A: If you plan to attend the meeting and vote in person, your instructions depend on how your shares are held:

Shares registered in your name check the appropriate box on the enclosed proxy card and bring either the admission ticket attached to the proxy card or evidence of your stock ownership with you to the meeting.

Shares registered in the name of your broker or other nominee ask your broker to provide you with a broker s proxy card in your name (which will allow you to vote your shares in person at the meeting) and bring evidence of your stock ownership from your broker with you to the meeting.

Remember that attendance at the meeting will be limited to stockholders as of the record date with an admission ticket or evidence of their share ownership and guests of the Company.

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QUESTIONS AND ANSWERS ABOUT HOW TO VOTE YOUR PROXY

Q: Can I revoke my proxy or change my vote after I have voted?

A: If your shares are registered in your name, you may revoke your proxy at any time before it is exercised. There are several ways you can do this:

- By delivering a written notice of revocation to the Secretary of the Company;
- By executing and delivering another proxy that bears a later date;
- By voting by telephone at a later time;
- By voting over the Internet at a later time; or
- By voting in person at the meeting.

If your shares are held in street name, you must contact your broker to revoke your proxy.

Q: How are votes counted?

A: In tallying the results of the voting, the Company will count all properly executed and unrevoked proxies that have been received in time for the 2018 Annual Meeting. To hold a meeting of stockholders, a quorum of the shares (which is a majority of the shares outstanding and entitled to vote) is required to be represented either in person or by proxy at the meeting. Abstentions and broker non-votes are counted in determining whether a quorum is present for the meeting.

Q: What are my options when voting for directors?

A: When voting to elect directors, you have three options:

- Vote **FOR** a nominee;
- Vote **AGAINST** a nominee; or
- **ABSTAIN** from voting on a nominee.

In the election of directors, each nominee will be elected by the vote of the majority of votes cast. A majority of votes cast means that the number of votes cast FOR a nominee s election must exceed the number of shares voted AGAINST such nominee. Each nominee receiving a majority of votes cast FOR his or her election will be elected. If you elect to ABSTAIN with respect to a nominee for director, the abstention will not impact the election of such nominee.

Election of directors is considered a non-routine matter. Accordingly, broker non-votes will not count as a vote FOR or AGAINST a nominee s election and will not impact the election of such nominee. In tabulating the voting results for the election of directors, only FOR and AGAINST votes are counted.

Q: What are my options when voting on any other proposals?

A: When voting on any other proposal, you have three options:

- Vote **FOR** a given proposal;
- Vote **AGAINST** a given proposal; or
- **ABSTAIN** from voting on a given proposal.

Each of these matters requires the affirmative vote of a majority of the shares present, or represented by proxy, at the meeting and entitled to vote on the proposal. If you indicate on your proxy card that you wish to ABSTAIN from voting on a proposal, your shares will not be voted on that proposal. Abstentions are not counted in determining the number of shares voted FOR or AGAINST any proposal, but will be counted as present and entitled to vote on the proposal. Accordingly, an abstention will have the effect of a vote against the Proposal.

Broker non-votes are not counted in determining the number of shares voted for or against any proposal and will not be counted as present and entitled to vote on any of proposals 1 and 2.

Q: How will my shares be voted if I sign and return my proxy card with no votes marked?

A: If you sign and return your proxy card with no votes marked, your shares will be voted as follows:

- **FOR** the election of all nominees for director identified in this proxy statement;
- **FOR** the approval, on an advisory basis, of the compensation of our named executive officers; and
- **FOR** the ratification of the Company s independent registered public accounting firm.

Q: How are proxies solicited and what is the cost?

A: The Company actively solicits proxy participation. In addition to this notice by mail, the Company encourages banks, brokers and other custodian nominees and fiduciaries to supply proxy materials to stockholders, and reimburses them for their expenses. However, the Company does not reimburse its own employees for soliciting proxies. The Company has hired Morrow Sodali, LLC, 470 West Ave., Stamford, CT 06902, to help solicit proxies, and has agreed to pay it $8,000 plus out-of-pocket expenses for this service. All costs of this solicitation will be borne by the Company.

Q: How many shares of stock were outstanding on the record date?

A: As of the record date, there were 70,319,816 shares of common stock outstanding. This does not include 18,678,163 shares held in the Company s treasury. Each outstanding share is entitled to one vote on each proposal.

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THE BOARD S COMMITTEES AND THEIR FUNCTIONS

The Board has three standing committees. The members of those committees and the committees responsibilities are described below. Each committee operates under a written charter that is reviewed annually and is posted on the Company s website at the following address: www.rrd.com. A print copy of each charter is available upon request.

The table below reflects the membership of the committees and their primary responsibilities.

Timothy R. McLevish (Chair) Irene M. Esteves Jeffrey G. Katz John C. Pope	Assists the Board in its oversight of: (1) the integrity of the Company s financial statements and the Company s accounting and financial reporting processes, internal controls and financial statement audits, (2) the Company s compliance with legal and regulatory requirements, (3) the qualifications and independence of the Company s independent registered public accounting firm, and (4) the performance of the Company s internal audit department and the independent registered public accounting firm. The committee selects, determines fees for, evaluates and, when appropriate, replaces the	As required by its charter, each member of the Audit Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws. The Board has determined that each of Ms. Esteves and Messrs. Katz, McLevish and Pope is an audit committee financial expert as such term is defined under the federal securities laws and the NYSE listing rules.

Company s independent registered public accounting firm. Pursuant to its charter, the Audit Committee is authorized to obtain advice and assistance from internal or external legal, accounting or other advisors and to retain third-party consultants, and has the authority to engage independent auditors for special audits, reviews and other procedures.

COMPANY INFORMATION

Susan M. Gianinno (Chair) Jeffrey G. Katz Jamie Moldafsky	Makes recommendations to the Board regarding nominees for election to the Board and recommends policies governing matters affecting the Board and its committees Develops and implements governance principles for the Company, the Board and its committees Conducts the regular review of the performance of the Board, its committees and its members Oversees the Company s responsibilities to its employees Oversees the Company s responsibilities to the environment Reviews and recommends to the Board the compensation of outside directors	As required by its charter, each member of the Corporate Responsibility & Governance Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws. Pursuant to its charter, the Corporate Responsibility & Governance Committee is authorized to obtain advice and assistance from outside advisors and to retain third-party consultants. In addition , it has the sole authority to approve the terms and conditions under which it engages director search firms.
P. Cody Phipps (Chair) Irene M. Esteves Susan M. Gianinno Timothy R. McLevish	Establishes the Company s overall compensation strategy Establishes the compensation of the Company s chief executive officer, other senior officers and key	As required by its charter, each member of the HR Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws.

management employees Adopts amendments to, and approves terminations of, the Company s employee benefit plans	In addition, in accordance with NYSE listing rules, the Board considered all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director s ability to be independent from management in connection with the duties of a HR Committee member to affirmatively determine each member of the HR Committee is independent. Pursuant to its charter, the HR Committee is authorized to obtain advice and assistance from internal or external legal or other advisors and has the sole authority to engage counsel, experts or consultants in matters related to the compensation of the chief executive officer and other executive officers of the Company (with sole authority to approve any such firm s fees and other retention terms).

Prior to selecting or receiving any advice from any committee advisor (other than in-house legal counsel) and on an annual basis thereafter, the HR Committee must assess the independence of such committee advisors in compliance with any applicable NYSE listing rules and the federal securities laws. The HR Committee must also review and approve, in advance, any engagement of any compensation consultant by the Company for any services other than providing advice to the Committee regarding executive officer compensation. The HR Committee engaged Willis Towers Watson in 2017 as its executive compensation consultant to provide objective analysis, advice and recommendations on executive pay in connection with the HR Committee s decision-making process.

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COMPANY INFORMATION

In 2017, Willis Towers Watson s fees for executive compensation consulting services were $290,878. Additionally, Willis Towers Watson provided $88,500 in unrelated human resources services to the Company. These additional services included health and welfare consulting, international pension consulting and the purchase of compensation surveys.

While Willis Towers Watson provides additional services to the Company (not under the direction of the HR Committee), these services have all been approved by the HR Committee. The HR Committee reviewed the work and services provided by Willis Towers Watson and it has determined that (1) these services were provided on an independent basis and (2) no conflicts of interest exist. Factors considered by the HR Committee in its assessment include:

- other services provided to the Company by Willis Towers Watson;
- fees paid by the Company as a percentage of Willis Towers Watson s total revenue;
- Willis Towers Watson s policies and procedures that are designed to prevent a conflict of interest and maintain independence between the personnel who provide HR services and those who provide other services;
- any business or personal relationships between individual consultants involved in the engagement and HR Committee members;
- whether any Company stock is owned by individual consultants involved in the engagement; and
- any business or personal relationships between our executive officers and Willis Towers Watson or the individual consultants involved in the engagement.

Willis Towers Watson reported directly to the HR Committee and not to management on executive officer and director compensation matters. The Willis Towers Watson teams that provide health and welfare and international pension consulting services to us are separate from the Willis Towers Watson team that provides executive and director compensation consulting services. Management, including the Company s executive officers, develops preliminary recommendations regarding compensation matters with respect to the executive officers, other than the chief executive officer, for HR Committee review. The HR Committee then reviews management s preliminary recommendations and makes final compensation decisions. Willis Towers Watson advised the HR Committee on the compensation levels of the Company s executive officers and provided advice related to proposed compensation.

For 2018, the Chair of the HR Committee, along with the Board, worked with Willis Tower Watson to develop preliminary recommendations regarding compensation with respect to our chief executive officer. The HR Committee then reviewed these recommendations and made the final compensation decisions with respect to the CEO. All compensation decisions approved by the HR Committee are shared with the Board.

The HR Committee, with the assistance of its consultants, has reviewed and evaluated the Company s executive and employee compensation practices and has concluded, based on this review, that any risks associated with such practices are not likely to have a material adverse effect on the Company. The determination primarily took into account the balance of cash and equity payouts, the balance of annual and long-term incentives, the type of performance metrics used, incentive plan payout leverage, avoidance of uncapped rewards, multi-year vesting for equity awards, use of stock ownership requirements for senior management and the HR Committee s oversight of all executive compensation programs. See *Compensation Discussion and Analysis* beginning on page 18 of this proxy statement for further information regarding executive compensation decisions.

POLICY ON ATTENDANCE AT STOCKHOLDER MEETINGS

Directors are expected to attend in person regularly scheduled meetings of stockholders, except when circumstances prevent such attendance. All of the members of the Board attended the Company s 2017 Annual Meeting in person.

CORPORATE GOVERNANCE

Governance Highlights

The Company has a practice of engaging in dialogue with our stockholders about various corporate governance topics. Insights we have gained from these discussions over the years have been helpful to the Board and its committees as they consider and adopt policies and other governance initiatives. In recent years the Company has undertaken a number of governance initiatives including:

- Expiration of the stockholders rights plan (poison pill)
- Elimination of a classified board
- Adoption of majority voting
- Elimination of super majority voting
- Amendment of bylaws to allow 10% or greater stockholders to call a special meeting
- Adoption of a policy regarding the independence of compensation consultants (which is now a part of the HR Committee charter)

- Adoption of a clawback policy
- Term limits for Board and Committee Chairs (further description on page 14 of this proxy statement)
- Adoption of Political Activities Disclosure Policy
- Split leadership Non-executive Chairman and Chief Executive Officer
- All independent directors except for the CEO
- Board compensation heavily weighted toward equity
- Stock ownership guidelines for senior officers and directors

As described in *Compensation Discussion and Analysis* beginning on page 18 of this proxy statement, during 2017 the Company continued its practice of engaging with stockholders about various corporate governance topics, including executive compensation. The Company takes into account such feedback when reviewing and revising aspects of its governance structure and the executive compensation program.

Principles of Corporate Governance

The Board has adopted a set of *Principles of Corporate Governance* to provide guidelines for the Company and the Board to ensure effective corporate governance. The *Principles of Corporate Governance* cover topics including, but not limited to, director qualification standards, Board and committee composition, director access to management and independent advisors, director orientation and continuing education, director retirement age, succession planning and the annual evaluations of the Board and its committees.

The Corporate Responsibility & Governance Committee is responsible for overseeing and reviewing the *Principles of Corporate Governance* and recommending to the Board any changes to those principles. The full text of the *Principles of Corporate Governance* is available through the Corporate Governance link on the Investors page of the Company s web site at the following address: *www.rrd.com* and a print copy is available upon request.

Code of Ethics

The Company maintains its *Principles of Ethical Business Conduct* and the policies referred to therein which are applicable to all directors and employees of the Company. In addition, the Company has adopted a *Code of Ethics* that applies to the chief executive officer and senior financial officers. The *Principles of Ethical Business Conduct* and the

Code of Ethics cover all areas of professional conduct, including, but not limited to, conflicts of interest, disclosure obligations, insider trading and confidential information, as well as compliance with all laws, rules and regulations applicable to our business. The Company strongly encourages all employees, officers and directors to promptly report any violations of any of the Company s policies. In the event that an amendment to, or a waiver from, a provision of the *Code of Ethics* is necessary, the Company intends to post such information on its website. The full text of each of the *Principles of Ethical Business Conduct* and our *Code of Ethics* is available through the Corporate Governance link on the Investors page of the Company s web site at the following address: *www.rrd.com* and a print copy is available upon request.

Independence of Directors

The Company s *Principles of Corporate Governance* provide that the Board must be composed of a majority of independent directors. No director qualifies as independent unless the Board affirmatively determines that the director has no relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has determined that Messrs. Katz, McLevish, Phipps and Pope and Mses. Esteves, Gianinno and Moldafsky are independent in accordance with NYSE requirements and SEC standards. The Board took into account all relevant facts and circumstances in making this determination.

Executive Sessions

The Company s non-management directors meet regularly in executive sessions without management. Executive sessions are led by the chair of the Board. An executive session is held in conjunction with each regularly scheduled Board meeting. Each committee of the Board also meets in executive session without management in conjunction with each regularly scheduled committee meeting and such sessions are led by the committee chair.

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COMPANY INFORMATION

Board Leadership

The Board has determined that having an independent director serve as chair of the Board is in the best interest of stockholders at this time. The structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. No single leadership model is right for all companies at all times, however, and the Board recognizes that, depending on the circumstances, other leadership models might be appropriate. Accordingly, the Board periodically reviews its leadership structure. The Board s *Principles of Corporate Governance* provide that, generally, no director may serve as chair of the Board or any committee for more than three years, provided that the Corporate Responsibility & Governance Committee may recommend to the Board, and the Board may approve, a single extension of the term of a chair of the Board or any committee for an additional three years once the chair s initial three-year term has ended and the Corporate Responsibility & Governance Committee may recommend to the Board, and the Board may approve, extending the term of the chair of the Board or any committee beyond six years if it deems such an extension to be in the best interest of the stockholders and the Company. In addition, service as a chair of the Board or any committee prior to the 2014 Annual Meeting shall not be considered for purposes of this limitation.

Board and Committee Evaluations

The Board undertakes a three part annual evaluation process that is coordinated by the chair of the Corporate Responsibility & Governance Committee which includes: (1) Board and committee self-evaluations; (2) evaluations completed by applicable members of management of the Board and its committees; and (3) interviews of each director conducted by a third-party governance expert. Results of the individual written evaluations are shared with the chair of the Corporate Responsibility & Governance Committee, the chair of the Board and the Chief Executive Officer, after which it is determined whether discussions with any individual director concerning performance are necessary. Results are then shared with the chairs of the applicable committees before being sent to the Board and each committee for their review. The chair of the Corporate Responsibility & Governance Committee discusses the results from the interviews with the third-party expert and summarizes such results and presents them to the Board. The Board has used information provided through the evaluation process to continuously improve its functioning.

Board s Role in Risk Oversight

The Board is actively involved in oversight of risks inherent in the operation of the Company s businesses and the implementation of its strategic plan. The Board performs this oversight role by using several different levels of review. In connection with its reviews of the operations of the Company s business units and corporate functions, the Board addresses the primary risks associated with those units and functions, including IT and cybersecurity risks. In addition, the Board reviews the key risks associated with the Company s strategic plan annually and regularly throughout the year as part of its consideration of the strategic direction of the Company as well as reviewing the output of the Company s risk management process each year.

The Board has delegated to the Audit Committee oversight of the Company s risk management process. Among its duties, the Audit Committee reviews with management (a) Company policies with respect to risk assessment and management of risks that may be material to the Company, (b) the Company s system of disclosure controls and system of internal controls over financial reporting, and (c) the Company s compliance with legal and regulatory requirements.

Each of the other Board committees also oversees the management of Company risks that fall within such committee s areas of responsibility. In performing this function, each committee has full access to management, as well as the ability to engage advisors, and each committee reports back to the full Board. The Audit Committee oversees risks related to the Company s financial statements, the financial reporting process, other financial matters, certain compliance issues and accounting and legal matters. The Audit Committee, along with the Corporate Responsibility & Governance Committee, is also responsible for reviewing certain major legislative and regulatory developments that could materially impact the Company s contingent liabilities and risks. The Corporate Responsibility & Governance Committee also oversees risks related to the Company s governance structure and processes, related person transactions, certain compliance issues and Board and committee structure to ensure appropriate oversight of risk. The HR Committee considers risks related to the attraction and retention of key management and employees and risks relating to the design of compensation programs and arrangements, as well as developmental and succession planning for possible successors to the position of chief executive officer and planning for other key senior management positions.

Nomination of Directors

It is the policy of the Corporate Responsibility & Governance Committee to consider candidates for director recommended by stockholders. In order to recommend a candidate, stockholders must submit the individual s name and qualifications in writing to the committee (in care of the Secretary at the Company s principal executive offices at 35 West Wacker Drive, 36th Floor, Chicago, Illinois 60601) and otherwise in accordance with the procedures outlined under *Submitting Stockholder Proposals and Nominations for 2019 Annual Meeting* on page 45 of this proxy statement. The committee evaluates candidates recommended for director by stockholders in the same way that it evaluates any other candidate. The committee also considers candidates recommended by management and members of the Board as well as nominees recommended by stockholders.

In identifying and evaluating nominees for director, the committee takes into account the applicable requirements for directors under the listing rules of the NYSE. In addition, the committee considers other criteria as it deems appropriate and which may vary over time depending on the Board s needs, including certain core competencies and other criteria such as the personal and professional qualities, experience and education of the nominees, as well as the mix of skills and experience on the Board prior to and after the addition of the nominees. Although not part of any formal policy, the goal of the committee is a balanced and diverse Board, with members whose skills, viewpoint, background and experience complement each other and, together, contribute to the Board s effectiveness as a whole.

The Corporate Responsibility & Governance Committee from time to time has engaged third-party search firms to identify candidates for director, and has used search firms to do preliminary interviews and background and reference reviews of prospective candidates.

Communications with the Board of Directors

The Board has established procedures for stockholders and other interested parties to communicate with the Board. A stockholder or other interested party may contact the Board by writing to the chair of the Corporate Responsibility & Governance Committee or the other non-management members of the Board to their attention at the Company s principal executive offices at 35 West Wacker Drive, 36th Floor, Chicago, Illinois 60601. Any stockholder must include the number of shares of the Company s common stock he or she holds and any interested party must detail his or her relationship with the Company in any communication to the Board. Communications received in writing are distributed to the chair of the Corporate Responsibility & Governance Committee or non-management directors of the Board as a group, as appropriate, unless such communications are considered, in the reasonable judgment of the Company s Secretary, improper for submission to the intended recipient(s). Examples of communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company or the Company s business or communications that relate to improper or irrelevant topics.

Except as noted below, the table below lists the beneficial ownership of common stock as of March 30, 2018 by all directors and nominees, each of the persons named in the tables in the *Executive Compensation* section of this proxy statement, and the directors and executive officers as a group. The table also lists all institutions and individuals known to hold more than 5% of the Company s common stock, which information has been obtained from filings pursuant to Sections 13(d) and (g) of the Exchange Act. Except as otherwise indicated below, each of the entities or persons named in the table has sole voting and investment power with respect to all common stock beneficially owned set forth opposite their name. Unless otherwise indicated, the percentages shown are based on outstanding shares of common stock as of March 30, 2018. Unless otherwise indicated, the business address of each stockholder listed below is RRD, 35 West Wacker Drive, 36th Floor, Chicago, Illinois 60601.

BENEFICIAL STOCK OWNERSHIP OF DIRECTORS, EXECUTIVES AND LARGE STOCKHOLDERS

Name	Shares	Restricted Share Units[1]	Stock Options Exercisable on or Prior to 5/31/18	Total Shares (including Director Restricted Share Units)	Total Shares[2]	% of Total Outstanding
Irene M. Esteves		8,970		8,970		*
Susan M. Gianinno	17,256	20,174		37,430	17,256	*
Jeffrey G. Katz	3,907	39,249		43,156	3,907	*
Timothy R. McLevish	16	13,450		13,466	16	*
Jamie Moldafsky		13,450		13,450		*
P. Cody Phipps		13,450		13,450		*
John C. Pope[3]	46,071	76,218		122,289	46,071	*
Daniel L. Knotts	200,181		51,166	200,181	251,347	*
John P. Pecaric	21,334			21,334	21,334	*
Terry D. Peterson	15,700			15,700	15,700	*
Deborah L. Steiner	7,884			7,884	7,884	*
All directors and executive officers as a group	312,349	184,961	51,166	497,310	363,515	*
BlackRock Inc.[4]	12,995,675			12,995,675	12,995,675	18.5%
Capital World Investors[5]	8,209,765			8,209,765	8,209,765	11.7%
The Vanguard Group[6]	6,820,107			6,820,107	6,820,107	9.7%

* Less than one percent.

(1) Includes all outside director restricted share units as such restricted share units are payable in shares of common stock or cash, as determined by the Company, upon termination from the Board of Directors. Includes only those executive officer restricted share units that will vest prior to May 31, 2018.

(2) Does not include outside director restricted share units because ownership of the units does not confer any right to ownership of the underlying shares.

(3) Includes 19,071 shares held in trust for Mr. Pope pursuant to a deferred compensation plan.

(4) Represents shares of RRD s common stock beneficially owned as of December 31, 2017 based on the Schedule 13G/A filed on January 19, 2018 by BlackRock Inc. (BlackRock). In such filing, BlackRock lists its principal business address at 55 East 52nd Street, New York, New York 10055 and indicates that it has sole investment authority over all shares and sole voting authority over 12,808,139 shares.

(5) Represents shares of RRD s common stock beneficially owned as of December 31, 2017 based on the Schedule 13G filed on February 14, 2018 by Capital World Investors (Capital World). In such filing, Capital World lists its principal business address as 333 South Hope Street, Los Angeles, California 90071 and indicates that it has sole investment authority and sole voting authority over all shares. Capital World is a division of Capital Research and Management Company.

(6) Represents shares of RRD s common stock beneficially owned as of December 31, 2017 based on the Schedule 13G/A filed on February 9, 2018 by The Vanguard Group (Vanguard). In such filing, Vanguard lists its principal business address as 100 Vanguard Blvd., Malvern, Pennsylvania 19355 and indicates that it has sole investment authority over 6,724,720 shares, shared investment authority over 95,387 shares, sole voting authority over 103,207 shares and shared voting authority over 7,188. Beneficial ownership includes 88,199 shares for which Vanguard Fiduciary Trust Company (VFTC), a wholly-owned subsidiary of Vanguard, is the beneficial owner as a result of serving as investment manager of collective trust accounts. VFTC directs voting of these shares. Beneficial ownership also includes 22,196 shares for which Vanguard Investments Australia, a wholly-owned subsidiary of Vanguard, is the beneficial owner as a result of its serving as investment manager of Australian investment offerings.

This Compensation Discussion & Analysis (this CD&A) will describe the material components of the executive compensation program applicable to our named executive officers (our NEOs). While the discussion in the CD&A is focused on our NEOs, many of our executive compensation programs apply broadly across our executive ranks.

Our NEOs for the fiscal year ended December 31, 2017 were:

- Daniel L. Knotts, our President and Chief Executive Officer and a member of the Board of Directors;
- Terry D. Peterson, our Executive Vice President and Chief Financial Officer;
- John P. Pecaric, our Executive Vice President, Chief Commercial Officer and President of International;
- Deborah L. Steiner, our Executive Vice President and General Counsel; and
- Thomas M. Carroll, our former Chief Administrative Officer[1].

EXECUTIVE SUMMARY

2017 Performance Overview

2017 was a pivotal year for RRD, as it was our first full year as a stand-alone company after the separation of our publishing, print services and office products business and our financial communications services business (the Spin-Offs). Despite challenging conditions within our industry, RRD posted strong financial results:

- we extended our capabilities as a multichannel business services and marketing communications provider, including optimizing the business to meet this objective;
- we achieved our goal of returning to growth by growing our top line with total net sales increasing 1.6% to $6.9 billion in 2017 and delivering non-GAAP diluted earnings per share of $1.20[2], while reducing our outstanding debt by $278 million; and
- we continued to develop, win and onboard significant new client relationships across our businesses.

(1) SEC rules require us to include as an NEO up to two of our former executive officers who would have been among the three most highly compensated executive officers of the Company but for the fact that they were not employed by us as of December 31, 2017. Mr. Carroll, our former Chief Administrative Officer who resigned effective June 1, 2017, falls into this category and is an NEO for purposes of our discussions in this CD&A.

(2) Our financial performance targets and results under our incentive plans are sometimes based on non-GAAP financial measures which may be further adjusted as permitted by those plans and approved by the HR Committee. These metrics and the related performance targets are relevant only to our executive compensation program and should not be used or applied in other contexts. Please see Appendix A on page A-1 for a reconciliation of GAAP to non-GAAP amounts.

2017 Compensation Highlights

The table below sets forth the key decisions that impacted the compensation of our NEOs in 2017. These decisions were made by our HR Committee and were guided by our compensation philosophy, our actual performance, market pay practices and advice from our independent outside compensation consultant.

October 2016 **Program Updates as a Result of the Spin-Off**	As part of the Spin-Offs on October 1, 2016, the HR Committee conducted a comprehensive review of our executive compensation programs, assessing the following items. The design of the programs to support our pay for performance philosophy Desired competitive positioning reflecting the reduced size and complexity of the Company following the Spin-Offs Appropriate compensation levels targeting the 50th percentile of peer group data, when available for a position, and by market survey data All of our named executive officers assumed new roles as a result of the Spin-Offs **Base Salary and Annual Incentive Plan Updates** As a result of the HR Committee s review, market pricing for base salaries and target bonus opportunities for our executive positions following the Spin-Offs were decreased from the percentages applicable under our Annual Incentive Plan (AIP) to each of the respective positions prior to the Spin-Offs. The base salary and the target bonus percentages of our CEO were reduced by approximately 20% and 25%, respectively, from the amount paid to the individual who was our CEO prior to the Spin-Offs. In addition, the target bonus percentages for our other NEOs following the Spin-Offs were reduced from 150% to 80% for all of our NEOs.

Long-Term Incentive Plan Updates

No other changes were made to the executive compensation programs.

Key 2017 Compensation Decisions

Base Salary

Due to salaries being set for the NEOs as of October 1, 2016, none of our NEOs received a salary increase in 2017.

Annual Incentive Plan

Payouts under our AIP were driven by two components a corporate financial target of achieving non-GAAP adjusted EBITDA of $505 million and meeting individual personal performance goals. While the achievement level attained against the corporate financial target was important to the financial success of RRD this year, the challenging target approved by the HR Committee was not met and thus the actual payout under our 2017 AIP is below target. All of the NEOs met their individual performance goals under the AIP.

Long-Term Incentive Plan

For equity grants made under our long-term incentive plan in 2017, in order to more closely align NEO compensation with the interests of our stockholders, the HR Committee issued long-term incentive awards of which 50% were granted as performance stock units (PSUs) and the remaining 50% were granted as restricted stock units (RSUs). The RSUs issued in March 2017 vest over a three year period while the PSUs have a three year performance period which measures the Company s performance against pre-determined cumulative free cash flow targets.

Stockholder Feedback on Pay Programs

In concert with the Spin-Offs, we engaged with stockholders to provide detailed information on our business and strategy. Post-separation, we continued our practice of engaging with stockholders about various corporate governance topics including executive compensation. Meetings were held with significant institutional investors to, among other things, gather additional feedback on our compensation programs. In general, the feedback received from stockholders during these meetings with regard to executive compensation was positive and RRD received 94.6% vote in support of its executive compensation programs in the 2017 Say-on-Pay advisory vote.

Based on our stockholder engagement feedback, as well as our strong Say-on-Pay advisory vote results, we believe our overall executive compensation program was well received by our stockholders as it is tailored to our business strategies, aligned with our pay for performance philosophy and to designed to create long-term value for stockholders.

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COMPENSATION DISCUSSION & ANALYSIS

COMPENSATION PROGRAM DESIGN

Compensation Philosophy

Our executive compensation program is designed to align the interests of our stockholders and executive officers while providing a total compensation package that enables us to attract talent, reward existing talent for past performance and motivate future performance. The HR Committee seeks to ensure that the compensation of our executive officers is tied to the achievement of both short-term and long-term performance objectives intended to drive stockholder value.

As a result, our compensation philosophy is guided by five principles:

- to link pay to performance by making a substantial percentage of total executive compensation variable, or at risk, through annual incentive compensation and long-term incentive awards;
- to align a significant portion of executive pay with stockholder interests through equity awards and stock ownership requirements;
- to base a substantial portion of each NEO s long-term incentive award on achieving or exceeding targeted levels of performance while maintaining a meaningful portion that vests over time and is therefore focused on retention of our top talent;
- to establish target compensation levels that are competitive within the industries and markets in which we compete for executive talent; and
- to structure compensation so that our executives share in our short- and long-term successes and challenges by varying compensation from target levels based upon business and individual performance.

Best Practices

Our compensation philosophy and the resulting compensation programs incorporate the following best practices:

Clawback Policy	Awards granted under our cash incentive plans, stock option grants and performance shares or other performance-based awards are subject to forfeiture in the case of fraud or intentional misconduct by any executive officer
No Tax Gross-Ups	No NEO in entitled to receive gross-ups for excise taxes or gross-ups on any supplemental benefits or perquisites
No Dividends or Dividend Equivalents	We do not pay or accrue for dividends on performance share units or restricted share units
Limited Perquisites	We provided limited perquisites to executive officers
Stock Ownership Guidelines	We have meaningful stock ownership guidelines for the executive officers to further strengthen the alignment of management and stockholder interests
No Repricing	Our equity plans do not permit option re-pricing or option grants below fair market value
Risk Management	Employees, directors and certain of their immediate family members are prohibited from pledging, short sales, trading in publicly traded options, puts or calls, hedging or similar transactions with respect to our stock
Annual Compensation Review	The HR Committee conducts an annual review of the executive compensation program to determine how well actual compensation targets and levels met our overall philosophy and targeted objectives in comparison to both market data and, where available, peer group data

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Peer Group

In connection with the Spin-offs, the HR Committee directed Willis Towers Watson (WTW) to review the Company s compensation peer group. As a result of this analysis, several changes were made to the peer group to better reflect (i) the primary industries in which we operate and compete for talent and (ii) the size of RRD post-Spin-Offs. The resultant peer group consists of the following 22 companies:

Alliance Data Systems Corporation	Automatic Data Processing, Inc.	Avery Dennison Corporation
Bemis Company, Inc.	CH Robinson Worldwide Inc.	Essendant, Inc.
Expeditors International of Washington, Inc.	Fidelity National Information Services, Inc.	First Data Corporation
Fiserv, Inc.	Graphic Packaging Holding Company	Hub Group Inc.
News Corporation	Packaging Corporation of America	Pitney Bowes Inc.
Quad/Graphics, Inc.	Sealed Air Corporation	Sonoco Products Co.
The Interpublic Group of Companies, Inc.	Thomson Reuters Corporation	WestRock Company
XPO Logistics, Inc.		

In 2017, WTW reviewed the compensation peer group and presented its findings to the HR Committee who agreed that no changes were needed to our peer group for 2017. Based on the assessment of both our peer group and market data, each year the HR Committee determines whether the overall executive compensation program is consistent with our business strategy and objectives and promotes RRD s compensation philosophy. In general, compensation levels for our NEOs are targeted at the 50th percentile of target market and peer group data, taking into account the skills, level of responsibility and future potential of each NEO.

2017 COMPENSATION DETAIL

The table below sets for the elements of our 2017 compensation program for our NEOs.

Component	Description/Rationale	Key Characteristics
Base Salary *(See Base Salary on page 22)*	Fixed component of pay	Level of responsibility
	Stable compensation element	Role, responsibilities, experience and individual performance
		Skills and future potential

		Median of market and peer group data
Annual Incentive Plan (*See Annual Incentive Plan on page 22)*	Variable and at-risk cash bonus plan Target amount of bonus is determined as a percentage of the individual s base salary Rewards achievement against specific, pre-set annual corporate financial and individual performance goals Subject to a payout which ranges from 0% to 200% of target, with no payout for performance below 90% of the corporate financial target	Corporate financial targets are set by the HR Committee at the start of the year Individual performance goals are set by each NEO in conjunction with his or her manager and are approved by the HR Committee
Long-Term Incentive Plan (*See Long-Term Incentive Plan on page 23)*	Variable and at-risk compensation which link awards to RRD s performance to increase alignment with stockholders through the use of PSUs and RSUs Key component to attract and retain executive officers Annual value intended to be a substantial component of overall compensation package for each NEO	Level of responsibility Individual skills, experience and performance Median of peer group and market survey data PSUs are tied to achievement of financial measures over a three-year performance period and payout can range from 0% to 150% RSUs are time-vested over a 3 year vesting period.

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COMPENSATION DISCUSSION & ANALYSIS

The compensation program for our NEOs is primarily focused on incentive compensation, putting a significant portion of total compensation at risk. Consistent with our philosophy of aligning the compensation of our executive officers with creating long-term value for our stockholders, heaviest weighting is on long-term incentive compensation. The mix of fixed versus variable compensation at target for our NEOs for 2017 was as follows.

Base Salary

Base salaries for our NEOs were adjusted on October 1, 2016 to reflect each NEO s new position and competitive positioning reflecting the reduced size and complexity of the Company following the Spin-Offs. As a result, the HR Committee provided no base salary increases to any NEOs in 2017.

Name	December 31, 2016	December 31, 2017	Percent Change
Daniel L. Knotts	$ 950,000	$ 950,000	0%
Terry D. Peterson	$ 550,000	$ 550,000	0%
John P. Pecaric	$ 475,000	$ 475,000	0%
Deborah L. Steiner	$ 350,000	$ 350,000	0%
Thomas M. Carroll	$ 450,000	*	*

* Mr. Carroll left the Company as of June 1, 2017.

Annual Incentive Plan

Consistent with our compensation philosophy, the HR Committee sets the corporate financial target under the AIP for 2017 with the goal of motivating our executive team to meet operational and financial targets to enhance long-term stockholder value. The targets, along with individual performance goals, are set by the HR Committee at the beginning of the year following the presentation of the annual operating budget.

The minimum and maximum payout levels range from 0% to 200% of target, with no payout for performance below 90% of the corporate financial target. NEOs do not receive a payout for achievement of individual performance goals unless the threshold corporate financial target is achieved. Thereafter, individual performance goals can only modify an NEO s AIP payout downward if these individual performance goals are not achieved.

The corporate financial target under the AIP for 2017 was non-GAAP adjusted EBITDA. Adjusted EBITDA is defined as net earnings attributable to RRD common stockholders adjusted for income attributable to non-controlling interests, income taxes, interest expense, investment and other income, depreciation and amortization, restructurings and impairments, acquisition-related expenses and certain other charges or credits. The non-GAAP adjusted EBITDA target for 2017 was set at $505 million. This performance level was set by the HR Committee at the beginning of the year after thorough discussion with management regarding the Company s forecasted performance, and was a challenging goal.

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The table below sets forth a description of these targets, as well as 2017 achievement levels.

Target	Metric	Achievement
Corporate Financial Target	Adjusted EBITDA of $505 million at target	Adjusted EBITDA was $476 million Resulted in an achievement level of 42.2%
Individual Performance Goals	Individual performance goals for our NEOs included achievement of working capital targets, productivity and safety targets, and completion of key strategic initiatives	All of the NEOs met their individual performance goals. The HR Committee did not exercise discretion regarding the payout of any AIP awards to our NEOs.

The AIP percentages and actual 2017 payouts based on the performance described above are shown in the table below:

Name	AIP Target (%)	AIP Payout at Target ($)	Actual Payout ($)
Daniel L. Knotts	125%	1,187,500	501,125
Terry D. Peterson	80%	440,000	185,680
John P. Pecaric	80%	380,000	160,360

Deborah L. Steiner	80%	280,000	118,160
Thomas M. Carroll	80%	*	*

* Mr. Carroll left the Company on June 1, 2017 and thus did not receive an AIP payout for 2017.

Long-Term Incentive Plan

In 2017, the HR Committee returned to its practice of granting both PSUs and RSUs to our NEOs with the objective of the RSU grants being retention of key executives and the objective of the PSUs being to more closely align the interests of our NEOs with that of our stockholders. PSUs made up 50% of each grant while RSUs made up the remaining 50% to each NEO who received a grant in 2017. The RSUs issued vest over a three year period. Grants of RSUs and PSUs are made to our NEOs in accordance with a practice of on-going annual grants.

The PSUs have a three year performance period which measures the Company s performance against pre-determined cumulative free cash flow targets. Cumulative free cash flow is defined as cash flow from continuing operations less capital expenditures and certain other adjustments. PSUs can pay out at a range from 0% to 150% of target with no shares earned for performance below 75% of target.

In 2017, the HR Committee approved the following grants to our NEOs under our long-term incentive program:

Name	Grant (# of PSUs)	Grant (# of RSUs)
Daniel L. Knotts	127,913	127,914
Terry D. Peterson	31,267	31,268
John P. Pecaric	22,740	22,740
Deborah L. Steiner	18,476	18,476
Thomas M. Carroll*	21,318	21,319

* Mr. Carroll forfeitted all unvested awards upon his departure from RRD on June 1, 2017.

Additional Compensation

As disclosed in the previous year s proxy statement, Mr. Peterson received an additional cash award which was granted in connection with his hiring in 2016 for which he received payment in 2017. Pursuant to the terms of his employment agreement, Mr. Peterson received a cash payment of $900,000 in January 2017. In addition, in October 2017, he became vested in an equity award granted to him in October 2016 pursuant to the terms of his employment agreement. Mr. Peterson continues to vest in additional equity awards granted to him in October 2016 which will become vested in October 2018 and October 2019, respectively.

COMPENSATION DISCUSSION & ANALYSIS

Benefit Programs

The Company s benefit programs were established based upon an assessment of competitive market factors and a determination of what was needed to retain high-caliber executives. For 2017, our primary benefits for executives included participation in broad-based plans at the same benefit levels as other employees. These plans included: retirement plans, savings plans, health and dental plans and various insurance plans, including disability and life insurance. In addition, certain executives, including certain of our NEOs, are provided with the following benefits:

Supplemental Retirement Plan: A supplemental retirement plan is offered to eligible executives, which is described under *Pension Benefits* beginning on page 31 of this proxy statement. This supplemental retirement plan no longer provides benefit accruals because the underlying pension plan to which it relates was frozen as of December 31, 2011. Prior to that, the supplemental retirement plan took into account compensation above limits imposed by the tax laws and was similar to programs found at many of the companies with which we competed for talent. Prior to December 31, 2011, this benefit was available to all highly paid executives within RRD, including our NEOs. As of December 31, 2017, approximately 365 (active and inactive) employees were covered by this plan.

Pension Plan: Because RRD froze its Qualified Retirement Plans (pension plan) as of December 31, 2011, generally no additional benefits will accrue under such plans or the related supplemental retirement plan.

Supplemental Insurance: Additional life and disability insurance is provided to enhance the value of our overall compensation program. The premium cost for these additional benefits is included as taxable income for the NEOs and there is no tax gross-up on this benefit.

Deferred Compensation Plan: The opportunity to defer receiving income and therefore defer taxation on that income, generally until either a number of years chosen by the executive or termination of employment with RRD.

Financial Counseling: Reimbursement of expenses for financial counseling to provide executives with access to an independent financial advisor of their choice. The cost of these services, if utilized, was included as taxable income for the NEO and there was no tax gross-up on this benefit.

Automobile Program: A monthly automobile allowance which provided eligible executives with an opportunity to use their car for both business and personal use in an efficient manner. This allowance was included as taxable income to the respective NEOs and there was no tax gross-up on this benefit.

Executive Physical: Provides for a medical physical examination once per year, including consultations with specialists, dieticians and physiologists, as needed.

EMPLOYMENT ARRANGEMENTS

Each of our NEOs entered into an employment agreement with RRD in connection with the assumption of his or her position. Each employment agreement sets forth, among other things, the NEO s base salary, target annual bonus opportunity, entitlement to participate in the Company s benefit plans, equity awards, certain perquisites and provisions with respect to certain payments and other benefits upon termination of employment under certain circumstances (such as an involuntary separation from service, as set forth in the respective employment agreement). Mr. Knotts is also entitled to enhanced benefits in the event he is terminated without cause or terminates employment for good reason in connection with a change in control (each as defined in the applicable employment agreement). Please see *Potential Payments Upon a Termination or Change in Control* beginning on page 33 of this proxy statement for a description of such provisions.

CERTAIN OTHER POLICIES

Operation of the Human Resources Committee

The HR Committee establishes and monitors RRD s overall compensation strategy to ensure that our executive compensation program supports our business objectives and specifically establishes the compensation of the CEO, other senior officers and key management employees.

The HR Committee, with the assistance of Willis Towers Watson, works to analyze competitive market data to determine appropriate base salary levels, annual incentive target levels, and long-term incentive target levels for our executives. In conducting market comparisons, the HR Committee seeks to establish compensation levels that approximate the median of the applicable surveys and peer group. The CEO is not a member of the HR Committee and does not vote on matters concerning executive pay.

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With respect to our CEO s pay, the HR Committee conducts an annual performance assessment of the CEO and determines appropriate adjustments to all elements of his pay based on his individual performance and the Company s performance.

For the other executive officers, the CEO makes recommendations to the HR Committee for all elements of pay based on individual performance, market data from our peer group and published survey data. The HR Committee reviews, discusses, modifies, and approves, as appropriate, these recommendations.

The diagram below summarizes the HR Committee s annual process for setting executive pay, which begins in July and concludes the following February.

July	*Review and discuss timeline for setting executive pay*
October	*Review market competitive data including applicable compensation surveys and peer comparisons*
January	*Evaluate overall executive pay program* Review proposed annual incentive plan design Review proposed long-term incentive designs
February	*Finalize executive pay* Review performance results for prior year and approve payouts of prior long-term incentive grants Review the Company s fiscal budget plan Approve executive base salaries and annual incentive targets and designs Approve long-term incentive target and designs

At each of its regularly scheduled meetings throughout the year, the HR Committee reviews the Company s performance under outstanding annual and long-term incentive plans.

Role of the Compensation Consultant

Compensation of executive officers was overseen by the HR Committee, which engaged Willis Towers Watson as its executive compensation consultant to provide objective analysis, advice and recommendations on executive officer compensation and related matters in connection with the HR Committee s decision-making process. Willis Towers Watson regularly attended HR Committee meetings, and reported directly to the HR Committee, not to management, on matters relating to compensation for the executive officers.

Willis Towers Watson provided additional services to RRD not under the direction of the HR Committee, which services were pre-approved by the HR Committee. The HR Committee reviewed the work and services provided by Willis Towers Watson and it determined that (a) such services were provided on an independent basis and (b) no conflicts of interest existed. Factors considered by the HR Committee in its assessment include:

1. other services provided to the Company by Willis Towers Watson;
2. fees paid by the Company as a percentage of Willis Towers Watson s total revenue;
3. Willis Towers Watson s policies and procedures that are designed to prevent a conflict of interest and maintain independence between the personnel who provide HR services and those who provide these other services;
4. any business or personal relationships between individual consultants involved in the engagement and HR Committee members;
5. whether any stock of RRD is owned by individual consultants involved in the engagement; and
6. any business or personal relationships between the Company s executive officers and Willis Towers Watson or the individual consultants involved in the engagement.

Role of Management

Management, including the CEO and other executive officers, developed preliminary recommendations regarding compensation matters with respect to all executive officers other than the CEO, and provided these recommendations to the HR Committee. The HR Committee then reviewed management s preliminary recommendations and made final compensation decisions, with advice from Willis Towers Watson, as appropriate. The management team was responsible for the administration of the compensation programs once the HR Committee s decisions were finalized.

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COMPENSATION DISCUSSION & ANALYSIS

Risk Assessment

In 2017, the HR Committee, with the assistance of Willis Towers Watson, reviewed and evaluated our executive and employee compensation practices and concluded, based on this review, that any risks associated with such practices are not likely to have a material adverse effect on the Company. The determination primarily took into account the balance of cash and equity payouts, the balance of annual and long-term incentives, the type of performance metrics used, incentive plan payout leverage, possibility that the plan designs could be structured in ways that might encourage gamesmanship, avoidance of uncapped rewards, multi-year vesting for equity awards, use of stock ownership requirements for senior management and the HR Committee s oversight of all executive compensation programs.

Tax Deductibility Policy

The HR Committee considered the deductibility of compensation for the Company s federal income tax purposes in the design of our programs. While we generally seek to maintain the deductibility of the incentive compensation paid to its executive officers, the HR Committee retains the flexibility necessary to provide cash and equity compensation in line with competitive practices, its guiding principles, and the best interests of our stockholders even if these amounts are not fully tax deductible.

The AIP threshold target was based on non-GAAP adjusted EBITDA and established a multiplier for each NEO (for the President/CEO, 5x base salary; and for the other NEOs, 3x base salary) for tax deductibility purposes under Section 162(m) of the Internal Revenue Code. These award pools were the absolute maximum limitations on the dollar value of awards earned.

RRD is aware that the 2017 Tax Cuts and Jobs Act will affect the tax deductibility of certain elements of executive compensation going forward. We continue to review our executive compensation programs in light of these changes to ensure that our programs remain in line with the long-term interests of the Company and our stockholders and competitive practices.

Stock Ownership Guidelines

The HR Committee has established stock ownership guidelines for all NEOs and certain other executives. Consistent with our compensation philosophy, these guidelines are designed to require the Company s executives to have a meaningful equity ownership in RRD, and thereby link their interests with those of our stockholders. These stock ownership guidelines provide that within three years of hire or promotion, all of our NEOs, other than our CEO, must own and retain Company capital stock having a fair market value of 3x their salary and that our CEO must own and retain Company capital stock having a fair market value of 5x his salary. In the event a NEO does not achieve or make progress toward the required stock ownership level, the HR Committee has the discretion to take appropriate action. As of March 31, 2018, all of our NEOs had met, exceeded or made appropriate progress toward their ownership guidelines.

HUMAN RESOURCES COMMITTEE REPORT

The HR Committee of the Board of Directors of R. R. Donnelley & Sons Company, on behalf of the Board, establishes and monitors the Company s overall compensation strategy to ensure that executive compensation supports the business objectives. In fulfilling its oversight responsibilities, the HR Committee reviewed and discussed with management the Compensation Discussion & Analysis set forth in this proxy statement.

In reliance on the review and discussions referred to above, the HR Committee recommended to the Board that the Compensation Discussion & Analysis be incorporated in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the Company s proxy statement to be filed in connection with the Company s 2018 Annual Meeting of Stockholders.

The HR Committee of R. R. Donnelley & Sons Company

P. Cody Phipps, Chairman

Irene M. Esteves

Susan M. Gianinno

Timothy R. McLevish

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The Summary Compensation Table provides compensation information about our principal executive officer, principal financial officer, and the three most highly compensated executive officers other than the principal executive officer and principal financial officer as of December 31, 2017.

2017 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Stock Awards ($)[2]	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5]	Total ($)
Daniel L. Knotts	2017	950,000	1,300,000	4,169,980		501,125	157,306	25,300	7,103,71
President and Chief Executive	2016	781,250	1,125,000	4,354,484		142,025	36,291	32,747	6,471,79
fficer	2015	725,000	700,000	2,235,630		205,538		25,043	3,891,21
Terry D. Peterson	2017	550,000	900,000	1,019,321		185,680		51,648	2,706,64
Executive Vice resident and Chief Financial fficer	2016	168,750		1,345,939		13,362		12,618	1,540,66
John P. Pecaric	2017	475,000	425,000	741,324		160,360	75,722	38,842	1,916,24
Executive Vice resident, Chief Commercial fficer and President nternational	2016	396,250	250,000	823,567		45,991		267,542	1,783,35
Deborah L. Steiner	2017	350,000	141,667	602,318		118,160		27,009	1,239,15
Executive Vice resident and General Counsel	2016	265,513	124,740	362,361		16,835			769,44
Thomas M. arroll[6]	2017	189,205	666,667	694,983			73,966	63,127	1,687,94
	2016	450,000	916,667	913,212		62,010	12,093	36,554	2,390,53

Former Executive
ice President
and Chief
dministrative Officer

(1) The amounts shown in this column for 2017, 2016 and 2015 constitute long-term incentive compensation paid as cash awards (the Cash Awards) granted under the Company s 2012 Performance Incentive Plan (the 2012 PIP) in 2013 and 2014 of which one-fourth and one-third, respectively, vested on the anniversary of each of the grant dates. The 2017 amount for Mr. Peterson reflects a one-time sign-on bonus that was paid in 2017. The 2016 amounts also include spin cost reduction bonuses in the amount of $725,000 for Mr. Knotts, and spin bonuses in the amount of $125,000 and $83,073, for each of Mr. Pecaric and Ms. Steiner, respectively.

(2) The amounts shown in this column constitute the aggregate grant date fair value of RSUs granted during the fiscal year under the 2012 PIP. In addition, for 2016, the amounts shown include a one-time grant of RSUs granted on October 1, 2016. The amounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation Stock Compensation* (which we refer to as ASC Topic 718). See Note 15 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for a discussion of the relevant assumptions used in calculating the fair value pursuant to ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

(3) The amounts shown in this column include payments made under our AIP, which is a subplan of the 2012 PIP. At the outset of each year, the HR Committee sets performance criteria that are used to determine whether and to what extent the NEOs will receive payments under the AIP. See *Compensation Discussion and Analysis* beginning on page 18 of this proxy statement for further information on the 2017 payments.

(4) The amounts shown in this column include the aggregate of the increase, if any, in actuarial values of each of the named executive officer s benefits under our Pension Plans and Supplemental Pension Plans. Mr. Knotts had a decrease in actuarial value in 2015 in the amount of $64,271. Mr. Pecaric had a decrease in actuarial value in 2016 in the amount of $3,119.

(5) Amounts in this column include the value of the following perquisites provided to the NEOs in 2017: (a) an amount for automobile allowance which is the amount actually paid to each NEO; (b) personal tax/financial advice which is valued at actual amounts paid to each provider of such advice; (c) the premium paid by the Company for group term life insurance and supplemental disability insurance; and (d) imputed income from Company provided life insurance. Mr. Knotts is also able to use certain country clubs at which the Company has a business purpose membership for his personal use but to the extent that there is an incremental cost to the Company, Mr. Knotts reimburses the Company for such personal use. Mr. Peterson received relocation expenses in the amount of $16,631. In connection with his resignation on June 1, 2017, Mr. Carroll received $34,616 as payout for his accrued vacation.

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EXECUTIVE COMPENSATION

The table below provides further detail regarding the perquisites paid to our NEOs in 2017.

Named Executive Officer		Corporate Automobile Allowance ($)	Personal Tax/Financial Advice ($)	Supplemental Life Insurance Premium ($)	Supplemental Disability Insurance Premium ($)	Imputed Income from Company Provided Life Insurance ($)	Other ($)	Total ($)
Daniel L. Knotts	2017	16,800	1,525	2,050	4,718	207		25,300
Terry D. Peterson	2017	16,800	1,700	10,215	6,095	207	16,631	51,648
John P. Pecaric	2017	16,800		12,145	9,510	387		38,842
Deborah L. Steiner	2017	16,800		3,935	6,139	135		27,009
Thomas M. Carroll	20,087							

3.2
%
Net income
41,600

38,415

3,185

8.3
%

Total operating revenues

Total operating revenues for the year ended December 31, 2016 increased compared to the year ended December 31, 2015, as a result of the shift in the mix of our active card portfolio toward higher revenue generating customers as compared to 2015 and improved unit economics on our new suite of prepaid card products within our Account Services segment, which consists of our branded and private label deposit account programs. In the first quarter of 2016, we launched a new suite of Green Dot branded products with improved unit economics and removed our prior suite of products at all of our retail distributors. This business strategy contributed to an improvement in the quality of our active card portfolio, as evidenced by greater customer engagement through increased gross dollar volume and purchase volume on a lower base of active cards, each on a year-over-year basis. The combination of greater utilization rates and our ability to increase the collectability rate of our monthly maintenance fees through our new fee policies generated greater revenue per number of active cards for our Account Services segment for the year ended December 31, 2016 compared to the year ended December 31, 2015, despite a year-over-year decline in the number of active cards in our portfolio of 8%, which we believe was primarily attributable to our suspension of our MoneyPak PIN product in the first quarter of 2015.

Total operating revenues also increased as a result of improved unit economics in our Processing and Settlement Services segment, which consists of cash transfer revenues, fees assessed on our MoneyPak PIN product, 1099 program disbursement revenues and tax refund processing services. Our Processing and Settlement Services segment experienced an increase in the number of reload transactions per active card for the year ended December 31, 2016

compared to the year ended December 31, 2015, as well as greater revenue per number of cash transfers over the same period, despite a year-over-year decline in the number of cash transfers of 3%, which we believe was primarily due to the previous suspension of our legacy MoneyPak PIN product in the first quarter of 2015. In April 2016, we began rolling out a new version of our MoneyPak PIN product to participating retail distributors with the goal of reaching broad distribution of this product. While we expect the new version of our MoneyPak PIN product to offset some of the lost revenues attributable to the suspension of our legacy MoneyPak PIN product in our cash transfer business, we do not expect the revenues derived from the new version to reach the size and scale of the legacy product as customers have transitioned to our POS swipe reload method or have switched to other replacement products.

Total operating revenues for the year ended December 31, 2016 were also favorably impacted by a reduction in stock-based retailer incentive compensation, which was recognized as contra-revenue. As further discussed under "Key Components of our Results of Operations," beginning in May 2015, we no longer record stock-based retailer compensation as a result of our repurchase right lapsing completely.

Total operating expenses

Total operating expenses for the year ended December 31, 2016 increased compared to the year ended December 31, 2015 due to increases in sales and marketing expenses, processing expenses and other general and administrative expenses, which in each case increased slightly as a percentage of total revenues. These increases in operating expenses were offset by reductions in total compensation and benefits expenses as a result of our implementation of platform initiatives to drive cost reductions throughout our organization in accordance with our Six Step plan (the "Six Step plan") announced in February 2016.

Sales and marketing expenses increased year-over-year driven by incremental costs of manufacturing and distributing card packages associated with our new suite of prepaid products with improved unit economics. During the year ended December 31, 2016, we incurred costs of manufacturing and distributing card packages of $11.4 million for the new suite of Green Dot branded prepaid card products introduced at our retail distributors. Additionally, revenues generated under the MoneyCard program represent a sizable portion of our total operating revenues in all periods presented. We renewed our Walmart MoneyCard agreement in June 2015. Under this new agreement, effective May 1, 2015, the sales commission rate we pay to Walmart for the MoneyCard program increased from the prior agreement, which has increased, and impacted the comparability of our year-over-year sales and marketing expenses since May 2015.

Processing expenses increased for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of higher volume of purchase and ATM transactions initiated by our cardholders and lower rebate incentives received from our payment networks compared to the year ended December 31, 2015. In the first half of 2016, we continued our planned conversion of customer files from our legacy third-party card processor to our new third-party card processor. As part of the conversion process, a small number of our active cards experienced limited disruptions in service that caused us to incur losses including, but not limited to, an aggregate of approximately $4.1 million for customer credits and cardholder transaction losses associated with the service disruption. Our new third-party processor fully reimbursed us for these customer credits and cardholder transaction losses, although we estimate we incurred an immaterial amount of other expenses as a result of the service disruption that were not reimbursed. Additionally, our new third party processor has materially reimbursed us for the additional expenses we incurred in the second half of 2016 related to the need to continue to support customer accounts on both the legacy and new third party processors due to the delay in the planned migration schedule caused by the service disruption. While we are negotiating reimbursement for the additional expenses we incur in 2017 through the completion of the processor migration, there can be no assurance that our new third party processor will fully or even partially reimburse us for any material costs and losses incurred in 2017 as a result of the delay in our planned migration schedule.

Other general and administrative expenses increased primarily due to increases in cardholder transaction losses and changes in the fair value of our contingent consideration related to our acquisitions, partially offset by the absence of impairment charges associated with internally developed software compared to the year ended December 31, 2015. During the year ended December 31, 2016, we recorded a $2.5 million favorable adjustment for the fair value of contingent consideration related to our acquisition in the fourth quarter of 2014. We recorded the change in fair value as a component of other general and administrative expenses on our consolidated statements of operations. The impact

that this contingent consideration will have on our 2017 results of operations will depend upon the financial performance of the applicable acquired subsidiaries.

Compensation and benefits expenses decreased year-over-year due to a decrease in our employee headcount and our third party contractor expenses as a result of cost reduction initiatives implemented as part of our Six Step plan, partially offset by an increase in stock-based compensation expense.

Income tax expense for the year ended December 31, 2016 was $20.0 million, compared to $19.7 million for the year ended December 31, 2015. Income tax expense increased primarily as a result of generating higher taxable income.

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.

Number of Cash Transfers — represents the total number of reload transactions that we conducted through our retail distributors in a specified period. We processed 37.79 million, 38.88 million, and 50.13 million reload transactions for the years ended December 31, 2016, 2015, and 2014, respectively. We review this metric as a measure of the size and scale of our retail cash reload 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. As explained above, we believe the decline in the number of cash transfers from the year ended December 31, 2014 to the year ended December 31, 2015 was primarily due to the suspension of our legacy MoneyPak PIN product in the first quarter of 2015.

Number of Tax Refunds Processed — represents the total number of tax refunds processed in a specified period. We processed 10.52 million and 10.68 million tax refund transactions for the years ended December 31, 2016 and 2015, respectively. We had no tax refund transactions processed for the year ended December 31, 2014 since we did not acquire TPG until the fourth quarter of 2014. 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.

Number of Active Cards — represents the total number of GPR cards and checking accounts in our portfolio that had a purchase, reload or ATM withdrawal transaction during the previous 90-day period. We had 4.13 million, 4.50 million, and 4.72 million active cards outstanding as of December 31, 2016, 2015, and 2014, respectively. We review this metric as a measure of the overall size and scale of our GPR card portfolio and an indicator of customer engagement and usage of our products and services.

Gross Dollar Volume — represents the total dollar volume of funds processed and settled by our consolidated enterprise, excluding tax refunds processed. Our gross dollar volume was $23.0 billion, $22.0 billion, and $19.8 billion for the years ended December 31, 2016, 2015, and 2014, respectively. We review this metric as a measure of the size and scale of our processing infrastructure and as an indicator of customer engagement and usage of our products and services.

Purchase Volume — represents the total dollar volume of purchase transactions made by customers using our GPR, checking account and gift card products. This metric excludes the dollar volume of ATM withdrawals. Our purchase volume was $16.3 billion, $16.1 billion, and $14.2 billion for the years ended December 31, 2016, 2015, and 2014, respectively. We use this metric to analyze interchange revenue, which is a key component of our financial performance.

Key components of our results of operations

Operating Revenues

We classify our operating revenues into the following four categories:

Card Revenues and Other Fees — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on GPR cards and checking accounts, such as GoBank, to cardholders on a monthly basis pursuant to the terms and conditions in our cardholder 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, 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 cards 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

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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 1099 program 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 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 1099 program disbursement fees from our business partners as 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, when customers make purchase transactions using our products. Our aggregate interchange revenues vary based primarily on the number of active cards in our portfolio, the average transactional volume of the active cards 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.

Stock-based retailer incentive compensation — In May 2010, we issued to Walmart 2,208,552 shares of our Class A common stock, subject to our right to repurchase them at $0.01 per share upon a qualifying termination of our prepaid card program agreement with Walmart. Prior to May 2015, we recognized each month the fair value of the 36,810 shares issued to Walmart as to which our right to repurchase lapsed using the then-current fair market value of our Class A common stock. We recorded the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. Beginning in May 2015, we no longer record stock-based retailer compensation as a result of our repurchase right lapsing completely. There is no additional stock-based retailer compensation under the terms of the renewed Walmart MoneyCard agreement.

Operating Expenses

We classify our operating expenses into the following four categories:

Sales and Marketing Expenses — Sales and marketing expenses consist primarily of the sales commissions we pay to our retail distributors and brokers, 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 sales commission percentages in long-term distribution agreements with our retail distributors, and aggregate sales commissions are determined by the number of prepaid cards, checking account products and cash transfers sold at their respective retail stores and, in certain cases, by the revenue generated from the ongoing use of those cards. We incur advertising and marketing expenses for television, 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 card 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. Bank fees generally vary based on the total number of tax refund transfers processed.

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 cards 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.

Revenue Recognition

We recognize revenue when the price is fixed or determinable, persuasive evidence of an arrangement exists, the product is sold or the service is performed, and collectibility of the resulting receivable is reasonably assured.

We defer and recognize new card fee revenues on a straight-line basis over the period commensurate with our service obligation to our customers. We consider the service obligation period to be the average card lifetime. We determine the average card lifetime for each pool of homogeneous products (e.g., products that exhibit the same characteristics such as nature of service and terms and conditions) based on company-specific historical data. Currently, we determine the average card lifetime separately for our GPR cards and gift cards. For our GPR cards, we measure the card lifetime as the period of time, inclusive of reload activity, between sale (or activation) of a card and the date of the last positive balance on that card. We analyze GPR cards activated between six and thirty months prior to each balance sheet date. We use this historical look-back period as a basis for determining our average card lifetime because it provides sufficient time for meaningful behavioral trends to develop. Currently, our GPR cards have an average card lifetime of five months. The usage of gift cards is limited to the initial funds loaded to the card. Therefore, we measure these gift cards' lifetime as the redemption period over which cardholders initiate the substantial majority of their transactions. Currently, gift cards have an average lifetime of six months. 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 and expense commissions paid to retail distributors related to new card sales ratably over the average card lifetime, which is currently five months for our GPR cards and six months for gift cards.

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 have the substantial risks and rewards under the terms of the revenue-generating arrangements, whether we are the party responsible for fulfillment of the services purchased by the cardholders, and other factors. For most of our significant revenue-generating arrangements, including GPR and gift cards, we recognize revenues on a gross basis. As it relates to our tax refund processing services, we act as an agent in these transactions and record revenues on a net basis.

Generally, customers have limited rights to a refund of the new card fee or a cash transfer fee. We have elected to recognize revenues prior to the expiration of the refund period, but reduce revenues by the amount of expected

refunds, which we estimate based on actual historical refunds.

On occasion, we enter into incentive agreements with our retail distributors and offer incentives to customers designed to increase product acceptance and sales volume. We record these incentives, including the issuance of

equity instruments, as a reduction of revenues and recognize them over the period the related revenues are recognized or as services are rendered, as applicable.

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 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 for several years. 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, amongst others. 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. During the three months ended December 31, 2016, we completed our annual goodwill impairment test as of September 30, 2016. 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, 2016, 2015, and 2014.

Comparison of Consolidated Results for the Years Ended December 31, 2016 and 2015

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, as well as contra-revenue items:

	Year Ended December 31,			
	2016		2015	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	$337,821	47.0 %	$318,083	45.8 %
Processing and settlement service revenues	184,342	25.6	182,614	26.3
Interchange revenues	196,611	27.4	196,523	28.3
Stock-based retailer incentive compensation	—	—	(2,520)	(0.4)
Total operating revenues	$718,774	100.0 %	$694,700	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled $337.8 million for the year ended December 31, 2016, an increase of $19.7 million, or 6%, compared to the year ended December 31, 2015. The increase was driven by a shift in the mix of our active card portfolio toward higher revenue generating customers as compared to 2015 and improved unit economics on our new suite of prepaid card products, which increased monthly maintenance fees and ATM fees earned, partially offset by lower new card fees for the comparable periods. These factors have contributed to the year-over-year growth in revenue per active card, which we define as operating revenues for our Account Services segment divided by the number of active cards in each case for or as of the applicable period end, despite a 8% decline in the number of active cards from the year ended December 31, 2015 to the year ended December 31, 2016.

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled $184.3 million for the year ended December 31, 2016, an increase of $1.7 million, or 1%, compared to the year ended December 31, 2015. The number of cash transfers sold and tax refund transfers processed each decreased year-over-year. In each case, the decline in transactions was partially offset by higher revenue per transaction. The number of cash transfers sold decreased year-over-year due to the suspension of our MoneyPak PIN product, which was discontinued in the first quarter of 2015 and reintroduced in a different format in April 2016.

Interchange Revenues — Interchange revenues totaled $196.6 million for the year ended December 31, 2016, an increase of $0.1 million compared to the year ended December 31, 2015. Despite year-over-year growth of 2% in purchase volume, we earned a lower effective interchange rate on purchase volume due to a mix shift of purchase volume routed by certain merchants to lower revenue generating payment networks than in the prior year.

Stock-based Retailer Incentive Compensation — As a result of our repurchase right lapsing in May 2015, we had no stock-based retailer incentive compensation for the year ended December 31, 2016, a decrease of $2.5 million compared to the year ended December 31, 2015.

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,			
	2016		2015	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			

Operating expenses:						
Sales and marketing expenses	$249,096	34.7	%	$230,441	33.2	%
Compensation and benefits expenses	159,456	22.2		168,226	24.2	
Processing expenses	107,556	15.0		102,144	14.7	
Other general and administrative expenses	139,350	19.3		134,560	19.4	
Total operating expenses	$655,458	91.2	%	$635,371	91.5	%

Sales and Marketing Expenses — Sales and marketing expenses totaled $249.1 million for the year ended December 31, 2016, an increase of $18.7 million, or 8% compared to the year ended December 31, 2015. The increase was primarily the result of $11.4 million of incremental costs of manufacturing and distributing card packages as a result of the continued introduction of our new suite of prepaid card products with improved unit economics at our retail distributors. Sales and marketing expenses also increased due to an increase in sales commission expenses due in part to the impact of the increased sales commission rate we pay Walmart under the new agreement executed in May 2015 being applied to sales for the entire year ended December 31, 2016 compared to eight months of the year ended December 31, 2015.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $159.5 million for the year ended December 31, 2016, a decrease of $8.7 million or 5%, compared to the year ended December 31, 2015. Salaries and wages decreased by approximately $5.4 million and third party contractor expenses decreased by approximately $3.8 million, partially offset by an increase of $1.3 million in stock-based compensation expense. These decreases are a result of our cost reduction initiatives throughout our organization implemented as part of our Six Step plan.

Processing Expenses — Processing expenses totaled $107.6 million for the year ended December 31, 2016, an increase of $5.5 million, or 5%, compared to the year ended December 31, 2015. This increase was due to our growth in period-over-period purchase volume of 2%, higher fees charged to us by our payment networks for ATM and purchase transactions and lower bonus incentives received from our payment networks compared to the prior year. As discussed under "Financial Results and Trends," we incurred additional processing expenses during the second half of the year ended December 31, 2016 due to delays in the planned migration schedule to our new third party processor.

Other General and Administrative Expenses — Other general and administrative expenses totaled $139.4 million for the year ended December 31, 2016, an increase of $4.8 million, or 4%, compared to the year ended December 31, 2015. Other general and administrative expenses increased primarily due to year-over-year increases in cardholder transaction losses of $3.6 million, and a year-over-year decrease of $5.7 million in gains associated with the change in fair value of contingent consideration. These increases were offset by an absence in impairment charges during the year ended December 31, 2016, as we recorded $5.7 million associated with the write down of certain internal-use software during the year ended December 31, 2015.

Income Tax Expense

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

	Year Ended December 31,	
	2016	2015
U.S. federal statutory tax rate	35.0 %	35.0 %
State income taxes, net of federal benefit	0.4	0.4
General business credits	(3.4)	(0.9)
Employee stock-based compensation	0.3	0.8
Transaction costs	—	(2.1)
Other	0.1	0.7
Effective tax rate	32.4 %	33.9 %

Our income tax expense increased by $0.3 million to $20.0 million in the year ended December 31, 2016 from the comparable period in 2015 due to an increase in income before income taxes. The decrease in our effective tax rate for the year ended December 31, 2016 as compared to the year ended December 31, 2015 from 33.9% to 32.4% is primarily attributable to the reversal of previously accrued tax positions on uncertain tax positions that were no longer necessary due to the expiration of statute of limitations and settlement with certain taxing jurisdictions.

Results of Operations by Segment

Refer to Note 23 — Segment Information to the consolidated financial statements and related notes in Item 8. Financial Statements and Supplementary Data of this report.

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Comparison of Consolidated Results for the Years Ended December 31, 2015 and 2014

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, as well as contra-revenue items:

	Year Ended December 31,			
	2015		2014	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	$318,083	45.8 %	$253,155	42.1 %
Processing and settlement service revenues	182,614	26.3	179,289	29.8
Interchange revenues	196,523	28.3	178,040	29.6
Stock-based retailer incentive compensation	(2,520)	(0.4)	(8,932)	(1.5)
Total operating revenues	$694,700	100.0 %	$601,552	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled $318.1 million for the year ended December 31, 2015, an increase of $64.9 million, or 26%, compared to the year ended December 31, 2014. The increase was primarily the result of a higher volume of monthly maintenance fees, ATM fees and transaction fees of $26.7 million, $16.8 million and $10.4 million, respectively, driven by recent acquisitions of companies focused on online and direct-to-consumer marketing channels in the fourth quarter of 2014 and first quarter of 2015. Card revenues and other fees also increased as a result of period-over-period growth in revenue per active card, driven by favorable customer behavior in all of our prepaid card portfolios.

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled $182.6 million for the year ended December 31, 2015, an increase of $3.3 million, or 2%, compared to the year ended December 31, 2014. We generated $70.0 million in tax refund processing services, for which there were minimal revenues for 2014. The revenues generated from our tax refund processing services were offset by a period-over-period decline of 22% in the number of cash transfers sold or $66.6 million, due to the discontinuation of our MoneyPak PIN product during the first quarter of 2015.

Interchange Revenues — Interchange revenues totaled $196.5 million for the year ended December 31, 2015, an increase of $18.5 million, or 10%, compared to the year ended December 31, 2014. The increase was primarily the result of period-over-period growth of 13% in purchase volume, partially offset by a slight decline in the effective interchange rate we earn on purchase volume. This average rate decline was the result of a shift in the mix of payment networks and payment types and can fluctuate period to period.

Stock-based Retailer Incentive Compensation — Stock-based retailer incentive compensation was $2.5 million for the year ended December 31, 2015, a decrease of $6.4 million, or 72%, compared to the year ended December 31, 2014. Beginning in May 2015, we ceased recording stock-based retailer compensation as a result of our repurchase right lapsing completely.

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,			
2015		2014	
Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)			

Operating expenses:						
Sales and marketing expenses	$230,441	33.2	%	$235,227	39.1	%
Compensation and benefits expenses	168,226	24.2		123,083	20.5	
Processing expenses	102,144	14.7		79,053	13.1	
Other general and administrative expenses	134,560	19.4		105,200	17.5	
Total operating expenses	$635,371	91.5	%	$542,563	90.2	%

Sales and Marketing Expenses — Sales and marketing expenses totaled $230.4 million for the year ended December 31, 2015, a decrease of $4.8 million, or 2%, compared to the year ended December 31, 2014. Despite the increased sales commission rate we began paying to Walmart under the new agreement in May 2015, sales commissions decreased as a result of a period-over-period decline in the number of active cards in our portfolio and a decrease in our cash transfer revenues. This decrease was partially offset by an increase in advertising and marketing expenses of $3.3 million due to our acquired subsidiaries that focus on online and direct-to-consumer marketing channels.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $168.2 million for the year ended December 31, 2015, an increase of $45.1 million or 37%, compared to the year ended December 31, 2014. This increase was due to increases of $35.8 million in employee salaries and related benefits, $6.7 million in stock-based compensation expense and $2.7 million in third party contractor expenses, each primarily driven by our acquisitions from the fourth quarter of 2014 and first quarter of 2015.

Processing Expenses — Processing expenses totaled $102.1 million for the year ended December 31, 2015, an increase of $23.0 million, or 29%, compared to the year ended December 31, 2014. This increase was due to our growth in period-over-period purchase volume of 13%, primarily attributable to our acquisitions from the fourth quarter of 2014 and first quarter of 2015, offset by an increase in volume incentives from the payment networks.

Other General and Administrative Expenses — Other general and administrative expenses totaled $134.6 million for the year ended December 31, 2015, an increase of $29.4 million, or 28%, compared to the year ended December 31, 2014. This increase was primarily driven by increases of $18.7 million in amortization of acquired intangibles, $6.1 million in depreciation and amortization of property and equipment, and $5.9 million in impairment charges associated with certain capitalized internal-use use software. Other general and administrative expenses were also impacted by increases in general overhead expenses incurred during the normal course of operations and our acquisitions of $5.3 million, our provision for overdrawn accounts of $3.4 million, and telecommunication expenses of $2.9 million. The overall increases in other general and administrative expenses was partially offset by an $8.2 million gain associated with the change in the fair value of contingent consideration, and decreases of $7.7 million in losses from customer disputed transactions and professional services of $1.3 million.

Income Tax Expense

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

	Year Ended December 31,	
	2015	2014
U.S. federal statutory tax rate	35.0 %	35.0 %
State income taxes, net of federal benefit	0.4	1.1
General business credits	(0.9)	(1.3)
Employee stock-based compensation	0.8	0.7
Transaction costs	(2.1)	1.8
Other	0.7	0.7
Effective tax rate	33.9 %	38.0 %

Our income tax expense decreased by $6.5 million to $19.7 million in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to a decrease in income before income taxes and a decrease in our effective tax rate by 4.1 percentage points from 38.0% to 33.9%. The decrease in the effective tax rate for the year ended December 31, 2015 as compared to the year ended December 31, 2014 is primarily attributable to transaction costs.

Results of Operations by Segment

Refer to Note 23 — Segment Information to the consolidated financial statements and related notes in Item 8. Financial Statements and Supplementary Data of this report.

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Capital Management

As of December 31, 2016 and 2015, we were categorized as "well capitalized" under the regulatory framework. There were no conditions or events since December 31, 2016 which management believes would have changed our category as "well capitalized." Our capital ratios and related regulatory requirements were as follows:

	December 31, 2016			
	Amount	Ratio	Regulatory Minimum (1)	"Well-capitalized" Minimum (1)
	(In thousands, except ratios)			
Green Dot Corporation:				
Tier 1 leverage	332,101	24.3 %	4.0 %	n/a
Common equity Tier 1 capital	332,101	61.0 %	4.5 %	n/a
Tier 1 capital	332,101	61.0 %	6.0 %	6.0 %
Total risk-based capital	333,288	61.2 %	8.0 %	10.0 %
Green Dot Bank:				
Tier 1 leverage	139,491	17.0 %	4.0 %	5.0 %
Common equity Tier 1 capital	139,491	54.8 %	4.5 %	6.5 %
Tier 1 capital	139,491	54.8 %	6.0 %	8.0 %
Total risk-based capital	139,768	54.9 %	8.0 %	10.0 %

	December 31, 2015			
	Amount	Ratio	Regulatory Minimum (1)	"Well-capitalized" Minimum (1)
	(In thousands, except ratios)			
Green Dot Corporation:				
Tier 1 leverage	347,801	25.9 %	4.0 %	n/a
Common equity Tier 1 capital	347,801	70.7 %	4.5 %	n/a
Tier 1 capital	347,801	70.7 %	6.0 %	6.0 %
Total risk-based capital	349,396	71.1 %	8.0 %	10.0 %
Green Dot Bank:				
Tier 1 leverage	152,737	20.4 %	15.0 %	15.0 %
Common equity Tier 1 capital	152,737	132.2 %	4.5 %	6.5 %
Tier 1 capital	152,737	132.2 %	6.0 %	8.0 %
Total risk-based capital	153,164	132.5 %	8.0 %	10.0 %

(1) The tier 1 leverage regulatory minimum and well-capitalized minimum ratios for banks is 4% and 5%, respectively. As of December 31, 2015 our subsidiary bank was subject to separate tier 1 leverage requirements that we had committed to with the Federal Reserve Board and Utah Department of Financial Institutions. Our commitments with the Federal Reserve Board and Utah Department of Financial Institutions lapsed in November 2016.

Liquidity and Capital Resources

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Total cash provided by (used in)			
Operating activities	$111,520	$156,720	$69,217
Investing activities	(78,291)	(175,718)	(187,346)
Financing activities	(72,682)	66,489	419,146
(Decrease) increase in unrestricted cash, cash equivalents and federal funds sold	$(39,453)	$47,491	$301,017

During the years ended December 31, 2016, 2015 and 2014 we financed our operations primarily through our cash flows provided by operating activities. Additionally, during the years ended December 31, 2016, 2015 and 2014, we financed certain investing activities through our borrowings under our Senior Credit Facility. At December 31, 2016, our primary source of liquidity was unrestricted cash and cash equivalents totaling $732.7 million. We also consider our $208.4 million of investment securities available-for-sale to be highly-liquid instruments. On January 25, 2017, we entered into a definitive agreement to acquire all of the equity interests of UniRush, LLC ("UniRush") for approximately $147 million plus a minimum $4 million annual earn-out payment for five years following the closing. We plan to finance the acquisition consideration, net of UniRush's cash balances, with a combination of cash from our consolidated balance sheet, borrowings under our Revolving Facility and, to a lesser extent, borrowings under committed short-term debt financing arrangements. We expect the acquisition close in the first quarter of fiscal 2017. We use trend and variance analysis as well as our detailed budgets and forecasts to project future cash needs, making adjustments to the projections when needed. We believe that our current unrestricted cash and cash equivalents, cash flows provided by operating activities, and borrowing capacity under our Senior Credit Facility and other committed sources will be sufficient to meet our UniRush acquisition commitment and working capital, stock repurchase and capital expenditure requirements for at least the next 12 months. Thereafter, we may need to raise additional funds through public or private financings or borrowings for future capital needs. Any additional financing we require may not be available on terms that are favorable to us, or at all. If we raise additional funds through the issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. No assurance can be given that additional financing will be available or that, if available, such financing can be obtained on terms favorable to our stockholders and us.

Cash Flows from Operating Activities

Our $111.5 million of net cash provided by operating activities in the year ended December 31, 2016 principally resulted from $41.6 million of net income, adjusted for certain non-cash operating expenses of $94.1 million, offset by a decrease in our net changes in our operating assets and liabilities of $24.2 million, driven primarily by a decrease in our accounts payable and accrued liabilities and an increase in tax payments made during the year. Our $156.7 million of net cash provided by operating activities in the year ended December 31, 2015 principally resulted from $38.4 million of net income, adjusted for certain non-cash operating expenses of $91.2 million, and an increase in our net changes in our operating assets and liabilities of $27.1 million, driven primarily by an increase in our accounts payable and accrued liabilities, and income taxes receivable. Our $69.2 million of net cash provided by operating activities in the year ended December 31, 2014 principally resulted from $42.7 million of net income, adjusted for certain non-cash operating expenses of $67.4 million, offset by a decrease of $48.7 million in amounts due to card issuing banks for overdrawn accounts, primarily related to payments to GE Capital Retail Bank to settle our liability associated with overdrawn cardholder account balances.

Cash Flows from Investing Activities

Our $78.3 million of net cash used in investing activities in the year ended December 31, 2016 primarily reflects payments for acquisition of property and equipment of purchases of $43.3 million, and purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of $28.9 million. Our $175.7 million of net cash used in investing activities in the year ended December 31, 2015 reflects payments for business acquisitions of $65.2

million, net of cash acquired, payments for acquisition of property and equipment of $47.8 million, and purchases of available-for-sale investment securities, net of proceeds from sales and maturities, of $62.7 million. Our $187.3 million of net cash used in investing activities in the year ended December 31, 2014 reflects payments for business acquisitions of $227.0 million, net of cash acquired, and payments for acquisition of property and equipment of $39.3 million, partially

offset by proceeds from sales and maturities of available-for-sale investment securities, net of purchases, of $77.2 million.

Cash Flows from Financing Activities

Our $72.7 million of net cash used in financing activities for the year ended December 31, 2016 was primarily the result of an $83.4 million decrease in obligations to customers, $59.0 million used for our stock repurchase program, $22.5 million in repayments of our note payable, and $8.2 million in taxes paid from net settled equity awards, offset by increases of $85.3 million in deposits to customers associated with our GPR card program and $14.9 million from stock option exercise and employee stock purchase plan proceeds. Our $66.5 million of net cash provided by financing activities in the year ended December 31, 2015 was primarily the result of increases of $86.7 million of deposits to customers associated with our GPR card program and $45.4 million in obligations to customers, offset by $22.5 million in repayments of our note payable and $41.0 million used for our stock repurchase program. Our $419.1 million of net cash provided by financing activities in the year ended December 31, 2014 was primarily the result of $345.8 million of deposits, proceeds of $150.0 million associated with our term loan and proceeds and excess tax benefits of $13.9 million associated with equity award activities. These were offset by decreases of $79.4 million in obligations to customers.

Commitments

We anticipate that we will continue to purchase property and equipment as necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of employees, the rate of change of computer hardware and software used in our business and our business outlook. During 2017, we intend to continue to invest in new products and programs, new features for our existing products and IT infrastructure to scale and operate effectively to meet our strategic objectives.

We have used cash to acquire businesses and technologies and we anticipate that we may continue to do so in the future. The nature of these transactions makes it difficult to predict the amount and timing of such cash and additional financing requirements to complete additional acquisitions in the future. As discussed above and in Note 24-Subsequent Events to the Consolidated Financial Statements in Item 8, in January 2017 we entered into a definitive agreement to acquire all of the equity interests of UniRush for approximately $147 million plus a minimum $4 million annual earn-out payment for five years following the closing. We plan to finance the acquisition consideration, net of UniRush's cash balances, with cash from our consolidated balance sheet, borrowings under our Revolving Facility and, to a lesser extent, borrowings under committed short-term debt financing arrangements. The earn-out payments will be made each year, with the minimum payment potentially becoming greater if certain revenue growth targets for the RushCard GPR card program are met in a given year, although any potential increase is not expected to be material to the overall price of the acquisition. We expect the acquisition to close in the first quarter of fiscal 2017.

Additionally, we may need to make ongoing cash contributions to our subsidiary bank, Green Dot Bank, to maintain its capital, leverage and other financial commitments at levels we have agreed to with our regulators. For example, in connection with the transition of our card issuing program with GE Capital Retail Bank to Green Dot Bank in February 2014, we contributed approximately $50 million in capital to Green Dot Bank and we settled our liability associated with overdrawn cardholder account balances, which is included in our consolidated balance sheet as "amounts due to card issuing banks for overdrawn accounts." Additionally, our investment securities may act as short-term collateral to Green Dot Bank to satisfy any requirements associated with its legal lending limit.

Senior Credit Facility

In October 2014, we entered into a $225 million credit agreement with Bank of America, N.A., as administrative agent, Wells Fargo Bank, National Association, and other lenders party thereto. The agreement provides for (i) a $75 million five-year revolving facility (the “Revolving Facility”) and (ii) a five-year $150 million term loan facility (the “Term Facility” and, together with the Revolving Facility, the “Senior Credit Facility”). At our election, loans made under the credit agreement bear interest at (1) a LIBOR rate or (2) a base rate as defined in the agreement, plus an applicable margin (3.52% as of December 31, 2016). The balance outstanding on the Term Facility was $100.7 million at December 31, 2016, net of deferred financing fees. Quarterly principal payments of $5.6 million are payable on the loans under the Term Facility. The loans made under the Term Facility mature and all amounts then outstanding

thereunder are payable on October 23, 2019. There were no borrowings on the Revolving Facility at December 31, 2016. We are also subject to certain financial covenants, which include maintaining a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as defined in the agreement, as amended. At December 31, 2016, we were in compliance with all such covenants.

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Share Repurchase Program

In June 2015, we announced that our Board of Directors had authorized a stock repurchase program for the repurchase of up to $150 million of common stock. The stock repurchase program will continue until otherwise suspended, terminated or modified at any time for any reason by our Board of Directors. As of December 31, 2016, the remaining authorized amount under the current authorization totaled approximately $50 million, after giving effect to all of our share repurchases under the program. We currently expect to repurchase the remaining amount authorized under our share repurchase plan in 2017.

During the year ended December 31, 2015, we entered into an accelerated share repurchase agreement ("ASR") with a financial institution to repurchase shares of our common stock as part of our repurchase program. Under the ASR agreement, we purchased $40 million of our Class A common stock at an average price of $17.08 per share, resulting in approximately 2.4 million shares. We also entered into a $10 million agreement to repurchase shares under a Rule10b5-1 plan during the year ended December 31, 2015. Under this agreement, we received approximately 0.6 million shares at an average price of $16.15.

During the year ended December 31, 2016, we entered into an ASR agreement with a financial institution for the purchase of an additional $50 million of our Class A common stock. Under this ASR agreement, we repurchased approximately 2.2 million shares at an average price of $22.54 per share.

Contractual Obligations

Our contractual commitments will have an impact on our future liquidity. The following table summarizes our contractual obligations, including both on and off-balance sheet transactions that represent material expected or contractually committed future obligations, at December 31, 2016. We believe that we will be able to fund these obligations through cash generated from operations and from our existing cash balances.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In thousands)				
Long-term debt obligations	$105,000	$22,500	$82,500	$—	$—
Capital lease obligations	370	370	—	—	—
Operating lease obligations	35,702	7,236	11,579	11,823	5,064
Purchase obligations(1)	28,650	22,859	5,791	—	—
Total	$169,722	$52,965	$99,870	$11,823	$5,064

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(1) Primarily future minimum payments under agreements with vendors and our retail distributors. See Note 19 – Commitments and Contingencies of the Notes to our Consolidated Financial Statements.

In addition to the above contractual obligations, our definitive agreement to acquire all of the equity interests of UniRush provides for a minimum $4 million annual earn-out payment for five years following the closing.

Off-Balance Sheet Arrangements

During the years ended December 31, 2016, 2015, and 2014 we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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Statistical Disclosure by Bank Holding Companies

As discussed in Part I, Item 1. Business, we became a bank holding company in December 2011. This section presents information required by the SEC's Industry Guide 3, "Statistical Disclosure by Bank Holding Companies." The tables in this section include Green Dot Bank information only.

Distribution of Assets, Liabilities and Stockholders' Equity

The following table presents average balance data and interest income and expense data for our banking operations, as well as the related interest yields and rates for the years ended December 31, 2016 and 2015 and average balance data for the period ended December 31, 2014:

	Year ended December 31,						Period ended December 31,
	2016			2015			2014
	Average balance	Interest income/ interest expense	Yield/ rate	Average balance	Interest income/ interest expense	Yield/ rate	Average balance
	(In thousands, except percentages)						
Assets							
Interest-bearing assets							
Loans (1)	$6,806	$ 872	12.8%	$7,014	$ 739	10.5%	$ 7,154
Taxable investment securities	152,941	2,135	1.4	108,122	1,179	1.1	53,280
Non-taxable investment securities	677	12	1.8	903	19	2.1	1,029
Federal reserve stock	3,953	238	6.0	3,855	234	6.1	3,481
Federal funds sold	—	—	—	468	1	0.2	380
Cash	585,701	3,160	0.5	676,400	1,734	0.3	642,608
Total interest-bearing assets	750,078	6,417	0.9 %	796,762	3,906	0.5 %	707,932
Non-interest bearing assets	127,809			66,828			64,632
Total assets	$877,887			$863,590			$ 772,564
Liabilities							
Interest-bearing liabilities							
Negotiable order of withdrawal (NOW)	$1,107	$ 1	0.1 %	$1,025	$ 1	0.1 %	$ 1,338
Savings deposits	11,926	15	0.1	8,181	11	0.1	6,820
Time deposits, denominations greater than or equal to $100	6,217	52	0.8	5,576	44	0.8	5,735
Time deposits, denominations less than $100	1,834	13	0.7	1,874	12	0.6	1,806
Total interest-bearing liabilities	21,084	81	0.4 %	16,656	68	0.4 %	15,699
Non-interest bearing liabilities	696,747			696,176			626,110
Total liabilities	717,831			712,832			641,809
Total stockholders' equity	160,056			150,758			130,755
Total liabilities and stockholders' equity	$877,887			$863,590			$ 772,564
Net interest income/yield on earning assets		$ 6,336	0.5 %		$ 3,838	0.1 %	

(1) Non-performing loans and leases are included in the respective average loan and lease balances. Income, if any, on such loans and leases is recognized on a cash basis.

The following table presents the rate/volume variance in interest income and expense for the year ended December 31, 2016:

	December 31, 2016		
	Total Change in Interest Income/ Expense	Change Due to Rate (1)	Change Due to Volume (1)
	(In thousands)		
Loans	$133	$160	$ (27)
Taxable investment securities	956	330	626
Non-taxable investment securities	(7)	(3)	(4)
Federal reserve stock	4	(2)	6
Federal funds sold	(1)	(1)	—
Cash	1,426	1,915	(489)
	$2,511	$2,399	$ 112
Negotiable order of withdrawal (NOW)	$—	$—	$ —
Savings deposits	4	(1)	5
Time deposits, denominations greater than or equal to $100	8	3	5
Time deposits, denominations less than $100	1	1	—
	$13	$3	$ 10

(1) The change in interest income and expense not solely due to changes in volume or rate has been allocated on a pro-rata basis to the volume and rate columns.

Investment Portfolio

The following table presents the amortized cost and fair value of Green Dot Bank's investment portfolio at December 31, 2016, 2015 and 2014:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Corporate bonds	$15,952	$15,958	$30,186	$30,147	$27,107	$27,069
Mortgage-backed securities	117,990	117,490	100,206	99,781	36,251	36,220
Municipal bonds	1,460	1,430	854	865	908	920
Asset-backed securities	26,614	26,458	—	—	—	—
Total fixed-income securities	$162,016	$161,336	$131,246	$130,793	$64,266	$64,209

The following table shows the scheduled maturities, by amortized cost, and average yields for Green Dot Bank's investment portfolio at December 31, 2016:

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
	(In thousands, except percentages)				
Corporate bonds	$12,841	$3,111	$—	$—	$15,952
Mortgage-backed securities	—	—	—	117,990	117,990

Municipal bonds	282	210	59	909	1,460
Asset-backed securities	—	17,865	8,749	—	26,614
Total fixed-income securities	$13,123	$21,186	$8,808	$118,899	$162,016
Weighted-average yield	1.33 %	1.79 %	1.96 %	1.52 %	1.56 %

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Loan Portfolio

The aggregate loan portfolio carrying value, gross of the related allowance for loan losses, totaled $6.3 million at December 31, 2016 or a 6% decrease compared to December 31, 2015. The following table shows the composition of Green Dot Bank's loan portfolio as of December 31, 2016, 2015 and 2014:

	As of December 31,		
	2016	2015	2014
	(In thousands)		
Residential	$3,724	$3,863	$3,861
Commercial	366	313	697
Installment	1,744	2,529	2,436
Other	502	—	—
Total loans	$6,336	$6,705	$6,994
Loans on nonaccrual status	$368	$365	$189
Loans past due 90 days or more	2	19	4
Total TDR	414	457	158

The following table presents a maturity distribution for loan categories as of December 31, 2016:

	Due in one year or less	Due after one year through five years	Due after five years	Total
	(In thousands)			
Residential				
Fixed rate	$1,426	$ 1,586	$712	$3,724
Commercial				
Fixed rate	366	—	—	366
Installment				
Fixed rate	530	1,214	—	1,744
Other				
Fixed rate	502	—	—	502
Total loans	$2,824	$ 2,800	$712	$6,336

Allowance for Loan Losses

The allowance for loan losses totaled $0.3 million and $0.4 million at December 31, 2016 and 2015, respectively. Our allowance for loan losses is established based on the credit characteristics and risk inherent in our loan portfolio, as well as the identification of certain impaired loans and the specific reserves we apply to cover their potential losses.

Refer to Note 2 — Summary of Significant Accounting Policies in Item 8 of this report for our accounting policy on allowance for loan losses.

	December 31, 2016	December 31, 2015
	(In thousands, except percentages)	
Allowance for loan losses:		
Beginning balance	$426	$444
Loans charged off:		
Commercial	—	—
Residential	—	—
Installment	24	44
Other	1	—
Total	25	44
Recoveries of loans previously charged off:		
Commercial	14	10
Residential	—	4
Installment	13	50
Other	—	—
Total	27	64
Net loans charged off	(2)	(20)
Reduction of allowance for loan losses	(151)	(38)
Ending balance	$277	$426
Allowance for loan losses to loans outstanding at year-end	4.3%	6.3%
Net charge-offs to average loans	(0.03)%	(0.29)%
Total reduction of credit losses to average loans	(2.22)%	(0.54)%
Recoveries to gross charge-offs	108.00%	145.45%
Allowance for loan losses as a multiple of net charge-offs	(138.50)	(21.30)

At December 31, 2016, the carrying value, gross of the related allowance for loan losses, of impaired and TDR loans totaled $0.6 million, of which there was a specific allowance of $0.2 million.

The components of our allowance for loan losses, by category, are as follows:

	December 31, 2016		December 31, 2015	
	Allowance	% of Loans	Allowance	% of Loans
	(In thousands, except percentages)			
Loan category:				
Commercial	$4	1.5%	$9	2.1%
Residential	107	38.6	119	27.9
Installment	151	54.5	298	70.0
Other	15	5.4	—	—
Total	$277	100.0%	$426	100.0%

Loan Portfolio Concentrations

Green Dot Bank, our subsidiary bank, operates at a single office in Provo, Utah located in the Utah County area. As of December 31, 2016, approximately 93.3% of our borrowers resided in the state of Utah and approximately 42.0% in the city of Provo. Consequently, this loan portfolio is susceptible to any adverse market or environmental conditions that may impact this specific geographic region.

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Deposits

The following table shows Green Dot Bank's average deposits and the annualized average rate paid on those deposits for the years ended December 31, 2016, 2015, and 2014:

	December 31, 2016			December 31, 2015			December 31, 2014		
	Average Balance	Weighted-Average Rate		Average Balance	Weighted-Average Rate		Average Balance	Weighted-Average Rate	
	(In thousands, except percentages)								
Interest-bearing deposit accounts									
Negotiable order of withdrawal (NOW)	$1,107	0.1	%	$1,025	0.1	%	$1,054	—	%
Savings deposits	11,926	0.1		8,181	0.1		7,034	0.1	
Time deposits, denominations greater than or equal to $100	6,217	0.8		5,576	0.9		5,321	0.9	
Time deposits, denominations less than $100	1,834	0.7		1,874	1.0		1,806	0.7	
Total interest-bearing deposit accounts	21,084	0.4	%	16,656	0.5	%	15,215	0.4	%
Non-interest bearing deposit accounts	509,777			589,601			469,661		
Total deposits	$530,861			$606,257			$484,876		

The following table shows the scheduled maturities for Green Dot Bank's time deposits portfolio greater than $100,000 at December 31, 2016:

	December 31, 2016
	(In thousands)
Less than 3 months	$ 521
3 through 6 months	710
6 through 12 months	1,796
Greater than 12 months	2,105
	$ 5,132

Key Financial Ratios

The following table shows certain of Green Dot Bank's key financial ratios for the years ended December 31, 2016, 2015, and 2014:

	December 31, 2016		December 31, 2015		December 31, 2014	
Net return on assets	1.3	%	1.2	%	1.3	%
Net return on equity	7.2		6.9		7.5	
Equity to assets ratio	18.2		17.5		16.9	

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Interest rates

We do not consider our cash and cash equivalents or our investment securities to be subject to significant interest rate risk due to their short duration.

As of December 31, 2016, we had a $100.7 million term loan outstanding under our $225.0 million credit agreement. Refer to Note 10 — Note Payable to the Consolidated Financial Statements included herein for additional information. Our term loan and revolving credit facility are, and are expected to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Although any

short-term borrowings under our revolving credit facility would likely be insensitive to interest rate changes, interest expense on short-term borrowings will increase and decrease with changes in the underlying short-term interest rates. Assuming our credit agreement is drawn up to its maximum borrowing capacity of $225.0 million, based on the applicable LIBOR and margin in effect as of December 31, 2016, each quarter point of change in interest rates would result in a $0.6

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

Credit and liquidity risk

We do have exposure to credit and liquidity risk associated with the financial institutions that hold our cash and cash equivalents, restricted cash, available-for-sale investment securities, settlement assets due from our 1099 distribution partners and retail distributors that collect funds and fees from our customers, and amounts due from our issuing banks for fees collected on our behalf.

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

Our exposure to credit risk associated with our retail distributors and 1099 distribution partners is mitigated due to the short time period, currently an average of two days that retailer settlement assets are outstanding. We perform an initial credit review and assign a credit limit to each new retail distributor and 1099 distribution partner. We monitor each retail distributor’s and 1099 distribution partner's settlement asset exposure and its compliance with its specified contractual settlement terms on a daily basis and assess their credit limit and financial condition on a periodic basis. Our management's Enterprise Risk Management Committee is responsible for monitoring our retail distributor and 1099 distribution partner exposure and assigning credit limits and reports regularly to the audit committee of our board of directors.

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ITEM 8. Financial Statements and Supplementary Data

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All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Green Dot Corporation

We have audited Green Dot Corporation's (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Green Dot Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Green Dot Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of Green Dot Corporation and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 27, 2017

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Green Dot Corporation

We have audited the accompanying consolidated balance sheets of Green Dot Corporation (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Green Dot Corporation at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Green Dot Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
February 27, 2017

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GREEN DOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2016	2015
Assets	(In thousands, except par value)	
Current assets:		
Unrestricted cash and cash equivalents	$732,676	$772,128
Federal funds sold	—	1
Restricted cash	12,085	5,793
Investment securities available-for-sale, at fair value	46,686	49,106
Settlement assets	137,083	69,165
Accounts receivable, net	40,150	42,153
Prepaid expenses and other assets	32,186	30,511
Income tax receivable	12,570	6,434
Total current assets	1,013,436	975,291
Investment securities available-for-sale, at fair value	161,740	132,433
Loans to bank customers, net of allowance for loan losses of $277 and $426 as of December 31, 2016 and 2015, respectively	6,059	6,279
Prepaid expenses and other assets	4,142	6,416
Property and equipment, net	82,621	78,877
Deferred expenses	16,647	14,509
Net deferred tax assets	4,648	3,864
Goodwill and intangible assets	451,051	473,779
Total assets	$1,740,344	$1,691,448
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$22,856	$37,186
Deposits	737,414	652,145
Obligations to customers	46,043	61,300
Settlement obligations	4,877	5,074
Amounts due to card issuing banks for overdrawn accounts	1,211	1,067
Other accrued liabilities	102,426	87,635
Deferred revenue	25,005	22,901
Note payable	20,966	20,966
Total current liabilities	960,798	888,274
Other accrued liabilities	12,330	37,894
Note payable	79,720	100,686
Net deferred tax liabilities	3,763	1,272
Total liabilities	1,056,611	1,028,126
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Convertible Series A preferred stock, $0.001 par value: 10 shares authorized as of December 31, 2016 and 2015; 0 and 2 shares issued and outstanding as of December 31, 2016 and 2015, respectively	—	2
Class A common stock, $0.001 par value; 100,000 shares authorized as of December 31, 2016 and 2015; 50,513 and 50,502 shares issued and outstanding as of December 31, 2016 and 2015, respectively	51	51
Additional paid-in capital	358,155	379,376

Retained earnings	325,708	284,108
Accumulated other comprehensive loss	(181)	(215)
Total stockholders’ equity	683,733	663,322
Total liabilities and stockholders’ equity	$1,740,344	$1,691,448

See notes to consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
Operating revenues:			
Card revenues and other fees	$337,821	$318,083	$253,155
Processing and settlement service revenues	184,342	182,614	179,289
Interchange revenues	196,611	196,523	178,040
Stock-based retailer incentive compensation	—	(2,520)	(8,932)
Total operating revenues	718,774	694,700	601,552
Operating expenses:			
Sales and marketing expenses	249,096	230,441	235,227
Compensation and benefits expenses	159,456	168,226	123,083
Processing expenses	107,556	102,144	79,053
Other general and administrative expenses	139,350	134,560	105,200
Total operating expenses	655,458	635,371	542,563
Operating income	63,316	59,329	58,989
Interest income	7,367	4,737	4,064
Interest expense	(9,122)	(5,944)	(1,276)
Other income	—	—	7,129
Income before income taxes	61,561	58,122	68,906
Income tax expense	19,961	19,707	26,213
Net income	41,600	38,415	42,693
Income attributable to preferred stock	(802)	(1,102)	(4,842)
Net income available to common stockholders	$40,798	$37,313	$37,851
Basic earnings per common share:	$0.82	$0.73	$0.92
Diluted earnings per common share:	$0.80	$0.72	$0.90
Basic weighted-average common shares issued and outstanding:	49,535	51,332	40,907
Diluted weighted-average common shares issued and outstanding:	50,797	51,875	41,770

See notes to consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Net income	$41,600	$38,415	$42,693
Other comprehensive income (loss)			
Unrealized holding gains (losses), net of tax	34	(163)	(5)
Comprehensive income	$41,634	$38,252	$42,688

See notes to consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Convertible Preferred Stock		Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance at December 31, 2013	7	$ 7	37,729	$ 38	$ 199,251	$ 203,000	$ (47)	$ 402,249
Common stock issued under stock plans, net of withholdings and related tax effects	—	—	1,487	1	10,680	—	—	10,681
Stock-based compensation	—	—	—	—	20,329	—	—	20,329
Stock-based retailer incentive compensation	—	—	—	—	8,932	—	—	8,932
Conversion of preferred stock	(5)	(5)	5,345	5	—	—	—	—
Issuance of shares related to acquisitions	—	—	6,585	7	144,104	—	—	144,111
Net income	—	—	—	—	—	42,693	—	42,693
Other comprehensive loss	—	—	—	—	—	—	(5)	(5)
Balance at December 31, 2014	2	$ 2	51,146	$ 51	$ 383,296	$ 245,693	$ (52)	$ 628,990
Common stock issued under stock plans, net of withholdings and related tax effects	—	—	798	1	(2,059)	—	—	(2,058)
Stock-based compensation	—	—	—	—	27,011	—	—	27,011
Stock-based retailer incentive compensation	—	—	—	—	2,520	—	—	2,520
Shares issued in business combination	—	—	514	1	10,258	—	—	10,259
Repurchases of Class A common stock	—	—	(1,956)	(2)	(41,650)	—	—	(41,652)
Net income	—	—	—	—	—	38,415	—	38,415
Other comprehensive loss	—	—	—	—	—	—	(163)	(163)
Balance at December 31, 2015	2	$ 2	50,502	$ 51	$ 379,376	$ 284,108	$ (215)	$ 663,322
Common stock issued under stock plans, net of withholdings and related tax effects	—	—	1,716	1	8,803	—	—	8,804
Stock-based compensation	—	—	—	—	28,321	—	—	28,321
Conversion of preferred stock	(2)	(2)	1,519	2	—	—	—	—
Repurchases of Class A common stock	—	—	(3,224)	(3)	(58,345)	—	—	(58,348)
Net income	—	—	—	—	—	41,600	—	41,600
Other comprehensive income	—	—	—	—	—	—	34	34
Balance at December 31, 2016	—	$ —	50,513	$ 51	$ 358,155	$ 325,708	$ (181)	$ 683,733

See notes to consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Operating activities			
Net income	$41,600	$38,415	$42,693
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	39,460	38,509	32,454
Amortization of intangible assets	23,021	23,205	4,530
Provision for uncollectible overdrawn accounts	74,841	63,294	38,273
Provision for uncollectible trade receivables	1,520	—	—
Employee stock-based compensation	28,321	27,011	20,329
Stock-based retailer incentive compensation	—	2,520	8,932
Amortization of premium on available-for-sale investment securities	1,357	1,167	1,105
Change in fair value of contingent consideration	(2,500)	(8,200)	(698)
Amortization of deferred financing costs	1,534	1,535	289
Impairment of capitalized software	142	5,881	—
Deferred income tax expense (benefit)	1,270	(406)	463
Changes in operating assets and liabilities:			
Accounts receivable	(74,851)	(54,450)	(30,479)
Prepaid expenses and other assets	1,131	(5,766)	1,086
Deferred expenses	(2,138)	2,817	(1,887)
Accounts payable and other accrued liabilities	(19,156)	13,179	1,167
Amounts due to card issuing banks for overdrawn accounts	144	(157)	(48,706)
Deferred revenue	2,004	(1,617)	(319)
Income tax receivable	(6,657)	9,995	29
Other, net	477	(212)	(44)
Net cash provided by operating activities	111,520	156,720	69,217
Investing activities			
Purchases of available-for-sale investment securities	(135,920)	(195,132)	(212,446)
Proceeds from maturities of available-for-sale securities	105,544	84,435	153,265
Proceeds from sales of available-for-sale securities	1,430	47,953	136,425
(Increase) decrease in restricted cash	(6,292)	(199)	1,360
Payments for acquisition of property and equipment	(43,273)	(47,837)	(39,338)
Net principal collections on loans	220	271	352
Acquisitions, net of cash acquired	—	(65,209)	(226,964)
Net cash used in investing activities	(78,291)	(175,718)	(187,346)
Financing activities			
Borrowings from note payable	—	—	150,000
Repayments of borrowings from note payable	(22,500)	(22,500)	—
Borrowings on revolving line of credit	145,000	30,001	—
Repayments on revolving line of credit	(145,000)	(30,001)	—
Proceeds from exercise of options	14,917	3,832	9,960
Excess tax benefits from stock compensation	2,995	222	3,945
Taxes paid related to net share settlement of equity awards	(8,223)	(5,124)	(3,224)
Net increase in deposits	85,269	86,744	345,821

Net (decrease) increase in obligations to customers	(83,372)	45,372	(79,442)
Contingent consideration payments	(2,755)	(1,071)	(242)
Repurchase of Class A common stock	(59,013)	(40,986)	—
Deferred financing costs	—	—	(7,672)
Net cash (used in) provided by financing activities	(72,682)	66,489	419,146
Net (decrease) increase in unrestricted cash, cash equivalents, and federal funds sold	(39,453)	47,491	301,017
Unrestricted cash, cash equivalents, and federal funds sold, beginning of year	772,129	724,638	423,621
Unrestricted cash, cash equivalents, and federal funds sold, end of year	$732,676	$772,129	$724,638
Cash paid for interest	$7,586	$4,410	$1,276
Cash paid for income taxes	$22,316	$9,892	$21,602

See notes to consolidated financial statements

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Organization

Green Dot Corporation ("we," "us" and "our" refer to Green Dot Corporation and its wholly-owned subsidiaries) is a pro-consumer technology innovator with a mission to reinvent personal banking for the masses. Our products and services include: Green Dot MasterCard and Visa-branded prepaid debit cards and several co-branded reloadable prepaid card programs, collectively referred to as our GPR cards; Visa-branded gift cards; Visa-branded secured credit cards; checking account products, such as GoBank, an innovative checking account developed for use via mobile phones that is available at Walmart and online; our proprietary swipe reload and MoneyPak products referred to as our cash transfer products, which enable cash loading and transfer services through our Green Dot Network; money processing services under 1099 programs; and tax refund processing services designed to facilitate the secure receipt of a customer's income tax refund.

Our products and services are available to consumers through a large-scale "branchless bank" distribution network of approximately 100,000 U.S. locations, including retailers, neighborhood financial service center locations and tax preparation offices, as well as online, in the leading app stores and through leading online tax preparation providers. The Green Dot Network enables consumers to use cash to reload our prepaid debit cards or to transfer cash to any of our Green Dot Network acceptance members, including competing prepaid card programs and other online accounts. We are also the tax refund processing service provider for several leading consumer tax preparation companies.

We market our products and services to consumers in the United States. Our products are issued by our wholly-owned subsidiary, Green Dot Bank and third-party issuing banks including The Bancorp Bank, MetaBank and Sunrise Banks, N.A. We also have multi-year distribution arrangements with many large and medium-sized retailers, including Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, and Dollar Tree, and with various industry resellers, including Blackhawk Network and InComm. We refer to participating retailers collectively as our "retail distributors." Our tax refund processing services are integrated into the offerings of partnering tax software companies, which enables us to serve approximately 27,000 independent online and in-person tax preparers and accountants nationwide.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include the results of Green Dot Corporation and our wholly-owned subsidiaries. We prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles in the United States of America, or GAAP. We eliminate all significant intercompany balances and transactions in consolidation. We include the results of operations of acquired companies from the date of acquisition.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements, including the accompanying notes. We base our estimates and assumptions on historical factors, current circumstances, and the experience and judgment of management. We evaluate our estimates and assumptions on an ongoing basis. Actual results could differ from those estimates.

Unrestricted Cash and Cash Equivalents and Federal Funds Sold

We consider all unrestricted highly liquid investments with an original maturity of three months or less to be unrestricted cash and cash equivalents. Federal funds sold consist of unsecured overnight advances of excess balances in our bank reserve account and are included in unrestricted cash and cash equivalents on our consolidated statements of cash flows.

Investment Securities

Our investment portfolio is primarily comprised of fixed income securities. We classify these securities as available-for-sale and report them at fair value with the related unrealized gains and losses, net of tax, included in accumulated other comprehensive income, a component of stockholders' equity. We classify investment securities with maturities less than or equal to 365 days as current assets.

We regularly evaluate each fixed income security where the value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. In determining whether an impairment is other-than-temporary, we consider the severity and duration of the decline in fair value, the length of time expected for recovery, the financial condition of the issuer, and other qualitative factors, as well as whether we either plan to sell the security or it is more-

Note 2—Summary of Significant Accounting Policies (continued)

likely-than-not that we will be required to sell the security before recovery of its amortized cost. If the impairment of the investment security is credit-related, an other-than-temporary impairment is recorded in earnings. We recognize non-credit-related impairment in accumulated other comprehensive income. If we intend to sell an investment security or believe we will more-likely-than-not be required to sell a security, we record the full amount of the impairment as an other-than-temporary impairment.

Interest on fixed income securities, including amortization of premiums and accretion of discounts, is included in interest income.

Obligations to Customers and Settlement Assets and Obligations

At the point of sale, our retail distributors collect customer funds for purchases of new cards and balance reloads and then remit these funds directly to 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 for customer funds collected at the point of sale that have not yet been received by our subsidiary bank. 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. Once the underlying products have been activated, the customer funds are reclassified as deposits in a bank account established for the benefit of the customer. Settlement obligations represent the customer funds received by our subsidiary bank that are due to third-party card issuing banks upon activation.

Accounts Receivable, net

Accounts receivable is comprised principally of receivables due from card issuing banks, overdrawn account balances due from cardholders, trade accounts receivable, fee advances and other receivables. We record accounts receivable net of reserves for estimated uncollectible accounts. Receivables due from card issuing banks primarily represent revenue-related funds held at the third-party card issuing banks related to our gift card program that have yet to be remitted to us. These receivables are generally collected within a short period of time based on the remittance terms in our agreements with the third-party card issuing banks. Fee advances represent short-term advances to in-person tax return preparation companies made prior to and during tax season. These advances are collateralized by their clients' tax preparation fees and are generally collected within a short period of time as the in-person tax preparation companies begin preparing and processing their clients' tax refunds.

Overdrawn Account Balances Due from Cardholders and 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 excess of the funds in a cardholder's account. We are exposed to losses from any unrecovered overdrawn account balances. We establish a reserve for uncollectible overdrawn accounts. We classify overdrawn accounts into age groups based on the number of days that have elapsed since an account last had activity, such as a purchase, ATM transaction or maintenance fee assessment. We 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. When more than 90 days have passed without activity in an account, we write off the full amount of the overdrawn account balance. 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 the accompanying consolidated statements of operations.

Restricted Cash

At December 31, 2016 and 2015, restricted cash amounted to $12.1 million and $5.8 million, respectively. Restricted cash as of December 31, 2016, primarily consists of funds required to collateralize a pre-funding obligation with a counter-party. Balances at December 31, 2015 consists primarily of funds held in an escrow account under the terms of a purchase agreement related to one of our business acquisitions, as well as funds required to collateralize outstanding letters of credit related to our corporate facility lease.

Loans to Bank Customers

We report loans measured at historical cost at their outstanding principal balances, net of any charge-offs, and for purchased loans, net of any unaccreted discounts. We recognize interest income as it is earned.

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

Note 2—Summary of Significant Accounting Policies (continued)

Nonperforming Loans

Nonperforming loans generally include loans that have been placed on nonaccrual status. We generally place loans on nonaccrual status when they are past due 90 days or more. We reverse the related accrued interest receivable and apply interest collections on nonaccrual loans as principal reductions; otherwise, we credit such collections to interest income when received. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected.

We consider a loan to be impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Once we determine a loan to be impaired, we measure the impairment based on the present value of the expected future cash flows discounted at the loan's effective interest rate. We may also measure impairment based on observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral less estimated costs to sell. If the recorded investment in impaired loans exceeds this amount, we establish a specific allowance as a component of the allowance for loan losses or by adjusting an existing valuation allowance for the impaired loan.

Allowance for Loan Losses

We establish an allowance for loan losses to account for estimated credit losses inherent in our loan portfolio. For the portfolio of loans, our estimate of inherent losses is separately calculated on an aggregate basis for groups of loans that are considered to have similar credit characteristics and risk of loss. We analyze historical loss rates for these groups and then adjust the rates for qualitative factors which in our judgment affect the expected inherent losses. Qualitative considerations include, but are not limited to, prevailing economic or market conditions, changes in the loan grading and underwriting process, changes in the estimated value of the underlying collateral for collateral dependent loans, delinquency and nonaccrual status, problem loan trends, and geographic concentrations. We separately establish specific allowances for impaired loans based on the present value of changes in cash flows expected to be collected, or for impaired loans that are considered collateral dependent, the estimated fair value of the collateral.

Property and Equipment

We carry our property and equipment at cost less accumulated depreciation and amortization. We generally compute depreciation on property and equipment using the straight-line method over the estimated useful lives of the assets, except for land, which is not depreciated. We generally compute amortization on tenant improvements using the straight-line method over the shorter of the related lease term or estimated useful lives of the improvements. We expense expenditures for maintenance and repairs as incurred.

We capitalize certain internal and external costs incurred to develop internal-use software during the application development stage. We also capitalize the cost of specified upgrades and enhancements to internal-use software that result in additional functionality. Once a development project is substantially complete and the software is ready for its intended use, we begin depreciating these costs on a straight-line basis over the internal-use software's estimated useful life.

The estimated useful lives of the respective classes of assets are as follows:

Land	N/A
Building	30 years
Computer equipment, furniture and office equipment	3-10 years
Computer software purchased	3 years
Capitalized internal-use software	2-7 years
Tenant improvements	Shorter of the useful life or the lease term

Impairment of Long Lived Assets

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of expected undiscounted future cash flows from an asset is less

than the carrying amount of the asset, we estimate the fair value of the assets. We measure the loss as the amount by which the carrying amount exceeds its fair value calculated using the present value of estimated net future cash flows. We recorded impairment charges of $0.1 million and $5.9 million for the years ended December 31, 2016 and 2015, respectively, associated with capitalized internal-use software we determined to no longer be utilized

Note 2—Summary of Significant Accounting Policies (continued)

and any remaining carrying value was written off. These impairment charges are included in other general and administrative expenses in our consolidated statements of operations. There were no such impairment charges for the year ended December 31, 2014.

Business Acquisitions

We allocate the purchase price of business acquisitions to the assets acquired and liabilities assumed based on their estimated fair value. The excess of the purchase price over estimated fair value of the net identifiable assets is allocated to goodwill. Determining the fair value of assets and liabilities requires various assumptions and estimates. These estimates and assumptions are refined with adjustments recorded to goodwill as information is gathered and final valuations are completed over a one-year measurement period. The changes in these estimates or different assumptions used in determining these estimates could impact the amount of assets, including goodwill, and liabilities recorded on our consolidated balance sheet and could impact our operating results subsequent to such acquisition.

Goodwill and Intangible Assets

Goodwill is the purchase premium after adjusting for the fair value of net assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment, at the reporting unit level. A reporting unit, as defined under applicable accounting guidance, is an operating segment or one level below an operating segment, referred to as a component. We may in any given period bypass the qualitative assessment and proceed directly to a two-step method to assess and measure impairment of the reporting unit's goodwill. We first assess qualitative factors to determine whether it is more likely-than-not (i.e., a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying value. This step serves as the basis for determining whether it is necessary to perform the two-step quantitative impairment test. The first step of the quantitative impairment test involves a comparison of the estimated fair value of each reporting unit to its carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired; however, if the carrying amount of the reporting unit exceeds its estimated fair value, then the second step of the quantitative impairment test must be performed. The second step compares the implied fair value of the reporting unit’s goodwill with its carrying amount to measure the amount of impairment loss, if any.

The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

For intangible assets subject to amortization, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds its estimated fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

No impairment charges were recognized related to goodwill or intangible assets for the years ended December 31, 2016, 2015 and 2014.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which is our best estimate of the pattern of economic benefit, based on legal, contractual, and other provisions. The estimated useful lives of the intangible assets, which consist primarily of customer relationships and trade names, range from 5-15 years.

Amounts Due to Card Issuing Banks for Overdrawn Accounts

Third-party card issuing banks fund overdrawn cardholder account balances on our behalf. Amounts funded are due from us to the card issuing banks based on terms specified in the agreements with the card issuing banks. Generally, we expect to settle these obligations within two months. In February 2014, we completed the transition of all outstanding customer deposits associated with our GPR card program with GE Capital Retail Bank to Green Dot Bank. In conjunction with this transition, we paid approximately $50 million to GE Capital Retail Bank to settle all of our previously accrued liabilities outstanding at the time of transition associated with overdrawn cardholder account balances.

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 2—Summary of Significant Accounting Policies (continued)

Fair Value

Under applicable accounting guidance, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. As such, fair value reflects an exit price in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following describes the three-level hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include fixed income securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. government and agency mortgage-backed fixed income securities and corporate fixed income securities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, market comparables, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. This category generally includes certain private equity investments and certain asset-backed securities.

Revenue Recognition

Our operating revenues consist of card revenues and other fees, processing and settlement service revenues and interchange revenues. We recognize revenue when the price is fixed or determinable, persuasive evidence of an arrangement exists, the product is sold or the service is performed, and collectability of the resulting receivable is reasonably assured.

Card revenues and other fees consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on a monthly basis pursuant to the terms and conditions in the applicable cardholder agreements. We recognize monthly maintenance fees ratably over the month for which they are assessed. 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 recognize ATM fees when the withdrawal is made by the cardholder, which is the same time our service is completed and the fees are assessed. We charge new card fees when a consumer purchases a new card in a retail store. We defer and recognize new card fee revenues on a straight-line basis over our average card lifetime, which is currently five months for our GPR cards and six months our gift cards. We determine the average card lifetime based on our recent historical data for comparable products. We measure card lifetime for our GPR cards as the period of time, inclusive of reload activity, between sale (or activation) of the card and the date of the last positive balance. We measure the card lifetime for our gift cards as the redemption period during which cardholders initiate the substantial majority of their transactions. We reassess average card lifetime quarterly. We report the unearned portion of new card fees as a component of deferred revenue in our consolidated balance sheets. Other revenues consist primarily of revenue associated with our gift card program, transaction-based fees and fees associated with optional products or services, which we offer to cardholders from time-to-time. We generally recognize these revenues as purchase transactions occur or when the underlying services are completed.

Our processing and settlement services consist of cash transfer revenues, tax refund processing service revenues and 1099 program disbursement revenues. We generate cash transfer revenues when consumers purchase our cash transfer products (reload services) in a retail store. We recognize these revenues when the cash transfer transactions are completed, generally within two business days from the time of sale of these products. We earn tax refund processing

service revenues 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 recognize tax refund processing service revenues as we remit tax return proceeds to the taxpayer. We earn 1099 disbursement fees from our business partners as payment disbursements are made.

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

Note 2—Summary of Significant Accounting Policies (continued)

We earn interchange revenues from fees remitted by the merchant's bank, which are based on rates established by the payment networks, such as Visa and MasterCard, when cardholders make purchase transactions using our cards. We recognize interchange revenues as these transactions occur.

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 have the substantial risks and rewards under the terms of the revenue-generating arrangements, whether we are the party responsible for fulfillment of the services purchased by the cardholders, among other factors. For all of our significant revenue-generating arrangements, including GPR and gift cards, we record revenues on a gross basis with the exception of our tax refund processing service revenues which are recorded on a net basis.

Generally, customers have limited rights to a refund of a new card fee or a cash transfer fee. We have elected to recognize revenues prior to the expiration of the refund period, but reduce revenues by the amount of expected refunds, which we estimate based on actual historical refunds.

On occasion, we enter into incentive agreements with our retail distributors and offer incentives to customers designed to increase product acceptance and sales volume. We record incentive payments, including the issuance of equity instruments, as a reduction of revenues and recognize them over the period the related revenues are recognized or as services are rendered, as applicable.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of sales commissions, advertising and marketing expenses, and the costs of manufacturing and distributing card packages, placards, promotional materials to our retail distributors' locations and personalized GPR cards to consumers who have activated their cards.

We pay our retail distributors and brokers commissions based on sales of our prepaid debit cards and cash transfer products in their stores. We defer and expense commissions related to new cards sales ratably over the average card lifetime, which is currently five months for our GPR cards and six months for our gift cards. Absent a new card fee, we expense the related commissions immediately. We expense commissions related to cash transfer products when the cash transfer transactions are completed. We expense costs for the production of advertising as incurred. The cost of media advertising is expensed when the advertising first takes place. We record the costs associated with card packages and placards as prepaid expenses, and we record the costs associated with personalized GPR cards as deferred expenses. We recognize the prepaid cost of card packages and placards over the related sales period, and we amortize the deferred cost of personalized GPR cards, when activated, over the average card lifetime.

Included in sales and marketing expenses are advertising and marketing expenses of $11.9 million, $10.1 million and $6.8 million and shipping and handling costs of $3.7 million, $2.8 million and $3.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. Also included in sales and marketing expenses were liabilities that we incurred for use tax to various states related to purchases of materials since we do not charge sales tax to customers when new cards or cash transfer transactions are purchased.

Employee 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, or ESPP, 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 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.

At times, we have issued performance based and market based restricted stock units to our executive officers. 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

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 2—Summary of Significant Accounting Policies (continued)

service has been provided, since the estimated grant date fair value already incorporates the probability of outcomes that the market condition will be achieved.

Income Taxes

Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

Earnings Per Common Share

We apply the two-class method in calculating earnings per common share, or EPS, because our preferred stockholders are entitled to participate with our common stockholders in the distributions of earnings through dividends. The two-class method requires net income, after deduction of any preferred stock dividends, deemed dividends on preferred stock redemptions, and accretions in the carrying value on preferred stock, to be allocated between each class or series of common and preferred stockholders based on their respective rights to receive dividends, whether or not declared. Basic EPS is then calculated by dividing net income allocated to each class of common stockholders by the respective weighted-average common shares issued and outstanding.

We divide adjusted net income for each class of common stock by the respective weighted-average number of the common shares issued and outstanding for each period plus amounts representing the dilutive effect of outstanding stock options, restricted stock units, shares to be purchased under our employee stock purchase plan and the dilution resulting from the conversion of convertible securities, if applicable. We exclude the effects of convertible securities, restricted stock units and stock options from the computation of diluted EPS in periods in which the effect would be anti-dilutive. We calculate dilutive potential common shares using the treasury stock method, if-converted method and the two-class method, as applicable.

Regulatory Matters and Capital Adequacy

As a bank holding company, we are subject to comprehensive supervision and examination by the Federal Reserve Board and must comply with applicable regulations, including 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 requirements, the Federal Reserve Board may limit our or Green Dot Bank's ability to pay dividends. 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. We may also be required to serve as a “source of strength” to Green Dot Bank if it becomes less than adequately capitalized.

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Note 2—Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash ("ASU 2016-18"), to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments should be applied retrospectively to each period presented. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact of ASU 2016-18 on our consolidated financial statements, however, we do not anticipate material impact upon adoption of the ASU.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") that requires financial assets measured at amortized cost be presented at the net amount expected to be collected. Credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited by the amount that the fair value is less than amortized cost. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of ASU 2016-13 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") that will simplify how companies account for certain aspects of share-based payments to employees, including the accounting for income taxes upon vesting or exercise of share-based payments, classification of awards as either equity or liabilities with respect to statutory tax withholding thresholds, accounting for forfeitures, as well as certain classifications on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. We will adopt the provisions of ASU 2016-09 effective January 1, 2017.

Under ASU 2016-09, all excess tax benefits and tax deficiencies related to stock compensation will be recognized as income tax expense or benefit in the income statement instead of additional paid-in capital on the consolidated balance sheets. The impact of adopting this standard on our consolidated financial statements is dependent upon the intrinsic value of share-based compensation awards at the time of exercise, vesting or expiration and may result in more variability in our effective tax rate and net profit or loss, as well as impact our share dilution. Since we do not have any previously unrecognized excess tax benefits, no cumulative-effect adjustment to retained earnings will be required upon adoption. Excess tax benefits will also be classified as operating activities in the consolidated statements of cash flows instead of in financing activities.

Additionally, upon adoption of ASU 2016-09, we will elect to account for forfeitures on stock-based compensation as they occur, rather than estimate future expected forfeitures. We do not expect the change in our accounting policy for forfeitures to have a material impact on our financial results and, except as described above with respect to excess tax benefits, do not expect any of the other provisions of ASU 2016-09 to have a material impact to our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02") in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for leases with a term greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach and early adoption is permitted. We are currently in the process of evaluating the impact of adoption of ASU 2016-02 on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU 2016-01 requires the change in fair value of many equity investments to be recognized in net income. The standard is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-01 may result in a cumulative adjustment to retained earnings as of the beginning of the year of adoption. We are currently evaluating the impact of

Note 2—Summary of Significant Accounting Policies (continued)

the provisions of ASU 2016-01, however, we do not expect the adoption of it to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. ASU 2014-09, as amended by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The FASB has also issued a number of additional technical corrections since the initial ASU, all of which follow the effective dates of the new revenue recognition guidance under Topic 606. The amendment allows companies to use either a full retrospective or a modified retrospective approach to adopt this ASU. We have formed a project team and are currently assessing the impact of the adoption of this principle on our consolidated financial statements. We anticipate adopting this ASU on January 1, 2018 using the modified retrospective approach, however, may opt for the full retrospective method depending on the final outcome of our evaluation.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08"). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The effective date and transition requirements for the ASU is the same as the effective date and transition requirements of ASU 2014-09. We are currently in the process of evaluating the impact of adoption of ASU 2016-08 on our consolidated financial statements in conjunction with ASU 2014-09, as discussed above.

In March 2016, the FASB issued ASU No. 2016-04, Liabilities – Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products ("ASU 2016-04"). ASU 2016-04 aligns recognition of the financial liabilities related to prepaid stored-value products (for example, gift cards) with Topic 606, Revenues from Contracts with Customers, for non-financial liabilities. In general, these liabilities may be extinguished proportionately in earnings as redemptions occur, or when redemption is remote if issuers are not entitled to the unredeemed stored value. ASU 2016-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. Based on our current accounting policy, we do not expect the adoption of ASU 2016-04 to have a material impact on our consolidated financial statements.

Note 3—Business Acquisitions

AccountNow, Inc.

In January 2015, we completed the acquisition of AccountNow, Inc. ("AccountNow"). We issued approximately 514,000 shares of our Class A common stock on the date of close and the remainder of the consideration in cash for a total purchase price of approximately $78.7 million. AccountNow's results of operations are included in our consolidated statements of operations following the acquisition date.

The assets and liabilities acquired consisted of $3.3 million in cash and cash equivalents, $4.1 million in accounts and other receivables, $4.9 million in prepaid and other assets and $12.8 million in accrued liabilities. Additionally, we recorded goodwill and intangible assets for $63.0 million and $16.1 million, respectively. Transaction costs associated with this acquisition were not material.

Note 3—Business Acquisitions (continued)

SBBT Holdings, LLC

On October 23, 2014, we completed our acquisition of SBBT Holdings, LLC ("TPG"), a provider of integrated tax refund processing services. In connection with the acquisition, total consideration amounted to approximately $358.5 million, which included cash, stock and contingent consideration. We financed the transaction with $204.5 million in cash, of which $150.0 million was raised from our Term Facility, as discussed in Note 10 — Note Payable, and 6.1 million shares of our Class A common stock at a closing price of $21.86 (of which 1.1 million shares were initially deposited in an escrow fund to serve as a source of payment of any indemnification obligations).

Additionally, the transaction terms included a potential $80.0 million cash earn-out payable to the former owners of TPG based on TPG meeting certain pre-determined performance targets. The earn-out period spans from July to June each fiscal year from 2015 to 2017. Certain performance targets must be achieved each fiscal year in order to earn a corresponding portion of the cash earn-out. For fiscal years 2015 and 2016, these performance targets were not met, and therefore no cash earn-out payments were made.

The operating results for the period from October 24, 2014 to December 31, 2014 of TPG are included in our consolidated statements of operations for the year ended December 31, 2014. Revenues and net losses for this period were $0.4 million and $7.6 million, respectively. TPG did not contribute a material amount of revenue during this period because TPG earns substantially all of its revenues and income during the tax season (January through April). We incurred transaction costs of approximately $6.2 million in connection with the acquisition, which are included in other general and administrative expenses on our consolidated statement of operations for the year ended December 31, 2014.

Note 4—Investment Securities

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

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
December 31, 2016				
Corporate bonds	$21,533	$ 9	$ (7)	$21,535
Commercial paper	12,427	4	(1)	12,430
U.S. Treasury notes	21,603	1	(41)	21,563
Agency securities	4,002	—	(1)	4,001
Mortgage-backed securities	117,990	242	(741)	117,491
Municipal bonds	1,460	1	(31)	1,430
Asset-backed securities	30,131	1	(156)	29,976
Total investment securities	$209,146	$ 258	$ (978)	$208,426
December 31, 2015				
Corporate bonds	$33,201	$ —	$ (47)	$33,154
Commercial paper	6,504	3	(2)	6,505
U.S. Treasury notes	17,541	—	(16)	17,525
Agency securities	4,034	—	(19)	4,015
Mortgage-backed securities	100,131	195	(554)	99,772
Municipal bonds	1,954	11	(65)	1,900
Asset-backed securities	18,725	—	(57)	18,668
Total investment securities	$182,090	$ 209	$ (760)	$181,539

Note 4—Investment Securities (continued)

As of December 31, 2016 and 2015, the gross unrealized losses and fair values of available-for-sale investment securities that were in unrealized loss positions were as follows:

	Less than 12 months		12 months or more		Total fair value	Total unrealized loss
	Fair value	Unrealized loss	Fair value	Unrealized loss		
	(In thousands)					
December 31, 2016						
Corporate bonds	$8,739	$ (7)	$1,999	$ —	$10,738	$ (7)
Commercial paper	2,672	(1)	—	—	2,672	(1)
U.S. Treasury notes	16,211	(41)	—	—	16,211	(41)
Agency securities	4,002	(1)	—	—	4,002	(1)
Mortgage-backed securities	23,300	(236)	61,383	(505)	84,683	(741)
Municipal bonds	—	—	937	(31)	937	(31)
Asset-backed securities	25,501	(156)	—	—	25,501	(156)
Total investment securities	$80,425	$ (442)	$64,319	$ (536)	$144,744	$ (978)
December 31, 2015						
Corporate bonds	$20,416	$ (22)	$10,679	$ (25)	$31,095	$ (47)
Commercial paper	4,322	(2)	—	—	4,322	(2)
U.S. Treasury notes	17,525	(16)	—	—	17,525	(16)
Agency securities	4,015	(19)	—	—	4,015	(19)
Mortgage-backed securities	53,634	(410)	21,518	(144)	75,152	(554)
Municipal bonds	—	—	1,035	(65)	1,035	(65)
Asset-backed securities	18,668	(57)	—	—	18,668	(57)
Total investment securities	$118,580	$ (526)	$33,232	$ (234)	$151,812	$ (760)

We did not record any other-than-temporary impairment losses during the years ended December 31, 2016 and 2015 on our available-for-sale investment securities. We do not intend to sell these investments and we have determined that it is more likely than not that we will not be required to sell these investments before recovery of their amortized cost bases, which may be at maturity.

As of December 31, 2016, the contractual maturities of our available-for-sale investment securities were as follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$46,694	$46,686
Due after one year through five years	13,610	13,582
Due after five years through ten years	58	57
Due after ten years	910	881
Mortgage and asset-backed securities	147,874	147,220
Total investment securities	$209,146	$208,426

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

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 5—Accounts Receivable

Accounts receivable, net consisted of the following:

	December 31, 2016	December 31, 2015
	(In thousands)	
Overdrawn account balances due from cardholders	$14,773	$ 10,198
Reserve for uncollectible overdrawn accounts	(11,932)	(7,999)
Net overdrawn account balances due from cardholders	2,841	2,199
Trade receivables	1,941	10,644
Reserve for uncollectible trade receivables	(372)	(58)
Net trade receivables	1,569	10,586
Receivables due from card issuing banks	8,497	8,852
Fee advances	16,708	11,621
Other receivables	10,535	8,895
Accounts receivable, net	$40,150	$ 42,153

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

	Year Ended December 31, 2016	2015	2014
	(In thousands)		
Balance, beginning of period	$7,999	$11,196	$10,363
Provision for uncollectible overdrawn accounts:			
Fees	67,798	55,595	34,057
Purchase transactions	7,043	7,699	4,216
Charge-offs	(70,908)	(66,491)	(37,440)
Balance, end of period	$11,932	$7,999	$11,196

Note 6—Loans to Bank Customers

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

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Total Outstanding
	(In thousands)					
December 31, 2016						
Residential	$—	$6	$—	$6	$3,718	$ 3,724
Commercial	—	—	—	—	366	366
Installment	—	—	2	2	1,742	1,744
Other	—	—	—	—	502	502
Total loans	$—	$6	$2	$8	$6,328	$ 6,336
Percentage of outstanding	— %	0.1 %	— %	0.1 %	99.9 %	100.0 %
December 31, 2015						

Residential	$—	$—	$—	$—	$3,863	$ 3,863
Commercial	—	—	19	19	294	313
Installment	2	—	—	2	2,527	2,529
Total loans	$2	$—	$19	$21	$6,684	$ 6,705
Percentage of outstanding	— %	— %	0.3 %	0.3 %	99.7 %	100.0 %

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

Note 6—Loans to Bank Customers (continued)
Nonperforming Loans
The following table presents the carrying value, gross of the related allowance for loan losses, of our nonperforming loans. See Note 2 — Summary of Significant Accounting Policies for further information on the criteria for classification as nonperforming.

	December 31, 2016	December 31, 2015
	(In thousands)	
Residential	$ 368	$ 341
Commercial	—	19
Installment	—	5
Total loans	$ 368	$ 365

Credit Quality Indicators
We closely monitor and assess the credit quality and credit risk of our loan portfolio on an ongoing basis. We continuously review and update loan risk classifications. We evaluate our loans using non-classified or classified as the primary credit quality indicator. Classified loans are those loans that have demonstrated credit weakness where we believe there is a heightened risk of principal loss, including all impaired loans. Classified loans are generally internally categorized as substandard, doubtful, or loss, consistent with regulatory guidelines.
The table below presents the carrying value, gross of the related allowance for loan losses, of our loans within the primary credit quality indicators related to our loan portfolio:

	December 31, 2016		December 31, 2015	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Residential	$3,036	$ 688	$ 3,404	$ 459
Commercial	366	—	294	19
Installment	1,432	312	2,173	356
Other	502	—	—	—
Total loans	$5,336	$ 1,000	$ 5,871	$ 834

Impaired Loans and Troubled Debt Restructurings
When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a Troubled Debt Restructuring, or TDR. Our TDR modifications related to extensions of the maturity dates at a stated interest rate lower than the current market rate for new debt with similar risk. The following table presents our impaired loans and loans that we modified as TDRs as of December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Residential	$388	$ 316	$ 365	$ 298
Commercial	—	—	257	19
Installment	220	98	284	140

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

Note 6—Loans to Bank Customers (continued)
Allowance for Loan Losses
Activity in the allowance for loan losses consisted of the following:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Balance, beginning of period	$426	$444	$464
Provision (benefit) for loans	(151)	(38)	20
Loans charged off	(25)	(44)	(66)
Recoveries of loans previously charged off	27	64	26
Balance, end of period	$277	$426	$444

Note 7—Property and Equipment
Property and equipment consisted of the following:

	December 31,	
	2016	2015
	(In thousands)	
Land	$205	$205
Building	1,105	605
Computer equipment, furniture, and office equipment	44,789	45,508
Computer software purchased	19,370	16,900
Capitalized internal-use software	139,730	113,721
Tenant improvements	10,101	9,914
	215,300	186,853
Less accumulated depreciation and amortization	(132,679)	(107,976)
Property and equipment, net	$82,621	$78,877

Depreciation and amortization expense was $39.5 million, $38.5 million and $32.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. Included in those amounts are depreciation expense related to internal-use software of $25.6 million, $23.0 million and $18.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. We recorded impairment charges of $0.1 million and $5.9 million for the years ended December 31, 2016 and 2015, respectively, associated with capitalized internal-use software we determined to no longer be utilized and any remaining carrying value was written off. There were no such impairment charges for the year ended December 31, 2014. The net carrying value of capitalized internal-use software was $58.1 million and $47.6 million at December 31, 2016 and 2015, respectively.

Note 8—Goodwill and Intangible Assets

Goodwill and intangible assets on our consolidated balance sheets consisted of the following:

	December 31,	
	2016	2015
	(In thousands)	
Goodwill	$208,355	$208,079
Intangible assets, net	242,696	265,700
Goodwill and intangible assets	$451,051	$473,779

Goodwill

Changes in the carrying amount of goodwill were as follows:

	December 31,	
	2016	2015
	(In thousands)	
Balance, beginning of period	$208,079	$144,662
Acquisitions	—	64,713
Adjustments related to final purchase accounting	276	(1,296)
Balance, end of period	$208,355	$208,079

During the three months ended December 31, 2016, we completed our annual goodwill impairment test as of September 30, 2016. 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.

Intangible Assets

The gross carrying amounts and accumulated amortization related to intangibles assets were as follows:

	December 31, 2016			December 31, 2015			
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value	Weighted Average Useful Lives
	(In thousands)			(In thousands)			(Years)
Customer relationships	$251,273	$ (43,707)	$207,566	$251,273	$ (23,862)	$227,411	13.9
Trade names	38,586	(6,192)	32,394	38,586	(3,353)	35,233	14.5
Patents	3,000	(545)	2,455	3,000	(273)	2,727	11.0
Other	964	(683)	281	964	(635)	329	9.3
Total intangible assets	$293,823	$ (51,127)	$242,696	$293,823	$ (28,123)	$265,700	

Amortization expense on finite-lived intangibles, a component of other general and administrative expenses, was $23.0 million, $23.2 million, and $4.5 million for the years ended December 31, 2016, 2015, and 2014, respectively. None of our intangible assets were considered impaired as of December 31, 2016 or 2015.

The following table shows our estimated amortization expense for intangible assets for each of the next five succeeding years and thereafter :

	December 31, (In thousands)
2017	$ 23,029
2018	23,028
2019	22,910

2020	18,853
2021	18,838
Thereafter	136,038
Total	$ 242,696

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

Note 9—Deposits

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

	December 31,	
	2016	2015
Non-interest bearing deposit accounts	(In thousands)	
GPR deposits	$617,220	$610,652
Other demand deposits	100,405	23,644
Total non-interest bearing deposit accounts	717,625	634,296
Interest-bearing deposit accounts		
Negotiable order of withdrawal (NOW)	1,209	851
Savings	11,950	8,848
Time deposits, denominations greater than or equal to $100	5,132	6,268
Time deposits, denominations less than $100	1,498	1,882
Total interest-bearing deposit accounts	19,789	17,849
Total deposits	$737,414	$652,145

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

	December 31, (In thousands)
Due in 2017	$ 3,876
Due in 2018	694
Due in 2019	403
Due in 2020	812
Due in 2021	845
Total time deposits	$ 6,630

As of December 31, 2016, we had aggregate time deposits of $2.5 million in denominations that met or exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Note 10—Note Payable

In October 2014, we entered into a $225.0 million credit agreement with Bank of America, N.A., as an administrative agent, Wells Fargo Bank, National Association, and the other lenders party thereto. The credit agreement provides for 1) a $75.0 million five-year revolving facility (the "Revolving Facility") and 2) a five-year $150.0 million term loan facility ("Term Facility" and, together with the Revolving Facility, the "Senior Credit Facility"). The credit agreement also includes an accordion feature that, subject to securing additional commitments from existing lenders or new lending institutions, will allow us to increase the aggregate amount of these facilities by up to an additional $50.0 million. We drew the entire Term Facility on October 23, 2014, and used the proceeds to finance our acquisition of SBBT Holdings, LLC, as discussed in Note 3 — Business Acquisitions. We use the proceeds of any borrowings under the Revolving Facility for working capital and other general corporate purposes, subject to the terms and conditions set forth in the credit agreement.

As of December 31, 2016 and 2015, our outstanding debt consisted of the following, net of deferred financing costs of $4.3 million and $5.8 million, respectively:

	December 31, 2016	December 31, 2015
	(In thousands)	
Term facility	$100,686	$ 121,652
Revolving facility	—	—
Total notes payable	$100,686	$ 121,652

Note 10—Note Payable (continued)

Interest and other fees

At our election, loans made under the credit agreement bear interest at 1) a LIBOR rate (the “LIBOR Rate") or 2) a base rate determined by reference to the highest of (a) the Bank of America prime rate, (b) the United States federal funds rate plus 0.50% and (c) a daily rate equal to one-month LIBOR rate plus 1.0% (the “Base Rate"), plus in either case an applicable margin. The applicable margin for borrowings depends on our total leverage ratio and varies from 2.50% to 3.00% for LIBOR Rate loans and 1.50% to 2.00% for Base Rate loans. The effective interest rate on borrowings outstanding as of December 31, 2016 was 3.52%. Interest expense related to our Senior Credit Facility was $4.0 million, $4.3 million, and $0.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

We also pay a commitment fee, which varies from 0.30% to 0.40% per annum on the actual daily unused portions of the Revolving Facility. Letter of credit fees are payable in respect of outstanding letters of credit at a rate per annum equal to the applicable margin for LIBOR Rate loans.

Maturity and payments

The Revolving Facility matures, the commitments thereunder terminate, and all amounts then outstanding thereunder are payable on October 23, 2019.

Quarterly principal payments of $5.6 million are payable on the loans under the Term Facility. The loans made under the Term Facility mature and all amounts then outstanding thereunder are payable on October 23, 2019.

The following table sets forth future annual contractual principal payment commitments as of December 31, 2016:

	December 31, (In thousands)
2017	$ 22,500
2018	22,500
2019	60,000
Total	$ 105,000

We have the option to prepay the borrowings under the Senior Credit Facility without premium or penalty (other than customary breakage costs). The credit agreement requires us to repay certain amounts outstanding thereunder with (1) net cash proceeds of certain asset sales or other dispositions that exceed certain thresholds, to the extent such proceeds are not reinvested or committed to be reinvested in the business in accordance with customary reinvestment provisions and (2) net cash proceeds of the incurrence of certain indebtedness. Borrowings under the Senior Credit Facility are guaranteed by each of our domestic subsidiaries (the "Guarantor"), other than certain excluded subsidiaries (including bank subsidiaries) and subject to certain other exceptions set forth in the credit agreement. Obligations under the Senior Credit Facility are secured by first priority liens on, and security interests in, substantially all of our assets and each Guarantor, subject to certain customary exceptions.

Covenants and restrictions

The Senior Credit Facility contains customary representations and warranties relating to us and our subsidiaries. The Senior Credit Facility also contains certain affirmative and negative covenants including negative covenants that limit or restrict, among other things, liens, indebtedness, investments and acquisitions, mergers and fundamental changes, asset sales, restricted payments, changes in the nature of the business, transactions with affiliates and other matters customarily restricted in such agreements. We must maintain a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as set forth in the credit agreement. At December 31, 2016, we were in compliance with all such covenants.

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

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

Note 11—Stockholders' Equity

Convertible Preferred Stock

In December 2011, we filed a restated Certificate of Incorporation that authorized 10,085 shares of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock, or Series A Preferred Stock. We then entered into and completed a share exchange with a significant shareholder, whereby 6,859,000 shares of our Class B common stock were exchanged for 6,859 shares of our newly created series of preferred stock.

During the year ended December 31, 2014, 5,345 shares of our Series A Preferred Stock converted into 5,345,000 shares of Class A Common Stock. As of December 31, 2015, 1,515 shares of our Series A Preferred Stock were outstanding. All remaining Series A Preferred shares outstanding converted into equivalent shares of Class A Common Stock during the year ended December 31, 2016.

Common Stock

Our Certificate of Incorporation specifies the following rights, preferences, and privileges for our common stockholders.

Voting

Holders of our Class A common stock are entitled to one vote per share.

We have not provided for cumulative voting for the election of directors in our restated Certificate of Incorporation. In addition, our Certificate of Incorporation provides that a holder, or group of affiliated holders, of more than 24.9% of our common stock may not vote shares representing more than 14.9% of the voting power represented by the outstanding shares of our Class A common stock.

Dividends

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of our Class A common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine. In the event a dividend is paid in the form of shares of common stock or rights to acquire shares of common stock, the holders of Class A common stock will receive Class A common stock, or rights to acquire Class A common stock, as the case may be.

Liquidation

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our Class A common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding shares of our preferred stock and payment of other claims of creditors.

Preemptive or Similar Rights

Our Class A common stock is not entitled to preemptive rights or subject to redemption.

Non-Employee Stock-Based Payments

Shares Subject to Repurchase

In May 2010, we amended our commercial agreement with Walmart, our largest retail distributor, and GE Money Bank. The agreement commenced on May 1, 2010 with a five-year term. As an incentive to amend our prepaid card program agreement, we issued Walmart 2,208,552 shares of our Class A common stock. These shares were subject to our right to repurchase them at $0.01 per share upon termination of our agreement with Walmart other than a termination arising out of our knowing, intentional and material breach of the agreement. Our right to repurchase the shares lapsed with respect to 36,810 shares per month over the five-year term of the agreement. Our right to repurchase shares lapsed completely during the year ended December 31, 2015, and therefore, there were no shares subject to our repurchase right as of December 31, 2016 and 2015.

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

Note 11—Stockholders' Equity (continued)
Registration Rights Agreements
Registration Rights Agreement dated as of May 27, 2010 as amended

We are a party to a Ninth Amended and Restated Registration Rights Agreement, dated as of May 27, 2010, as amended (the "Registration Rights Agreement") with certain of our investors, pursuant to which we have granted those persons or entities the right to register shares of common stock held by them under the Securities Act of 1933, as amended, or the Securities Act. Holders of these rights are entitled to demand that we register their shares of common stock under the Securities Act so long as certain conditions are satisfied and require us to include their shares of common stock in future registration statements that may be filed, either for our own account or for the account of other security holders exercising registration rights. In addition, after an initial public offering, these holders have the right to request that their shares of common stock be registered on a Form S-3 registration statement so long as certain conditions are satisfied and the anticipated aggregate sales price of the registered shares as of the date of filing of the Form S-3 registration statement is at least $1.0 million. The foregoing registration rights are subject to various conditions and limitations, including the right of underwriters of an offering to limit the number of registrable securities that may be included in an offering. The registration rights terminate as to any particular shares on the date on which the holder sells such shares to the public in a registered offering or pursuant to Rule 144 under the Securities Act. We are generally required to bear all of the expenses of these registrations, except underwriting commissions, selling discounts and transfer taxes.

We are not obligated under the Registration Rights Agreement to transfer consideration, whether in cash, equity instruments, or adjustments to the terms of the financial instruments that are subject to the registration payment arrangement, to the investors, if the registration statement is not declared effective within the specified time or if effectiveness of the registration statement is not maintained.

The Registration Rights Agreement expired pursuant to its terms in July 2015.

Registration Rights Agreement dated as of October 23, 2014

We are party to a Registration Rights Agreement, dated as of October 23, 2014, with certain persons listed on Exhibit A thereto (the "New Registration Rights Agreement"), which we entered into in connection with our acquisition of TPG. The terms of the New Registration Rights Agreement grant the selling stockholders (and their successors and permitted assigns who hold shares of our Class A common stock in accordance with the New Registration Rights Agreement) certain rights with respect to the registration of their shares under the Securities Act. We were required to file a Form S-3 shelf registration statement to register the shares of Class A common stock issued in the acquisition of TPG as soon as reasonably practicable after the closing of the acquisition and to cause the registration statement to be declared effective within 75 days of the closing of the merger. We filed the Form S-3 registration statement with the SEC on December 12, 2014. Subject to certain exceptions, we must keep the Form S-3 registration statement continuously effective until the earlier of (x) the date following the second anniversary of the closing of the acquisition on which there remain fewer than 1,840,001 registrable securities (i.e., approximately 30% of the aggregate shares of our common stock issued in the acquisition) and (y) the 30 month anniversary of the acquisition closing.

The New Registration Rights Agreement grants holders holding at least $30 million of registrable securities the right to cause us to effect up to two underwritten offerings under the Form S-3 registration statement of, in each case, registrable securities having an aggregate offering price of at least $30 million. The foregoing registration rights are subject to various conditions and limitations, including the right of underwriters of an offering to limit the number of registrable securities that may be included in an offering. The registration rights under the New Registration Rights Agreement will terminate as to any particular shares on the date on which the holder sells such shares to the public in a registered offering or pursuant to Rule 144 under the Securities Act. We will generally pay all expenses, other than underwriting discounts and commissions, transfer taxes and the fees and disbursements of more than one counsel for the selling stockholders, incurred in connection with the registration described above.

Refer to Note 3 — Business Acquisitions for additional information regarding our acquisition of TPG.

Comprehensive Income

The tax impact on unrealized losses on investment securities available-for-sale for the years ended December 31, 2016, 2015 and 2014 was approximately $0.2 million, $0.3 million and $0.0 million, respectively.

Note 11—Stockholders' Equity (continued)

Stock Repurchase Program

In June 2015, our Board of Directors authorized a repurchase of shares of our Class A Common Stock in an amount up to $150 million under a stock repurchase program ("Repurchase Program") with no expiration date. The Repurchase Program may be carried out at the direction of management, subject to the limitations set forth in Rule 10b-18 of the Securities Exchange Act of 1934 ("Exchange Act") and other legal requirements, and any further limitations that may be established by the Board of Directors. Repurchases may be made through open market purchases, block trades, and in negotiated private transactions. The stock may be repurchased on an ongoing basis and will be subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital and our financial performance. As of December 31, 2016 we have repurchased $100 million of Class A Common Stock under the Repurchase Program.

Accelerated Share Repurchases

We have entered into accelerated share repurchase arrangements ("ASRs") with a financial institution. In exchange for an up-front payment, the financial institution delivers shares of our Class A Common Stock during the purchase periods of each ASR. Upon settlement, we will either receive additional shares from the financial institution or we may be required to deliver additional shares or cash to the financial institution, at our election. The final number of shares received upon settlement for the ASR is determined based on the volume-weighted average price of our common stock over the term of the agreement less an agreed upon discount and subject to adjustments pursuant to the terms and conditions of the ASR.

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

The following table summarizes our ASR activity since inception of the stock repurchase program:

	Purchase Period End Date	Number of Shares (In thousands)	Average repurchase price per share	ASR Amount (In thousands)
April 2016 ASR	October 2016	2,219	$ 22.54	$ 50,000
September 2015 ASR	January 2016	2,342	$ 17.08	$ 40,000

Other

In connection with the Repurchase Program, we entered into a repurchase plan in December 2015 under Rule 10b5-1 of the Exchange Act for $10 million. The timing, nature and amount of purchases depend on a variety of factors, including market conditions and the volume limit defined by Rule 10b-18. We completed all repurchases under this plan during the first quarter of 2016 and total repurchases amounted to approximately 0.6 million shares at an average price of $16.15.

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 12—Employee Stock-Based Compensation

Employee Stock-Based Compensation

In June 2010, our board of directors adopted, and in July 2010 our stockholders approved, the 2010 Equity Incentive Plan, which replaced our 2001 Stock Plan, and the 2010 Employee Stock Purchase Plan. The 2010 Equity Incentive Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, restricted stock units, performance shares and stock bonuses. Options granted under the 2010 Equity Incentive Plan generally vest over four years and expire five years or ten years from the date of grant. The 2010 Employee Stock Purchase Plan enables eligible employees to purchase shares of our Class A common stock periodically at a discount. Our 2010 Employee Stock Purchase Plan is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code.

Upon adoption, we reserved 2,000,000 shares and 200,000 shares of our Class A common stock for issuance under our 2010 Equity Incentive Plan and 2010 Employee Stock Purchase Plan, respectively. The number of shares reserved for issuance under our 2010 Equity Incentive Plan and our 2010 Employee Stock Purchase Plan automatically increases on the first day of January of each of 2011 through 2014 and 2011 through 2018, respectively, by up to a number of shares equal to 3% of the total outstanding shares our Class A common stock as of the immediately preceding December 31st. Our board of directors or its compensation committee may reduce the amount of the annual increase under the 2010 Equity Incentive Plan or 2010 Employee Stock Purchase Plan in any particular year. At our 2014 Annual Meeting of Stockholders, our stockholders approved amendments to our 2010 Equity Incentive Plan to increase the number of shares reserved for issuance by 3,400,000 shares. Approximately 1.3 million shares are available for grant under the 2010 Equity Incentive Plan as of December 31, 2016.

Stock-based compensation for the years ended December 31, 2016, 2015, and 2014 includes expense related to awards of stock options and restricted stock units and purchases under the 2010 Employee Stock Purchase Plan. Total stock-based compensation expense and the related income tax benefit were as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Total stock-based compensation expense	$28,321	$27,011	$20,329
Related income tax benefit	9,167	8,602	6,949

The following table summarizes stock options and restricted stock units granted (no stock options granted for the years ended December 31, 2016 or 2015):

	Year Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
Stock options granted	—	—	106
Weighted-average exercise price	$—	$—	$20.92
Weighted-average grant-date fair value	$—	$—	$10.75
Restricted stock units granted	1,703	1,980	2,035
Weighted-average grant-date fair value	$22.65	$16.34	$19.49

We estimated the fair value of each stock option grant on the date of grant using the following weighted-average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Risk-free interest rate	— %	— %	1.8 %

Expected term (life) of options (in years)	—	—	5.79
Expected dividends	—	—	—
Expected volatility	%	%	54.0%

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

Note 12—Employee Stock-Based Compensation (continued)

Determining the fair value of stock-based awards at their respective grant dates requires considerable judgment, including estimating expected volatility and expected term (life). We based our expected volatility on the historical volatility of comparable public companies over the option's expected term. We calculated our expected term based on the simplified method, which is the mid-point between the weighted-average graded-vesting term and the contractual term. The simplified method was chosen as a means to determine expected term as we have limited historical option exercise experience as a public company. We derived the risk-free rate from the average yield for the five-and seven-year zero-coupon U.S. Treasury Strips. We estimate forfeitures at the grant date based on our historical forfeiture rate and revise the estimate, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock option activity for the year ended December 31, 2016 was as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
	(In thousands, except per share data and years)			
Outstanding at December 31, 2015	3,348	$ 18.97		
Options granted	—	—		
Options exercised	(822)	14.04		
Options canceled	(379)	23.58		
Outstanding at December 31, 2016	2,147	$ 20.03	4.10	$ 11,246
Vested or expected to vest at December 31, 2016	2,145	20.03	4.09	$ 11,242
Exercisable at December 31, 2016	2,030	19.97	3.97	$ 10,854

The total intrinsic value of options exercised was $6.4 million, $0.5 million and $14.0 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Restricted stock unit activity for the year ended December 31, 2016 was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
	(In thousands)	
Outstanding at December 31, 2015	3,446	$ 17.99
Restricted stock units granted	1,703	$ 23.04
Restricted stock units canceled	(549)	$ 18.38
Restricted stock units vested	(1,057)	$ 18.42
Outstanding at December 31, 2016	3,543	$ 20.24

The total fair value of shares vested for the years ended December 31, 2016, 2015 and 2014 was $23.2 million, $14.0 million and $8.2 million, respectively, based on the price of our Class A common stock on the vesting date.

As of December 31, 2016, there was $1.0 million and $50.9 million of aggregate unrecognized compensation cost related to unvested stock options and restricted stock units, respectively, expected to be recognized in compensation expense in future periods, with a weighted-average period of 0.63 years and 2.54 years, respectively.

Stock-Based Retailer Incentive Compensation

As discussed in Note 11 — Stockholders' Equity, we issued Walmart 2,208,552 shares of our Class A common stock in May 2010. We recognized the fair value of 36,810 shares each month over the five-year term of the commercial agreement. We recorded the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. We recognized monthly the fair value of the shares for which our right to repurchase has lapsed using the then-current fair market value of our Class A common stock. We recognized $2.5 million and $8.9 million of stock-based retailer incentive compensation for the years ended December 31, 2015 and

2014, respectively. Our repurchase right lapsed completely in April 2015, and we no longer recorded stock-based compensation beginning in May 2015.

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

Note 13—Income Taxes

The components of income tax expense included in our consolidated statements of operations were as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Current:			
Federal	$16,540	$18,988	$24,382
State	1,934	1,104	1,368
Foreign	217	21	—
Current income tax expense	18,691	20,113	25,750
Deferred:			
Federal	2,362	(138)	760
State	(1,142)	(287)	(224)
Foreign	50	19	(73)
Deferred income tax expense (benefit)	1,270	(406)	463
Income tax expense	$19,961	$19,707	$26,213

Income tax expense differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	Year Ended December 31,		
	2016	2015	2014
U.S. federal statutory tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal benefit	0.4	0.4	1.1
General business credits	(3.4)	(0.9)	(1.3)
Employee stock-based compensation	0.3	0.8	0.7
Transaction costs	—	(2.1)	1.8
Other	0.1	0.7	0.7
Effective tax rate	32.4 %	33.9 %	38.0 %

The decrease in the effective tax rate for the year ended December 31, 2016 as compared to the year ended December 31, 2015 is primarily due to the reversal of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of statue of limitations and settlement of certain taxing jurisdictions, included in general business credits.

Note 13—Income Taxes (continued)

The tax effects of temporary difference that give rise to significant portions of our deferred tax assets and liabilities were as follows:

	December 31,	
	2016	2015
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$12,619	$14,726
Stock-based compensation	13,221	12,535
Reserve for overdrawn accounts	4,684	3,162
Accrued liabilities	6,910	6,206
Tax credit carryforwards	3,590	2,592
Other	2,293	2,531
Total deferred tax assets	$43,317	$41,752
Deferred tax liabilities:		
Internal-use software costs	$20,415	$17,955
Property and equipment, net	692	1,669
Deferred expenses	5,881	4,730
Intangible assets	11,208	10,623
Gift card revenue	4,236	4,183
Total deferred tax liabilities	42,432	39,160
Net deferred tax assets	$885	$2,592

We establish a valuation allowance when we consider it more-likely-than-not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2016, we do not have a valuation allowance on any of our deferred tax assets as we believe it is more-likely-than-not that we will realize the benefits of our deferred tax assets.

We are subject to examination by the Internal Revenue Service, or IRS, and various state tax authorities. We remain subject to examination of our federal income tax returns for the five-months ended December 31, 2009 and the years ended December 31, 2010, through 2015. We generally remain subject to examination of our various state income tax returns for a period of four to five years from the respective dates the returns were filed.

As of December 31, 2016, we have net operating loss carryforwards of approximately $41.2 million and $32.3 million for federal and state tax purposes, respectively, which will be available to offset future income. If not used, these carryforwards will expire between 2017 and 2035. In addition, we have state business tax credits of approximately $7.7 million that can be carried forward indefinitely and other state business tax credits of approximately $1.1 million that will expire 2026.

As of December 31, 2016 and 2015, we had a liability of $7.3 million and $7.4 million, respectively, for unrecognized tax benefits related to various federal and state income tax matters excluding interest, penalties and related tax benefits. The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is as follows:

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

Note 13—Income Taxes (continued)

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Beginning balance	$7,371	$6,189	$3,724
Increases related to positions taken during prior years	134	759	856
Increases related to positions taken during the current year	1,023	423	1,609
Decreases related to positions settled with tax authorities	(1,105)	—	—
Decreases due to a lapse of applicable statute of limitations	(109)	—	—
Ending balance	$7,314	$7,371	$6,189
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	$7,314	$7,371	$6,189

We recognized accrued interest and penalties related to unrecognized tax benefits for the years ended December 31, 2016, 2015 and 2014, of approximately $0.6 million, $0.2 million and $0.4 million, respectively.

Note 14—Earnings per Common Share

The calculation of basic and diluted EPS was as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
Basic earnings per Class A common share			
Net income	$41,600	$38,415	$42,693
Income attributable to preferred stock	(802)	(1,102)	(4,842)
Income attributable to other classes of common stock	—	(21)	(349)
Net income allocated to Class A common stockholders	$40,798	$37,292	$37,502
Weighted-average Class A shares issued and outstanding	49,535	51,332	40,907
Basic earnings per Class A common share	$0.82	$0.73	$0.92
Diluted earnings per Class A common share			
Net income allocated to Class A common stockholders	$40,798	$37,292	$37,502
Re-allocated earnings	20	11	94
Diluted net income allocated to Class A common stockholders	$40,818	$37,303	$37,596
Weighted-average Class A shares issued and outstanding	49,535	51,332	40,907
Dilutive potential common shares:			
Stock options	507	293	640
Restricted stock units	753	243	220
Employee stock purchase plan	2	7	3
Diluted weighted-average Class A shares issued and outstanding	50,797	51,875	41,770
Diluted earnings per Class A common share	$0.80	$0.72	$0.90

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

Note 14—Earnings per Common Share (continued)

For the periods presented, we excluded all shares of convertible preferred stock and certain stock options and restricted stock units outstanding, which could potentially dilute basic EPS in the future, from the computation of diluted EPS as their effect was anti-dilutive. The following table shows the weighted-average number of anti-dilutive shares excluded from the diluted EPS calculation:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Class A common stock			
Options to purchase Class A common stock	124	650	598
Restricted stock units	2	31	15
Conversion of convertible preferred stock	974	1,518	5,282
Total options, restricted stock units and convertible preferred stock	1,100	2,199	5,895

Note 15—Fair Value Measurements

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and how we measure fair value, see Note 2 — Summary of Significant Accounting Policies.

As of December 31, 2016 and 2015, our assets and liabilities carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2016	(In thousands)			
Assets				
Corporate bonds	$—	$21,535	$—	$21,535
Commercial paper	—	12,430	—	12,430
U.S. Treasury notes	—	21,563	—	21,563
Agency securities	—	4,001	—	4,001
Mortgage-backed securities	—	117,491	—	117,491
Municipal bonds	—	1,430	—	1,430
Asset-backed securities	—	29,976	—	29,976
Total assets	$—	$208,426	$—	$208,426
Liabilities				
Contingent consideration	$—	$—	$8,634	$8,634
December 31, 2015				
Assets				
Corporate bonds	$—	$33,154	$—	$33,154
Commercial paper	—	6,505	—	6,505
U.S. Treasury notes	—	17,525	—	17,525
Agency securities	—	4,015	—	4,015
Mortgage-backed securities	—	99,772	—	99,772
Municipal bonds	—	1,900	—	1,900
Asset-backed securities	—	18,668	—	18,668

Total assets	$—	$181,539	$—	$181,539
Liabilities				
Contingent consideration	$—	$—	$13,889	$13,889

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

Note 15—Fair Value Measurements (continued)

We based the fair value of our fixed income securities held as of December 31, 2016 and 2015 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets or liabilities during the years ended December 31, 2016 and 2015.

The following table presents changes in our contingent consideration payable for the years ended December 31, 2016, 2015 and 2014, which is categorized in Level 3 of the fair value hierarchy:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Balance, beginning of period	$13,889	$23,160	$—
Issuance	—	—	24,500
Payments of contingent consideration	(2,755)	(1,071)	(242)
Purchase accounting adjustment	—	—	(400)
Change in fair value of contingent consideration	(2,500)	(8,200)	(698)
Balance, end of period	$8,634	$13,889	$23,160

Note 16—Fair Value of Financial Instruments

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

Short-term Financial Instruments

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

Investment Securities

The fair values of investment securities have been derived using methodologies referenced in Note 2 — Summary of Significant Accounting Policies. Under the fair value hierarchy, our investment securities are classified as Level 2.

Loans

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

Deposits

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

Contingent Consideration

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

Note Payable

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

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

Note 16—Fair Value of Financial Instruments (continued)

Fair Value of Financial Instruments

The carrying values and fair values of certain financial instruments that were not carried at fair value, excluding short-term financial instruments for which the carrying value approximates fair value, at December 31, 2016 and 2015 are presented in the table below.

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Financial Assets				
Loans to bank customers, net of allowance	$6,059	$5,421	$6,279	$5,847
Financial Liabilities				
Deposits	$737,414	$737,356	$652,145	$652,060
Note payable	$100,686	$100,686	$121,652	$121,652

Note 17—Concentrations of Credit Risk

Financial instruments that subject us to concentration of credit risk consist primarily of unrestricted cash and cash equivalents, restricted cash, investment securities, accounts receivable, loans and settlement assets. We deposit our unrestricted cash and cash equivalents and our restricted cash with regional and national banking institutions that we periodically monitor and evaluate for creditworthiness. Credit risk for our investment securities is mitigated by the types of investment securities in our portfolio, which must comply with strict investment guidelines that we believe appropriately ensures the preservation of invested capital. Credit risk for our accounts receivable is concentrated with card issuing banks and our customers, and this risk is mitigated by the relatively short collection period and our large customer base. We do not require or maintain collateral for accounts receivable. We maintain reserves for uncollectible overdrawn accounts and uncollectible trade receivables. With respect to our loan portfolio, approximately 93.3% of our borrowers reside in the state of Utah and approximately 42.0% in the city of Provo. Consequently, this loan portfolio is susceptible to any adverse market or environmental conditions that may impact this specific geographic region. Credit risk for our settlement assets is concentrated with our retail distributors, which we periodically monitor.

Note 18—Defined Contribution Plan

On January 1, 2004, we established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. Employees who have attained at least 21 years of age are generally eligible to participate in the plan on the first day of the calendar month following the month in which they commence service with us. Participants may make pre-tax contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the code. We may contribute to the plan at the discretion of our board of directors. Currently, employer contributions amount to 25% of the first 5% of a participant's eligible compensation. Our contributions are allocated in the same manner as that of the participant’s elective contributions. We made contributions to the plan of $0.8 million, $0.9 million, and $0.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Note 19—Commitments and Contingencies

In December 2011, we entered into a ten-year office lease for 140,000 square feet of office space in Pasadena, California. This facility serves as our corporate headquarters. The initial term of the lease is ten years and is scheduled to expire on October 31, 2022. Through our wholly owned subsidiaries, we also lease various office facilities and maintain smaller administrative or project offices. Our total rental expense for these and former leases amounted to $8.0 million, $8.8 million and $5.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 19—Commitments and Contingencies (continued)

At December 31, 2016, the future minimum aggregate rental commitment under all operating leases and minimum annual payments through various agreements with vendors and retail distributors was as follows:

	Operating Leases	Vendor/Retail Distributor Commitments
Year ending December 31,	(In thousands)	
2017	$7,236	$ 22,859
2018	5,885	5,601
2019	5,694	190
2020	5,821	—
2021	6,002	—
Thereafter	5,064	—
Total of future commitments	$35,702	$ 28,650

In the event we terminate our processing services agreement for convenience, we are required to pay a single lump sum equal to any minimum payments remaining on the date of termination. These future minimum obligations are included in our vendor and retail distributor commitments.

As of December 31, 2016 and 2015, we had $0.5 million and $1.5 million outstanding in standby letters of credit related to our corporate facility lease, respectively.

Litigation and Claims

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

During the three months ended June 30, 2016, we continued our planned conversion of customer files from our legacy third-party card processor to our new third-party card processor. As part of the conversion process, a small percentage of our active cardholders experienced limited disruptions in service that resulted in losses to us including, but not limited to, approximately $4.1 million in specific credits we paid to our customers and specific cardholder transaction losses incurred by us as a result of the service disruption. These specific losses have been fully reimbursed by our new third-party processor, while other expenses we incurred as a result of the disruption in service were not reimbursed to us.

As a result of this limited disruption in service, two putative class action complaints were filed during the second quarter of 2016. Any settlement amount paid to resolve the consolidated class actions will be borne equally between us and our new third-party card processor. We recorded an estimated accrual of approximately $2.8 million, which represents our portion of the estimated total settlement amount inclusive of legal fees, of which our insurance carrier has agreed to reimburse us for up to approximately $2.3 million. These amounts are recorded in other accrued liabilities and account receivable, respectively, on our consolidated balance sheet as of December 31, 2016.

During the year ended December 31, 2014, we received net cash proceeds of $6.4 million in connection with the settlement of a lawsuit. We recorded this settlement, net of legal costs incurred in connection with the litigation, as other income on our consolidated statements of operations.

Other Matters

We monitor the laws of all 50 states to identify state laws or regulations that apply (or may apply) to our products and services. We have obtained money transmitter licenses (or similar such licenses) where applicable, based on advice of counsel or when we have been requested to do so. If we were found to be in violation of any laws and regulations

governing banking, money transmitters, electronic fund transfers, or money laundering in the United States or abroad, we could be subject to penalties or could be forced to change our business practices.

Note 19—Commitments and Contingencies (continued)

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

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

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

Note 20—Significant Customer Concentration

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

Revenue Concentrations

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

	Year Ended December 31,		
	2016	2015	2014
Walmart	45%	46%	54%

Excluding stock-based retailer incentive compensation of $0 million, $2.5 million and $8.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, revenues derived from our products sold at retail distributors constituting greater than 10% of our total operating revenues were as follows (stock-based retailer incentive compensation no longer incurred beginning May 2015):

	Year Ended December 31,		
	2016	2015	2014
Walmart	45%	46%	55%

No other retail distributor made up greater than 10% of our total operating revenues for the years ended December 31, 2016, 2015, and 2014.

Settlement Asset Concentrations

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

	December 31, 2016	December 31, 2015
Walmart	42%	62%

Note 21—Regulatory Requirements

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

As of December 31, 2016 and 2015, we were categorized as "well capitalized" under the regulatory framework. There were no conditions or events since December 31, 2016 which management believes would have changed our category as "well capitalized." Our capital ratios and related regulatory requirements were as follows:

	December 31, 2016			
	Amount	Ratio	Regulatory Minimum (1)	"Well-capitalized" Minimum (1)
	(In thousands, except ratios)			
Green Dot Corporation:				
Tier 1 leverage	332,101	24.3 %	4.0 %	n/a
Common equity Tier 1 capital	332,101	61.0 %	4.5 %	n/a
Tier 1 capital	332,101	61.0 %	6.0 %	6.0 %
Total risk-based capital	333,288	61.2 %	8.0 %	10.0 %
Green Dot Bank:				
Tier 1 leverage	139,491	17.0 %	4.0 %	5.0 %
Common equity Tier 1 capital	139,491	54.8 %	4.5 %	6.5 %
Tier 1 capital	139,491	54.8 %	6.0 %	8.0 %
Total risk-based capital	139,768	54.9 %	8.0 %	10.0 %

	December 31, 2015			
	Amount	Ratio	Regulatory Minimum (1)	"Well-capitalized" Minimum (1)
	(In thousands, except ratios)			
Green Dot Corporation:				
Tier 1 leverage	347,801	25.9 %	4.0 %	n/a
Common equity Tier 1 capital	347,801	70.7 %	4.5 %	n/a
Tier 1 capital	347,801	70.7 %	6.0 %	6.0 %
Total risk-based capital	349,396	71.1 %	8.0 %	10.0 %
Green Dot Bank:				
Tier 1 leverage	152,737	20.4 %	15.0 %	15.0 %
Common equity Tier 1 capital	152,737	132.2 %	4.5 %	6.5 %
Tier 1 capital	152,737	132.2 %	6.0 %	8.0 %
Total risk-based capital	153,164	132.5 %	8.0 %	10.0 %

(1) The tier 1 leverage regulatory minimum and well-capitalized minimum ratios for banks is 4% and 5%, respectively. As of December 31, 2015 our subsidiary bank was subject to separate tier 1 leverage requirements that we had committed to with the Federal Reserve Board and Utah Department of Financial Institutions. Our commitments with the Federal Reserve Board and Utah Department of Financial Institutions lapsed in November 2016.

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

Note 22— Selected Unaudited Quarterly Financial Information

The following tables set forth a summary of our quarterly financial information for each of the four quarters in 2016 and 2015:

	2016			
	Q4	Q3	Q2	Q1
	(In thousands, except per share data)			
Total operating revenues	$162,768	$154,494	$173,488	$228,024
Total operating expenses	166,290	155,011	160,619	173,538
Operating (loss) income	(3,522)	(517)	12,869	54,486
Interest expense, net	393	207	125	(2,480)
(Loss) income before income taxes	(3,129)	(310)	12,994	52,006
Income tax (benefit) expense	(1,784)	(2,347)	4,968	19,124
Net (loss) income	$(1,345)	$2,037	$8,026	$32,882
(Loss) earnings per common share				
Basic				
Class A common stock	$(0.03)	$0.04	$0.16	$0.64
Diluted				
Class A common stock	$(0.03)	$0.04	$0.16	$0.63

	2015			
	Q4	Q3	Q2	Q1
	(In thousands, except per share data)			
Total operating revenues	$150,928	$146,360	$170,247	$227,165
Total operating expenses	162,707	148,066	163,329	161,269
Operating (loss) income	(11,779)	(1,706)	6,918	65,896
Interest expense, net	(321)	(337)	(431)	(118)
(Loss) income before income taxes	(12,100)	(2,043)	6,487	65,778
Income tax (benefit) expense	(6,027)	(2,222)	2,991	24,965
Net (loss) income	$(6,073)	$179	$3,496	$40,813
(Loss) earnings per common share				
Basic				
Class A common stock	$(0.12)	$—	$0.07	$0.77
Diluted				
Class A common stock	$(0.12)	$—	$0.06	$0.76

Note 23—Segment Information

As of December 31, 2014 and prior, our operations were within one reportable segment. As a result of acquisitions occurring in the fourth quarter of 2014 and first quarter of 2015, we realigned our operations into two reportable segments during 2015: 1) Account Services and 2) Processing and Settlement Services. We identified our reportable segments based on factors such as how we manage our operations and how our chief operating decision maker views results. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings and uses operating income to assess profitability.

The Account Services segment consists of revenues and expenses derived from our branded and private label deposit account programs. These programs include our Green Dot-branded and affinity-branded GPR card accounts, private label GPR card accounts, checking accounts, open-loop gift cards and secured credit cards. The Processing and Settlement Services segment consists of revenues and expenses derived from reload services through the Green Dot Network, 1099 disbursement programs and our tax refund processing services. The Corporate and Other segment primarily consists of unallocated corporate expenses, depreciation and amortization, intercompany eliminations and

other costs that are not considered when management evaluates segment performance. We do not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 23—Segment Information (continued)

The following tables present certain financial information for each of our reportable segments for the years ended December 31, 2016 and 2015. We have determined that it is impracticable to restate segment information for the year ended December 31, 2014, as well as to provide disclosures under both the old basis and new basis of reporting for certain items. Therefore, no such disclosures are presented.

	Year Ended December 31, 2016			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$544,271	$ 203,569	$(29,066)	$718,774
Operating expenses	454,187	137,296	63,975	655,458
Operating income	$90,084	$ 66,273	$(93,041)	$63,316

	Year Ended December 31, 2015			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$531,410	$ 195,000	$(31,710)	$694,700
Operating expenses	440,669	133,539	61,163	635,371
Operating income	$90,741	$ 61,461	$(92,873)	$59,329

Note 24—Subsequent Events

On January 25, 2017, we entered into an Equity Purchase Agreement (the “Purchase Agreement”) with Empowerment Ventures, LLC ("Empowerment Ventures"), and UniRush, LLC, a wholly-owned subsidiary of Empowerment Ventures (“UniRush”). The Purchase Agreement provides for, among other things, the purchase of all of UniRush’s limited liability company interests. At closing, we expect to pay consideration of $147 million in cash, subject to customary net working capital adjustments and reductions for certain of UniRush’s liabilities and its debt and transaction expenses, as defined in the Purchase Agreement. In addition, we agreed to pay Empowerment Ventures an earn-out equal to the greater of (i) a specified percentage of the revenue generated by the RushCard portion of UniRush's business during the five-year period following the closing or (ii) $20 million, payable quarterly over the five years. Completion of the purchase is subject to certain customary conditions, which has not been completed as of the date of this report.

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ITEM 9. Changes in and Disagreement With Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

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

Report of management on internal control over financial reporting — Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Green Dot Corporation. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Our management concluded that, as of December 31, 2016, our internal control over financial reporting was effective based on these criteria.

Ernst & Young LLP, an independent registered public accounting firm, has issued an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2016, which is included in Part II, Item 8 of this Annual Report on Form 10-K.

Change in internal control over financial reporting — There was no material change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

ITEM 9B. Other Information

None.

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PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference to our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2016.

ITEM 11. Executive Compensation

The information required by this Item is incorporated by reference to our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2016.

ITEM 12. Securities Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2016.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2016.

ITEM 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2016.

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PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as exhibits to this report:

1. Financial Statements

The Index to Consolidated Financial Statements in Item 8 of this report is incorporated herein by reference as the list of financial statements required as part of this report.

2. Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits: The following exhibits are filed as part of or furnished with this annual report on Form 10-K as applicable:

The exhibit list in the Exhibit Index is incorporated herein by reference as the list of exhibits required as part of this report.

SIGNATURE

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

Green Dot Corporation

Date:	February 27, 2017	By:	/s/ Steven W. Streit
		Name:	Steven W. Streit
		Title:	President, Chief Executive Officer, Director

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Steven W. Streit, John C. Ricci, and Mark Shifke, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

	Signature	Title	Date
By:	/s/ Steven W. Streit	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 27, 2017
Name:	Steven W. Streit		
By:	/s/ Mark Shifke	Chief Financial Officer (Principal Financial Officer)	February 27, 2017
Name:	Mark Shifke		
By:	/s/ Jess Unruh	Chief Accounting Officer (Principal Accounting Officer)	February 27, 2017
Name:	Jess Unruh		
By:	/s/ William I. Jacobs	Chairman/Presiding Director	February 27, 2017
Name:	William I. Jacobs		
By:	/s/ Kenneth C. Aldrich	Director	February 27, 2017
Name:	Kenneth C. Aldrich		
By:	/s/ J. Chris Brewster	Director	February 27, 2017
Name:	J. Chris Brewster		
By:	/s/ Glinda Bridgforth Hodges	Director	February 27, 2017
Name:	Glinda Bridgforth Hodges		

By:	/s/ Rajeev V. Date	Director	February 27, 2017
Name:	Rajeev V. Date		
By:	/s/ Saturnino Fanlo	Director	February 27, 2017
Name:	Saturnino Fanlo		
By:	/s/ George W. Gresham	Director	February 27, 2017
Name:	George W. Gresham		
By:	/s/ George T. Shaheen	Director	February 27, 2017
Name:	George T. Shaheen		

EXHIBIT INDEX

The following documents are filed as exhibits to this report:

Exhibit Number	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.1^	Agreement and Plan of Merger, dated as of September 17, 2014 by and among the Registrant, Patriot Merger Sub LLC, SBBT Holdings, LLC, Platform TPG LLC, solely in its capacity as the initial Holder Representative thereunder, and the certain persons delivering joinder agreements therewith.	8-K	September 17, 2014	2.01	
2.2^	Equity Purchase Agreement, dated as of January 25, 2017, by and among Green Dot Corporation, Empowerment Ventures, LLC and UniRush, LLC.	8-K	January 30, 2017	2.1	
3.1	Tenth Amended and Restated Certificate of Incorporation of the Registrant.	S-1(A2)	April 26, 2010	3.02	
3.2	Amended and Restated Bylaws of the Registrant.	8-K	December 19, 2016	3.1	
3.3	Certificate of Designations of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of Green Dot Corporation dated as of December 8, 2011.	8-K	December 14, 2011	3.01	
4.1	Registration Rights Agreement, dated as of October 23, 2014, by and among the Registrant and the persons listed on Exhibit A thereto.	8-K	October 24, 2014	4.01	
10.1*	Form of Indemnity Agreement.	S-1(A4)	June 29, 2010	10.01	
10.2*	Second Amended and Restated 2001 Stock Plan and forms of notice of stock option grant, stock option agreement and stock option exercise letter.	S-1(A3)	June 2, 2010	10.02	
10.3*	2010 Equity Incentive Plan, as amended, and forms of notice of stock option grant, stock option award agreement, notice of restricted stock award, restricted stock agreement, notice of stock bonus award, stock bonus award agreement, notice of stock appreciation right award, stock appreciation right award agreement, notice of restricted stock unit award, restricted stock unit award agreement, notice of performance shares award and performance shares agreement.	8-K	May 23, 2014	10.01	
10.4*	2010 Employee Stock Purchase Plan.	S-1(A4)	June 29, 2010	10.19	
10.5		10-K		10.8	

	Lease Agreement between the Registrant and Wells REIT II - Pasadena Corporate Park L.P., dated December 5, 2011		February 29, 2012	
10.6†	Amended and Restated Walmart MoneyCard Program Agreement dated as of May 1, 2015 by and among the Registrant, Green Dot Bank, Wal-Mart Stores, Inc., Walmart Stores Texas L.P., Wal-Mart Louisiana, LLC, Wal-Mart Stores Arkansas, LLC, Wal-Mart Stores East, L.P. and Wal-Mart Puerto Rico, Inc.	10-Q	August 10, 2015	10.01
10.7	Credit Agreement, dated as of October 23, 2014, by and between the Registrant, Bank of America, N.A., and the other lenders party thereto.	8-K	October 24, 2014	10.1
10.8	First Amendment to Credit Agreement and Consent, dated as of February 12, 2015, by and between the Registrant, Wells Fargo Bank, National Association, Bank of America, N.A., and other lenders party thereto.	10-K	February 29, 2016	10.8
10.9	Second Amendment to Credit Agreement and Consent, dated as of December 11, 2015, by and between the Registrant, Bank of America, N.A., and other lenders party thereto.	10-K	February 29, 2016	10.9

Exhibit Number	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.10	Third Amendment to Credit Agreement and Consent, dated as of April 7, 2016, by and between the Registrant, Bank of America, N.A., and other lenders party thereto.				X
10.11*	Employment letter agreement, dated September 16, 2016, between the Registrant and Steven W. Streit.	8-K	September 22, 2016	10.01	
10.12*	Form of Executive Severance Agreement.	S-1(A2)	April 26, 2010	10.12	
10.13*	Performance-based restricted stock units award agreement between the Registrant and Steven W. Streit.	10-Q	May 11, 2015	10.9	
10.14*	Performance-based restricted stock units award agreement between the Registrant and Steven W. Streit.	8-K	March 31, 2016	10.02	
10.15*	Performance-based restricted stock units award agreement between the Registrant and Konstantinos Sgoutas.	10-Q	May 11, 2015	10.10	
10.16*	Form of performance-based restricted stock units award agreement under the 2010 Equity Incentive Plan	8-K	March 31, 2016	10.03	
10.17*	Green Dot Corporation Corporate Transaction Policy	8-K	April 9, 2015	10.01	
10.18*	2015 Executive Officer Incentive Bonus Plan	10-K	March 2, 2015	10.20	
10.19*	2016 Executive Officer Incentive Bonus Plan	8-K	March 31, 2016	10.01	
10.20*	Letter agreement regarding terms of separation, dated January 26, 2017, between the Registrant and Lewis B. Goodwin.	8-K	February 1, 2017	10.01	
21.1	Subsidiaries of Green Dot Corporation				X
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.				X
24.1	Power of Attorney (included on the signature page of this Annual Report on Form 10-K).				X
31.1	Certification of Steven W. Streit, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of				X

	the Sarbanes-Oxley Act of 2002.	
31.2	Certification of Mark Shifke, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification of Steven W. Streit, Chief Executive Officer and Chairman of the Board of Directors, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of Mark Shifke, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document**	X
101.SCH	XBRL Taxonomy Extension Schema Document**	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**	X

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^ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Green Dot hereby undertakes to furnish supplementally copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

* Indicates management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended ("Securities Act"), are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended ("Exchange Act"), and otherwise are not subject to liability under those sections. The Interactive Data File will be filed by amendment to this Form 10-K within 30 days of the filing date of this Form 10-K, as permitted by Rule 405(a)(2)(ii) of Regulation S-T.

† Registrant has omitted portions of the referenced exhibit and filed such exhibit separately with the Securities and Exchange Commission pursuant to a grant of confidential treatment under Rule 406 or Rule 24b-2 promulgated under the Securities Act or Rule 24b-2 promulgated under the Exchange Act.