UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from __________ to __________

Commission File No. 000-20827

CASS INFORMATION SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Missouri	**43-1265338**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12444 Powerscourt Drive, Suite 550 St. Louis, Missouri	**63131**
(Address of principal executive offices)	(Zip Code)

(314) 506-5500
(Registrant’s telephone number, including area code)

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

Title of each class	Trading symbols	Name of each exchange on which registered
Common stock, par value $.50	CASS	The Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes x No o

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

Large Accelerated Filer	o	Accelerated Filer	x		
Non-Accelerated Filer	o	Smaller Reporting Company	o	Emerging Growth Company	o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No x

The number of shares outstanding of the registrant's only class of common stock as of October 22, 2021: Common stock, par value $.50 per share – 14,010,148 shares outstanding.

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Forward-looking Statements - Factors That May Affect Future Results

This report may contain or incorporate by reference forward-looking statements made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and other factors beyond our control, which may cause future performance to be materially different from expected performance summarized in the forward-looking statements. These risks, uncertainties and other factors are discussed in Part I, Item 1A, "Risk Factors" of the Company's 2020 Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC"), which may be updated from time to time in our future filings with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, or changes to future results over time.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands except Share and Per Share Data)

	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Cash and due from banks	$ 25,641	$ 30,985
Interest-bearing deposits in other financial institutions	472,786	393,810
Federal funds sold and other short-term investments	1,882	245,733
Cash and cash equivalents	500,309	670,528
Securities available-for-sale, at fair value	541,079	357,726
Loans	872,905	891,676
Less: Allowance for credit losses	11,532	11,944
Loans, net	861,373	879,732
Payments in excess of funding	266,379	194,563
Premises and equipment, net	17,499	18,057
Investment in bank-owned life insurance	42,926	18,058
Goodwill	14,262	14,262
Other intangible assets, net	2,779	3,423
Other assets	46,380	46,886
Total assets	$ 2,292,986	$ 2,203,235
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 467,320	$ 493,504
Interest-bearing	619,997	557,352
Total deposits	1,087,317	1,050,856
Accounts and drafts payable	905,479	835,386
Other liabilities	52,547	55,833
Total liabilities	2,045,343	1,942,075
Shareholders' Equity:		
Preferred stock, par value $.50 per share; 2,000,000 shares authorized and no shares issued	—	—
Common stock, par value $.50 per share; 40,000,000 shares authorized and 15,505,772 shares issued at September 30, 2021 and December 31, 2020	7,753	7,753
Additional paid-in capital	204,113	204,875
Retained earnings	108,388	99,062
Common shares in treasury, at cost (1,495,624 shares at September 30, 2021 and 1,113,103 shares at December 31, 2020)	(67,018)	(50,515)
Accumulated other comprehensive loss	(5,593)	(15)
Total shareholders' equity	247,643	261,160
Total liabilities and shareholders' equity	$ 2,292,986	$ 2,203,235

See accompanying notes to unaudited consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in Thousands except Per Share Data)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Fee Revenue and Other Income:				
Information services payment and processing revenue	$ 26,877	$ 24,376	$ 78,441	$ 72,540
Bank service fees	533	441	1,557	1,249
(Losses) gains on sales of securities	(1)	—	44	1,069
Other	168	115	697	343
Total fee revenue and other income	27,577	24,932	80,739	75,201
Interest Income:				
Interest and fees on loans	8,987	9,067	26,270	27,366
Interest and dividends on securities:				
Taxable	731	373	1,387	1,406
Exempt from federal income taxes	1,760	1,753	5,331	5,357
Interest on federal funds sold and other short-term investments	241	86	515	1,130
Total interest income	11,719	11,279	33,503	35,259
Interest Expense:				
Interest on deposits	287	465	915	1,909
Interest on short-term borrowings	—	—	—	2
Total interest expense	287	465	915	1,911
Net interest income	11,432	10,814	32,588	33,348
Provision for (release of) credit losses / loan losses	340	—	(870)	725
Net interest income after provision for (release of) credit losses / loan losses	11,092	10,814	33,458	32,623
Total net revenue	38,669	35,746	114,197	107,824
Operating Expense:				
Personnel	23,283	22,521	68,689	65,839
Occupancy	953	930	2,859	2,809
Equipment	1,700	1,648	5,028	4,900
Amortization of intangible assets	215	215	644	644
Other operating expense	4,539	3,366	11,798	10,774
Total operating expense	30,690	28,680	89,018	84,966
Income before income tax expense	7,979	7,066	25,179	22,858
Income tax expense	1,174	1,285	4,277	4,093
Net income	$ 6,805	$ 5,781	$ 20,902	$ 18,765
Basic earnings per share	$ .48	$ .40	$ 1.47	$ 1.31
Diluted earnings per share	.48	.40	1.45	1.29

See accompanying notes to unaudited consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Comprehensive Income:				
Net income	$ 6,805	$ 5,781	$ 20,902	$ 18,765
Other comprehensive income (loss):				
Net unrealized (loss) gain on securities available-for-sale	(4,438)	224	(7,086)	7,209
Tax effect	1,057	(53)	1,687	(1,716)
Reclassification adjustments for losses (gains) included in net income	1	—	(44)	(1,069)
Tax effect	—	—	10	254
Foreign currency translation adjustments	(168)	63	(145)	(65)
Total comprehensive income	$ 3,257	$ 6,015	$ 15,324	$ 23,378

See accompanying notes to unaudited consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in Thousands)

	Nine Months Ended September 30,	
	2021	**2020**
Cash Flows From Operating Activities:		
Net income	$ 20,902	$ 18,765
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,340	8,391
Gains on sales of securities	(44)	(1,069)
Stock-based compensation expense	2,585	2,277
(Release of) provision for credit losses / loan losses	(870)	725
Decrease in deferred income tax asset	22	1
Increase in current income tax liability	79	527
(Decrease) increase in pension liability	(1,252)	3,315
(Increase) decrease in accounts receivable	(628)	1,339
Other operating activities, net	546	5,790
Net cash provided by operating activities	30,680	40,061
Cash Flows From Investing Activities:		
Proceeds from sales of securities available-for-sale	43,190	19,629
Proceeds from maturities of securities available-for-sale	83,265	43,605
Purchase of securities available-for-sale	(322,336)	(2,931)
Net decrease (increase) in loans	19,229	(171,902)
Purchase of bank-owned life insurance	(24,868)	—
(Increase) decrease in payments in excess of funding	(71,816)	44,766
Purchases of premises and equipment, net	(2,697)	(1,705)
Net cash used in investing activities	(276,033)	(68,538)
Cash Flows From Financing Activities:		
Net (decrease) increase in noninterest-bearing demand deposits	(26,184)	23,290
Net increase in interest-bearing demand and savings deposits	67,930	136,639
Net decrease in time deposits	(5,285)	(5,881)
Net increase in accounts and drafts payable	70,099	146,280
Net decrease in short-term borrowings	—	(18,000)
Cash dividends paid	(11,576)	(11,704)
Purchase of common shares for treasury	(18,975)	(5,508)
Other financing activities, net	(875)	(1,142)
Net cash provided by financing activities	75,134	263,974
Net (decrease) increase in cash and cash equivalents	(170,219)	235,497
Cash and cash equivalents at beginning of period	670,528	203,954
Cash and cash equivalents at end of period	$ 500,309	$ 439,451
Supplemental information:		
Cash paid for interest	$ 885	$ 1,889
Cash paid for income taxes	4,176	3,567

See accompanying notes to unaudited consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021
(Unaudited)
(Dollars in Thousands except per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance, June 30, 2020	$ 7,753	$ 204,258	$ 95,514	$ (49,457)	$ (9,541)	$ 248,527
Net income			5,781			5,781
Cash dividends ($.27 per share)			(3,893)			(3,893)
Issuance of 1,165 common shares pursuant to stock-based compensation plan, net		(4)		47		43
Stock-based compensation expense		799				799
Other comprehensive income					234	234
Balance, September 30, 2020	$ 7,753	$ 205,053	$ 97,402	$ (49,410)	$ (9,307)	$ 251,491
Balance, June 30, 2021	$ 7,753	$ 203,098	$ 105,398	$ (53,437)	$ (2,045)	$ 260,767
Net income			6,805			6,805
Cash dividends ($.27 per share)			(3,815)			(3,815)
Issuance of 4,412 common shares pursuant to stock-based compensation plan, net		(51)		134		83
Exercise of SARs		—		—		—
Stock-based compensation expense		1,066				1,066
Purchase of 314,672 common shares				(13,715)		(13,715)
Other comprehensive loss					(3,548)	(3,548)
Balance, September 30, 2021	$ 7,753	$ 204,113	$ 108,388	$ (67,018)	$ (5,593)	$ 247,643

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2019	$ 7,753	$ 205,397	$ 90,341	$ (45,381)	$ (13,920)	$ 244,190
Net income			18,765			18,765
Cash dividends ($.81 per share)			(11,704)			(11,704)
Issuance of 67,790 common shares pursuant to stock-based compensation plan, net		(2,378)		1,338		(1,040)
Exercise of SARs		(243)		141		(102)
Stock-based compensation expense		2,277				2,277
Purchase of 128,779 common shares				(5,508)		(5,508)
Other comprehensive income					4,613	4,613
Balance, September 30, 2020	$ 7,753	$ 205,053	$ 97,402	$ (49,410)	$ (9,307)	$ 251,491
Balance, December 31, 2020	$ 7,753	$ 204,875	$ 99,062	$ (50,515)	$ (15)	$ 261,160
Net income			20,902			20,902
Cash dividends ($.81 per share)			(11,576)			(11,576)
Issuance of 83,506 common shares pursuant to stock-based compensation plan, net		(2,932)		2,180		(752)
Exercise of SARs		(415)		292		(123)
Stock-based compensation expense		2,585				2,585
Purchase of 434,938 common shares				(18,975)		(18,975)
Other comprehensive loss					(5,578)	(5,578)
Balance, September 30, 2021	$ 7,753	$ 204,113	$ 108,388	$ (67,018)	$ (5,593)	$ 247,643

See accompanying notes to unaudited consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Certain amounts in prior-period financial statements have been reclassified to conform to the current period's presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity. Results for quarterly reporting periods beginning after December 31, 2020 in the Company's Form 10-Q will be presented under ASU 2016-13, as defined in this report, while prior quarterly period amounts continue to be reported in accordance with previously applicable GAAP. For further information, refer to the audited consolidated financial statements and related footnotes included in Cass Information System, Inc.'s (the "Company" or "Cass") Annual Report on Form 10-K for the year ended December 31, 2020.

Risks and Uncertainties

On March 11, 2020, the World Health Organization ("WHO") declared the outbreak of COVID-19 as a global pandemic. The declaration of a global pandemic meant that almost all public commerce and related business activities was, to varying degrees, curtailed with the goal of decreasing the rate of new infections. In late fiscal 2020, vaccines for combating COVID-19 were approved by health agencies and have been administered throughout the country. Although vaccination efforts have been widespread and continuing, and a significant amount of previous business and other restrictions have been lifted, the continued impact of COVID-19, including any increases in the infection rates, new variants, and renewed governmental action to slow the spread of COVID-19 cannot be estimated. The ongoing impact of COVID-19, including the impact of restrictions imposed to combat its spread, could result in additional and prolonged business closures, supply chain disruptions, work restrictions and activity restrictions.

The Company is closely monitoring developments related to COVID-19 checking regularly for updated information and recommendations from the WHO and the Centers for Disease Control and Prevention, from national, state, and local governments, and evaluating courses of action being taken by peers. At this time, the Company remains subject to heightened business, operational, market, credit and other risks related to the COVID-19 pandemic, including, but not limited to, those discussed below, which may have an adverse effect on business, financial condition and results of operations.

Financial position and results of operations - The global health crisis caused by COVID-19 has and will continue to negatively impact business activity throughout the world. The COVID-19 outbreak and associated counter-acting measures implemented by governments around the world, as well as increased business uncertainty and shortages in the labor force, have had, and continue to have, an adverse impact on the Company's financial results and are discussed in more detail below.

Although many restrictions have been relaxed with some success and economic conditions have been improving, many states and localities are still experiencing moderate to high levels of COVID-19 cases, prompting continued restrictions and the need for additional aid and other forms of relief for affected individuals, businesses and other entities. When and if COVID-19 is demonstrably contained, the Company anticipates a rebound in economic activity; however, any such rebound is contingent upon the rate and effectiveness of the containment efforts deployed by federal, state, and local governments. In light of the evolving health, social, economic and business environment, governmental regulations or mandates, and business disruptions that have occurred and could continue to occur, the aggregate impact that COVID-19 could have on the Company's financial condition and operating results remains uncertain.

In response to COVID-19, the Federal Reserve took action to lower the Federal Funds rate. The Federal Reserve has indicated that the target Federal Funds rate would remain at current levels until the economy is in a more stable employment and price-stability position.

To the extent the business disruption continues for an extended period, additional cost control actions will be considered. Future asset impairment charges, increases in allowance for credit losses, or restructuring charges could be more likely and will be dependent on the severity and duration of this crisis and its effect on the Company's borrowers.

For payment processing services, business closures cause a decrease in the number of transactions and dollars processed due to the decline in customers' business activity. Other financial impact could occur though such potential impact is unknown at this time.

Capital and liquidity - While the Company believes that it has sufficient capital to withstand an extended economic recession brought about by COVID-19, its reported and regulatory capital ratios could be adversely impacted by future financial losses.

The Company maintains access to multiple sources of liquidity. If an extended recession caused large numbers of the Bank's customers to draw down deposits, the Company might become more reliant on more expensive sources of funding.

Asset valuation - Currently, the Company does not expect COVID-19 to affect its ability to fairly value the assets on its balance sheet; however, this could change in future periods. While certain valuation assumptions and judgments will change to account for pandemic-related circumstances such as widening credit spreads, the Company does not anticipate significant changes in methodology used to determine the fair value of assets measured in accordance with GAAP.

An economic slowdown as a result of COVID-19 could cause a decline in the Company's stock price or the occurrence of what management would deem to be a triggering event that could, under certain circumstances, necessitate a goodwill or intangible asset impairment test and result in an impairment charge being recorded for that period. In the event that the Company concludes that all or a portion of its goodwill is impaired, a non-cash charge for the amount of such impairment would be recorded to earnings. Such a charge would have no impact on tangible capital or regulatory capital.

Processes, controls and business continuity - In accordance with its federally mandated Pandemic Plan and Business Continuity Plan, many Cass employees around the globe continue to work and conduct business remotely. In the past several years, Cass has invested in sophisticated technology initiatives that enable employees to operate remotely with full system(s) access along with unified and transparent voice and electronic communications capabilities. The Company cannot predict when or how it will fully lift the actions put in place as part of the Business Continuity Plan, including work from home requirements and travel restrictions. Cass does not believe the work from home protocol has materially adversely impacted internal controls, financial reporting systems, or operations.

Note 2 – Intangible Assets

The Company accounts for intangible assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Goodwill and Other Intangible Assets* ("FASB ASC 350"), which requires that intangibles with indefinite useful lives be tested annually for impairment, or when management deems there is a triggering event, and those with finite useful lives be amortized over their useful lives.

Details of the Company's intangible assets are as follows:

	September 30, 2021		**December 31, 2020**	
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Assets eligible for amortization:				
Customer lists	$ 4,778	$ (4,231)	$ 4,778	$ (3,902)
Patents	72	(26)	72	(24)
Software	2,844	(1,011)	2,844	(731)
Trade Name	190	(20)	190	(13)
Other	500	(317)	500	(291)
Unamortized intangible assets:				
Goodwill	14,262	—	14,262	—
Total intangible assets	$ 22,646	$ (5,605)	$ 22,646	$ (4,961)

The customer lists are amortized over 7 and 10 years; the patents over 18 years; software over 3 years and 7 years, the trade name over 20 years and other intangible assets over 15 years. Amortization of intangible assets amounted to $644,000 for both the nine-month periods ended September 30, 2021 and 2020, respectively. Estimated amortization of intangibles is $859,000 in 2021, $540,000 in both 2022 and 2023, $498,000 in 2024, and $490,000 in 2025.

Note 3 – Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the sum of the weighted-average number of common shares outstanding and the weighted-average number of potential common shares outstanding. Under the treasury stock method, stock appreciation rights ("SARs") are dilutive when the average market price of the Company's common stock, combined with the effect of any unamortized compensation expense, exceeds the SAR price during a period.

The calculations of basic and diluted earnings per share are as follows:

(In thousands except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Basic				
Net income	$ 6,805	$ 5,781	$ 20,902	$ 18,765
Weighted-average common shares outstanding	14,040,089	14,348,151	14,203,369	14,373,243
Basic earnings per share	$ .48	$ .40	$ 1.47	$ 1.31
Diluted				
Net income	$ 6,805	$ 5,781	$ 20,902	$ 18,765
Weighted-average common shares outstanding	14,040,089	14,348,151	14,203,369	14,373,243
Effect of dilutive restricted stock and stock appreciation rights	237,080	198,336	239,016	200,723
Weighted-average common shares outstanding assuming dilution	14,277,169	14,546,487	14,442,385	14,573,966
Diluted earnings per share	$ .48	$ .40	$ 1.45	$ 1.29

Note 4 – Stock Repurchases

The Company maintains a treasury stock buyback program pursuant to which, in October 2020, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's common stock with no expiration date. As of September 30, 2021, 30,940 shares remained available for repurchase under the program. The Company repurchased 314,672 and zero shares during the three-month periods ended September 30, 2021 and 2020, respectively, and 434,938 and 128,779 shares for the nine-month periods ended September 30, 2021 and 2020, respectively. Repurchases may be made in the open market or through negotiated transactions from time to time depending on market conditions.

On October 19, 2021, the Board of Directors authorized the repurchase of up to 750,000 shares of the Company's common stock under the program. This new authorization replaces the previous authorization of 500,000 shares, and as such, the Company has 750,000 shares remaining available for repurchase in future periods.

Note 5 – Industry Segment Information

The services provided by the Company are classified into two reportable segments: Information Services and Banking Services. Each of these segments provides distinct services that are marketed through different channels. They are managed separately due to their unique service and processing requirements.

The Information Services segment provides transportation, energy, telecommunication, and environmental invoice processing and payment services to large corporations. The Banking Services segment provides banking services primarily to privately held businesses and faith-based ministries, including on-line generosity services, as well as supporting the banking needs of the Information Services segment.

The Company's accounting policies for segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Management evaluates segment performance based on tax-equivalized (as defined in the footnote to the chart on the following table) pre-tax income after allocations for corporate expenses. Transactions between segments are accounted for at what management believes to be fair value.

Substantially all revenue originates from, and all long-lived assets are located within the United States, and no revenue from any customer of any segment exceeds 10% of the Company's consolidated revenue.

Funding sources represent average balances and deposits generated by Information Services and Banking Services and there is no allocation methodology used. Segment interest income is a function of the relative share of average funding sources generated by each segment multiplied by the following rates:

- Information Services – one or more fixed rates depending upon the specific characteristics of the funding source, and
- Banking Services – a variable rate that is based upon the overall performance of the Company's earning assets.

Any difference between total segment interest income and overall total Company interest income is included in Corporate, Eliminations, and Other.

Summarized information about the Company’s operations in each industry segment is as follows:

(In thousands)	Information Services	Banking Services	Corporate, Eliminations and Other	Total
Three Months Ended September 30, 2021:				
Fee income	$ 26,642	$ 596	$ 339	$ 27,577
Interest income*	6,361	6,187	(361)	12,187
Interest expense	—	287	—	287
Intersegment income (expense)	—	859	(859)	—
Tax-equivalized pre-tax income*	6,753	1,886	(193)	8,446
Goodwill	12,433	1,829	—	14,262
Other intangible assets, net	431	2,348	—	2,779
Total assets	1,018,710	1,279,452	(5,176)	2,292,986
Average funding sources	974,091	875,997	—	1,850,088
Three Months Ended September 30, 2020:				
Fee income	$ 24,198	$ 651	$ 83	$ 24,932
Interest income*	5,112	7,212	(579)	11,745
Interest expense	—	465	—	465
Intersegment income (expense)	—	593	(593)	—
Tax-equivalized pre-tax income*	4,522	3,506	(496)	7,532
Goodwill	12,433	1,829	—	14,262
Other intangible assets, net	837	2,800	—	3,637
Total assets	905,158	1,105,845	(10,540)	2,000,463
Average funding sources	751,010	780,217	—	1,531,227
Nine Months Ended September 30, 2021:				
Fee income	$ 77,717	$ 1,846	$ 1,176	$ 80,739
Interest income*	17,754	18,501	(1,335)	34,920
Interest expense	—	915	—	915
Intersegment income (expense)	—	2,170	(2,170)	—
Tax-equivalized pre-tax income*	19,170	8,080	(654)	26,596
Goodwill	12,433	1,829	—	14,262
Other intangible assets, net	431	2,348	—	2,779
Total assets	1,018,710	1,279,452	(5,176)	2,292,986
Average funding sources	906,474	862,142	—	1,768,616
Nine Months Ended September 30, 2020:				
Fee income	$ 72,098	$ 1,906	$ 1,197	$ 75,201
Interest income*	14,774	21,097	812	36,683
Interest expense	—	1,911	—	1,911
Intersegment income (expense)	—	1,674	(1,674)	—
Tax-equivalized pre-tax income*	13,082	9,190	2,010	24,282
Goodwill	12,433	1,829	—	14,262
Other intangible assets, net	837	2,800	—	3,637
Total assets	905,158	1,105,845	(10,540)	2,000,463
Average funding sources	703,142	712,903	—	1,416,045

* Presented on a tax-equivalent basis assuming a tax rate of 21% for both 2021 and 2020. The tax-equivalent adjustment was approximately $468,000 and $466,000 for the Third Quarter of 2021 and 2020, respectively, and $1,417,000 and $1,424,000 for the Nine Months Ended 2021 and 2020, respectively.

Note 6 – Loans by Type

A summary of loan categories is as follows:

(In thousands)		September 30, 2021		December 31, 2020
Commercial and industrial	$	356,532	$	298,984
Real estate:				
Commercial:				
Mortgage		103,596		100,419
Construction		24,705		25,090
Faith-based:				
Mortgage		358,493		333,661
Construction		13,272		23,818
Paycheck Protection Program (“PPP”)		16,307		109,704
Total loans	$	872,905	$	891,676

In support of the Coronavirus, Aid, Relief, and Economic Security Act (the “CARES Act”), the Bank processed 460 applications for PPP loans with an aggregate principal balance of $210,000,000 during 2021 and 2020 to provide much-needed cash to small business and self-employed taxpayers during the COVID-19 crisis. The loans were primarily made to existing bank customers and are 100% guaranteed by the Small Business Administration (“SBA”) with no allowance for credit loss allocation. The Company has unaccreted PPP loan fees of $479,000 at September 30, 2021.

The following table presents the aging of loans past due by category at September 30, 2021 and December 31, 2020:

(In thousands)	Performing			Nonperforming		
	Current	30-59 Days	60-89 Days	90 Days and Over	Non-accrual	Total Loans
September 30, 2021						
Commercial and industrial	$ 356,532	$ —	$ —	$ —	$ —	$ 356,532
Real estate						
Commercial:						
Mortgage	103,596	—	—	—	—	103,596
Construction	24,705	—	—	—	—	24,705
Faith-based:						
Mortgage	358,493	—	—	—	—	358,493
Construction	13,272	—	—	—	—	13,272
PPP	16,307	—	—	—	—	16,307
Total	$ 872,905	$ —	$ —	$ —	$ —	$ 872,905
December 31, 2020						
Commercial and industrial	$ 298,984	$ —	$ —	$ —	$ —	$ 298,984
Real estate						
Commercial:						
Mortgage	100,419	—	—	—	—	100,419
Construction	25,090	—	—	—	—	25,090
Faith-based:						
Mortgage	333,661	—	—	—	—	333,661
Construction	23,818	—	—	—	—	23,818
PPP	109,704	—	—	—	—	109,704
Total	$ 891,676	$ —	$ —	$ —	$ —	$ 891,676

The following table presents the credit exposure of the loan portfolio by internally assigned credit grade as of September 30, 2021 and December 31, 2020:

(In thousands)	Loans Subject to Normal Monitoring[1]	Performing Loans Subject to Special Monitoring[2]	Nonperforming Loans Subject to Special Monitoring[2]	Total Loans
September 30, 2021				
Commercial and industrial	$ 345,652	$ 10,880	$ —	$ 356,532
Real estate				
Commercial:				
Mortgage	103,596	—	—	103,596
Construction	24,705	—	—	24,705
Faith-based:				
Mortgage	355,530	2,963	—	358,493
Construction	13,272	—	—	13,272
PPP	16,307	—	—	16,307
Total	$ 859,062	$ 13,843	$ —	$ 872,905
December 31, 2020				
Commercial and industrial	$ 284,882	$ 14,102	$ —	$ 298,984
Real estate				
Commercial:				
Mortgage	99,044	1,375	—	100,419
Construction	25,090	—	—	25,090
Faith-based:				
Mortgage	330,554	3,107	—	333,661
Construction	23,818	—	—	23,818
PPP	109,704	—	—	109,704
Total	$ 873,092	$ 18,584	$ —	$ 891,676

[1] Loans subject to normal monitoring involve borrowers of acceptable-to-strong credit quality and risk, who have the apparent ability to satisfy their loan obligations.

[2] Loans subject to special monitoring possess some credit deficiency or potential weakness which requires a high level of management attention.

The company had no loans evaluated for expected credit losses on an individual basis as of September 30, 2021. The Company had one loan in the amount of $2,500,000 at December 31, 2020 that was individually evaluated for credit losses, resulting in a specific allowance for credit loss of $500,000 at December 31, 2020. Due to improvement in borrower conditions, this loan was no longer evaluated individually for credit losses at September 30, 2021.

There were no foreclosed loans recorded as other real estate owned (included in other assets) as of September 30, 2021 or December 31, 2020.

There were no loans considered troubled debt restructurings as of September 30, 2021. There were two loans that were considered troubled debt restructurings at December 31, 2020 and these loans were removed from troubled debt restructuring status during the first quarter of 2021.

The recorded investment by category for loans considered a troubled debt restructuring during the year ended December 31, 2020 is as follows:

(In thousands)	Number of Loans	Pre-Modification Outstanding Balance	Post-Modification Outstanding Balance
Commercial and industrial	1	$ 8,773	$ 8,773
Faith-based real estate	1	1,029	1,029
Total	2	$ 9,802	$ 9,802

During the year ended December 31, 2020, two loans were restructured to change the amortization schedule to reduce payments from the borrowers while the contractual interest rate remained unchanged. These loans did not have a specific allowance for credit loss allocated to them at December 31, 2020. There were no loans restructured that subsequently defaulted during the year ended December 31, 2020.

A summary of the activity in allowance for credit losses ("ACL") by category for the periods ended September 30, 2021 and December 31, 2020 is as follows:

(In thousands)	C&I	CRE	Faith-based CRE	Construction	Total
Allowance for credit losses on loans:					
Balance at December 31, 2020	$ 4,635	$ 1,175	$ 5,717	$ 417	$ 11,944
Charge Offs	—	—	—	—	—
(Release of) provision for credit losses	(289)	(99)	76	(128)	(440)
Recoveries	13	—	15	—	28
Balance at September 30, 2021	$ 4,359	$ 1,076	$ 5,808	$ 289	$ 11,532

The release of credit losses during the nine months ended September 30, 2021 is primarily due to improved economic conditions and the removal of specific allowances for credit losses on impaired loans.

(In thousands)	C&I	CRE	Faith-based CRE	Construction	Total
Allowance for credit losses on loans:					
Balance at December 31, 2019	$ 4,874	$ 1,528	$ 3,842	$ 312	$ 10,556
Cumulative effect of accounting change (ASU 2016-13)	(526)	(401)	1,636	14	723
Balance at January 1, 2020	4,348	1,127	5,478	326	11,279
Provision for credit losses	268	48	238	91	645
Recoveries	19	—	1	—	20
Balance at December 31, 2020	$ 4,635	$ 1,175	$ 5,717	$ 417	$ 11,944

The provision for credit losses during the year ended December 31, 2020 was due to the Company's forecast of macroeconomic factors, which worsened during 2020, primarily due to the COVID-19 pandemic.

Note 7 – Commitments and Contingencies

In the normal course of business, the Company is party to activities that contain credit, market and operational risks that are not reflected in whole or in part in the Company's consolidated financial statements. Such activities include traditional off-balance sheet credit-related financial instruments and commitments under operating leases. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. The Company's maximum potential exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, commercial letters of credit and standby letters of credit is represented by the contractual amounts of those instruments. A release of credit losses of $430,000 was recorded during the nine months ended

September 30, 2021 due to improved economic conditions and lower line of credit usage. An allowance for unfunded commitments of $137,000 and $567,000 had been recorded at September 30, 2021 and December 31, 2020, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commercial and standby letters of credit are conditional commitments issued by the Company or its subsidiaries to guarantee the performance of a customer to a third party. These off-balance sheet financial instruments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At September 30, 2021, the balance of unused loan commitments, standby and commercial letters of credit were $194,327,000, $12,061,000, and $235,000, respectively. Since some of the financial instruments may expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. Commitments to extend credit and letters of credit are subject to the same underwriting standards as those financial instruments included on the consolidated balance sheets. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of the credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally accounts receivable, inventory, residential or income-producing commercial property or equipment. In the event of nonperformance, the Company or its subsidiaries may obtain and liquidate the collateral to recover amounts paid under guarantees on these financial instruments.

The following table summarizes contractual cash obligations of the Company related to time deposits at September 30, 2021:

	Amount of Commitment Expiration per Period				
(In thousands)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**Over 5 Years**
Time deposits	$ 50,699	$ 34,719	$ 15,917	$ 63	$ —

The Company and its subsidiaries are involved in various pending legal actions and proceedings in which claims for damages are asserted. Management, after discussion with legal counsel, believes the ultimate resolution of these legal actions and proceedings will not have a material effect upon the Company's consolidated financial position or results of operations.

Note 8 – Stock-Based Compensation

The Amended and Restated Omnibus Stock and Performance Compensation Plan (the "Omnibus Plan") permits the issuance of up to 1,500,000 shares of the Company's common stock in the form of stock options, SARs, restricted stock, restricted stock units and performance awards. The Company may issue shares out of treasury stock for these awards. During the nine months ended September 30, 2021, 52,356 restricted shares, 31,150 performance-based restricted shares, and no SARs were granted under the Omnibus Plan. Stock-based compensation expense for the three months ended September 30, 2021 and 2020 was $1,066,000 and $799,000, respectively, and $2,585,000 and $2,277,000 for the nine months ended September 30, 2021 and 2020, respectively.

Restricted Stock

Restricted shares granted to Company employees are amortized to expense over the three-year cliff vesting period. Restricted shares granted to members of the Board of Directors are amortized to expense over a one-year service period, with the exception of those shares granted in lieu of cash payments for retainer fees which are expensed in the period earned.

As of September 30, 2021, the total unrecognized compensation expense related to non-vested restricted shares was $2,060,000, and the related weighted-average period over which it is expected to be recognized is approximately 0.70 years.

Following is a summary of the activity of the Company's restricted stock for the nine months ended September 30, 2021, with total shares and weighted average fair value:

	Nine Months Ended September 30, 2021		
	Shares		Fair Value
Balance at December 31, 2020	136,167	$	46.78
Granted	52,356		41.59
Vested	(23,782)		48.43
Forfeitures	(738)		46.07
Balance at September 30, 2021	164,003	$	46.69

Performance-Based Restricted Stock

The Company has granted three-year performance-based restricted stock ("PBRS") awards which are contingent upon the Company's achievement of pre-established financial goals over a three-year cliff vest period. The number of shares issued ranges from 0% to 150% of the target opportunity based on the actual achievement of financial goals for the three-year performance period.

Following is a summary of the activity of the PBRS for the nine months ended September 30, 2021, based on 100% of target value:

	Nine Months Ended September 30, 2021		
	Shares		Fair Value
Balance at December 31, 2020	98,410	$	50.64
Granted	52,240		40.74
Vested	(33,000)		49.07
Forfeitures	(1,107)		46.07
Balance at September 30, 2021	116,543	$	46.79

The PBRS that vested during the nine months ended September 30, 2021 were based on the Company's achievement of 94.4% of target financial goals, resulting in the issuance of 31,150 shares of common stock. The outstanding PBRS at September 30, 2021 will vest at scheduled vesting dates and the actual number of shares of common stock issued will range from 0% to 150% of the target opportunity based on the actual achievement of financial goals for the respective three-year performance period.

SARs

There were no SARs granted and no expense recognized during the nine months ended September 30, 2021. Following is a summary of the activity of the Company's SARs program for the nine months ended September 30, 2021:

	Shares		Weighted-Average Exercise Price	Average Remaining Contractual Term Years		Aggregate Intrinsic Value *(In thousands)*
Balance at December 31, 2020	144,999	$	32.99	1.95	$	1,095
Exercised	(20,560)		24.12	—		—
Forfeited	(2,088)		31.92	—		—
Exercisable at September 30, 2021	122,351	$	34.50	1.41	$	1,046

There were no non-vested SARs at September 30, 2021.

Note 9 – Defined Pension Plans

The Company has a noncontributory defined-benefit pension plan (the "Plan"), which covers eligible employees. Effective December 31, 2016, the Plan was closed to all new participants. Additionally, the Plan's benefits were frozen for all remaining participants as of February 28, 2021. The Company accrues and makes contributions designed to fund normal service costs on a current basis using the projected unit credit with service proration method to amortize prior service costs arising from improvements in pension benefits and qualifying service prior to the establishment of the plan over a period of approximately 30 years. Disclosure information is based on a measurement date of December 31 of the corresponding year. The following table represents the components of the net periodic pension costs:

(In thousands)		Estimated 2021		Actual 2020
Service cost – benefits earned during the year	$	963	$	4,329
Interest cost on projected benefit obligations		3,069		3,908
Expected return on plan assets		(6,299)		(6,049)
Net amortization		360		1,946
Net periodic pension (benefit) cost	$	(1,907)	$	4,134

The Company recorded a net periodic benefit of $678,000 and $1,096,000 for the three and nine-month periods ended September 30, 2021, respectively as compared to net periodic pension cost of $1,103,000 and $3,159,000 for the three and nine-month periods ended September 30, 2020, respectively. Pension costs decreased in 2021 due to the Plan being frozen as of February 28, 2021. The Company made a contribution of $330,000 to the Plan during the nine-month period ended September 30, 2021 and is evaluating the amount of additional contributions, if any, for the remainder of 2021.

In addition to the above funded benefit plan, the Company has an unfunded supplemental executive retirement plan which covers key executives of the Company. This is a noncontributory plan in which the Company and its subsidiaries make accruals designed to fund normal service costs on a current basis using the same method and criteria as its defined benefit plan. The following table represents the components of the net periodic pension costs for 2020 and an estimate for 2021:

(In thousands)		Estimated 2021		Actual 2020
Service cost – benefits earned during the year	$	147	$	121
Interest cost on projected benefit obligation		291		347
Net amortization		203		112
Net periodic pension cost	$	641	$	580

Supplemental executive retirement plan costs recorded to expense were $160,000 and $145,000 for the three-month periods ended September 30, 2021 and 2020, respectively. Supplemental executive retirement plan costs recorded to expense were $481,000 and $435,000 for the nine-month periods ended September 30, 2021 and 2020, respectively.

Note 10 – Income Taxes

The effective tax rate was 14.7% and 18.2% for the three-month periods ended September 30, 2021 and 2020, respectively, and 17.0% and 17.9% for the nine-month periods ended September 30, 2021 and 2020, respectively. The effective tax rate for all periods differs from the statutory rate of 21% primarily due to the tax-exempt interest received from municipal bonds.

Note 11 – Investment in Securities

Investment securities available-for-sale are recorded at fair value on a recurring basis. The Company's investment securities available-for-sale are measured at fair value using Level 2 valuations. The market evaluation utilizes several sources which include "observable inputs" rather than "significant unobservable inputs" and therefore fall into the Level 2 category. The amortized cost, gross unrealized gains, gross unrealized losses and fair value of investment securities are summarized as follows:

	September 30, 2021			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 345,165	$ 13,880	$ 821	$ 358,224
U.S. government agencies	112,850	537	1,288	112,099
Corporate Bonds	70,516	281	41	70,756
Total	$ 528,531	$ 14,698	$ 2,150	$ 541,079

	December 31, 2020			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 287,059	$ 18,915	$ —	$ 305,974
U.S. government agencies	50,988	764	—	51,752
Total	$ 338,047	$ 19,679	$ —	$ 357,726

The fair values of securities with unrealized losses are as follows:

	September 30, 2021					
	Less than 12 months		12 months or more		Total	
(In thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
State and political subdivisions	$ 68,399	$ 821	$ —	$ —	$ 68,399	$ 821
U.S. government agencies	88,386	1,288	—	—	88,386	1,288
Corporate Bonds	10,940	41	—	—	10,940	41
Total	$ 167,725	$ 2,150	$ —	$ —	$ 167,725	$ 2,150

There were 66 securities, or 20% (0 greater than 12 months), in an unrealized loss position as of September 30, 2021. The unrealized losses at September 30, 2021 were primarily attributable to changes in market interest rates after the securities were purchased. There were no securities in an unrealized loss position as of December 31, 2020. At September 30, 2021 and December 31, 2020, the Company had not recorded an allowance for credit losses on securities.

The amortized cost and fair value of investment securities by contractual maturity are shown in the following table. Expected maturities may differ from contractual maturities because borrowers have the right to prepay obligations with or without prepayment penalties.

	September 30, 2021	
(In thousands)	Amortized Cost	Fair Value
Due in 1 year or less	$ 25,511	$ 25,760
Due after 1 year through 5 years	104,620	109,737
Due after 5 years through 10 years	210,353	219,204
Due after 10 years	188,047	186,378
Total	$ 528,531	$ 541,079

Proceeds from sales of investment securities classified as available-for-sale were $30,074,000 and $0 for the three months ended September 30, 2021 and 2020, respectively, and were $43,190,000 and $19,629,000 for the nine months ended September 30, 2021 and 2020, respectively. Gross realized losses were $1,000 and $0 for the three months ended September 30, 2021 and 2020, respectively. Gross realized gains were $44,000 and $1,069,000 for the nine months ended

September 30, 2021 and 2020, respectively. There were no securities pledged to secure public deposits and for other purposes at September 30, 2021.

Note 12 – Fair Value of Financial Instruments

Following is a summary of the carrying amounts and fair values of the Company's financial instruments:

	September 30, 2021		December 31, 2020	
(In thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Balance sheet assets:				
Cash and cash equivalents	$ 500,309	$ 500,309	$ 670,528	$ 670,528
Investment securities	541,079	541,079	357,726	357,726
Loans, net	861,373	861,828	879,732	883,461
Accrued interest receivable	6,332	6,332	6,850	6,850
Total	$ 1,909,093	$ 1,909,548	$ 1,914,836	$ 1,918,565
Balance sheet liabilities:				
Deposits	$ 1,087,317	$ 1,087,317	$ 1,050,856	$ 1,050,856
Accounts and drafts payable	905,479	905,479	835,386	835,386
Accrued interest payable	68	68	38	38
Total	$ 1,992,864	$ 1,992,864	$ 1,886,280	$ 1,886,280

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - The carrying amount approximates fair value.

Investment in Securities - The fair value is measured on a recurring basis using Level 2 valuations. Refer to Note 11, "Investment in Securities," for fair value and unrealized gains and losses by investment type.

Loans - The fair value is estimated using present values of future cash flows discounted at risk-adjusted interest rates for each loan category designated by management and is therefore a Level 3 valuation. Management believes that the risk factor embedded in the interest rates along with the allowance for credit losses result in a fair valuation.

Accrued Interest Receivable - The carrying amount approximates fair value.

Deposits - The fair value of demand deposits, savings deposits and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities and therefore, is a Level 2 valuation. The fair value estimates above do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market or the benefit derived from the customer relationship inherent in existing deposits.

Accounts and Drafts Payable - The carrying amount approximates fair value.

Accrued Interest Payable - The carrying amount approximates fair value.

Note 13 – Revenue from Contracts with Customers

Revenue is recognized as the obligation to the customer is satisfied. The following is detail of the Company's revenue from contracts with clients.

Invoice processing fees – The Company earns fees on a per-item or monthly basis for the invoice processing services rendered on behalf of customers. Per-item fees are recognized at the point in time when the performance obligation is satisfied. Monthly fees are earned over the course of a month, representing the period over which the performance obligation is satisfied. The contracts have no significant impact of variable consideration and no significant financing components.

Invoice payment fees – The Company earns fees on a transaction level basis for invoice payment services when making customer payments. Fees are recognized at the point in time when the payment transactions are made, which is when the performance obligation is satisfied. The contracts have no significant impact of variable consideration and no significant financing components.

Bank service fees – Revenue from service fees consists of service charges and fees on deposit accounts under depository agreements with customers to provide access to deposited funds. Service charges on deposit accounts are transaction-based fees that are recognized at the point in time when the performance obligation is satisfied. Service charges are recognized on a monthly basis representing the period over which the performance obligation is satisfied. The contracts have no significant impact of variable consideration and no significant financing components.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Fee revenue and other income				
In-scope of FASB ASC 606				
Invoice processing fees	$ 19,230	$ 18,650	$ 58,047	$ 55,697
Invoice payment fees	7,647	5,726	20,394	16,843
Information services payment and processing revenue	26,877	24,376	78,441	72,540
Bank service fees	533	441	1,557	1,249
Fee revenue (in-scope of FASB ASC 606)	27,410	24,817	79,998	73,789
Other income (out-of-scope of FASB ASC 606)	167	115	741	1,412
Total fee revenue and other income	$ 27,577	$ 24,932	$ 80,739	$ 75,201

Note 14 – Leases

The Company leases certain premises under operating leases. As of September 30, 2021, the Company had lease liabilities of $5,246,000 and right-of-use assets of $4,754,000. Lease liabilities and right-of-use assets are reflected in other liabilities and other assets, respectively. Presented within occupancy expense on the Consolidated Statements of Income for the three months ended September 30, 2021, operating lease cost was $416,000, short-term lease cost was $42,000, and there was no variable lease cost. For the nine months ended September 30, 2021, operating lease cost was $1,251,000, short-term lease cost was $133,000, and there was no variable lease cost. At September 30, 2021, the weighted average remaining lease term for the operating leases was 6.0 years and the weighted average discount rate used in the measurement of operating lease liabilities was 5.35%. Certain of the Company's leases contain options to renew the lease; however, these renewal options are not included in the calculation of the lease liabilities as they are not reasonably certain to be exercised. There have been no significant changes in the Company's expected future minimum lease payments since December 31, 2020. See the Company's 2020 Annual Report on Form 10-K for information regarding these commitments.

A maturity analysis of operating lease liabilities and undiscounted cash flows as of September 30, 2021 is as follows:

(In thousands)	**September 30, 2021**
Lease payments due	
Less than 1 year	$ 1,726
1-2 years	1,102
2-3 years	563
3-4 years	553
4-5 years	552
Over 5 years	1,629
Total undiscounted cash flows	6,125
Discount on cash flows	879
Total lease liability	$ 5,246

There were no sale and leaseback transactions, leveraged leases, or lease transactions with related parties during the nine months ended September 30, 2021. At September 30, 2021, the Company had no leases that had not yet commenced.

Note 15 – Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events after the consolidated balance sheet date of September 30, 2021. There were no events identified that would require additional disclosures to prevent the Company's unaudited consolidated financial statements from being misleading.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Impact of COVID-19 on the Company's Business

During the year ended December 31, 2020 and nine months ended September 30, 2021, the effects of COVID-19 and related actions to attempt to control its spread significantly impacted the global economy and adversely affected the Company's operating results in both the Information Services and Banking Services segments. Substantial progress has been made to combat the spread of COVID-19, and financial results for the three and nine months ended September 30, 2021 were driven, in part, by the continual improvement in economic conditions as compared to the same periods in 2020, when the negative economic impact of the COVID-19 pandemic was most pronounced on Cass and its customers. Though macroeconomic conditions continue to trend positive as of September 30, 2021, the Company could experience future negative effects on its business, financial condition, results of operations, and cash flows if there continue to be significant outbreaks of COVID-19.

With the spread of COVID-19 to the U.S. in the first quarter of 2020, many state and local governments recommended or mandated limitations on crowd size, closures of businesses and shelter-in-place orders in order to slow the transmission. The extent and nature of government actions varied during fiscal year 2020 and the Nine Months Ended 2021 based upon the then-current extent and severity of the COVID-19 pandemic within the respective localities. Severe business disruptions, resulting constrictions in the manufacturing sector for most of the year, labor force shortages, decreased oil demand and prices and general economic uncertainty, significantly and adversely impacted the Company's customers' business operations and had a corresponding negative affect on the Company's revenue generation in each sector of the Company's Information Services segment.

The Federal Reserve also took action to lower the Federal Funds rate in connection with COVID-19 relief, adversely affecting the Company's net interest income and operating results tied to Banking Services. The Federal Reserve has indicated that it will retain the current low level interest rates until the economy has stabilized.

Bank regulatory agencies and various governmental authorities had urged financial institutions to work prudently with borrowers who were or may have been unable to meet their contractual payment obligations because of the effects of COVID-19. Accordingly, and in coordination with its primary regulators, the Company deferred borrower principal payments on loans during 2020, on an as needed basis, for periods of up to six months. There were no borrowers remaining on deferred terms at September 30, 2021.

In response to COVID-19, the CARES Act was adopted on March 27, 2020. The CARES Act provided for an estimated $2.2 trillion to fight the COVID-19 pandemic and stimulate the economy by supporting individuals and businesses through loans, grants, tax changes, and other types of relief. Among other things, the CARES Act established the Paycheck Protection Program ("PPP"), which allowed entities to apply for low-interest private loans to fund payroll and other costs which, subject to certain conditions and qualifications, are partially or fully forgivable. In March 2021, the American Rescue Plan Act of 2021 was enacted, which among other things, provided for additional funding and expansion of the PPP. In support of the CARES Act, the Bank processed nearly 350 applications for PPP loans of approximately $170,000,000 during the year ended December 31, 2020 and an additional 110 applications for approximately $40,000,000 during the nine months ended September 30, 2021 to provide much-needed cash to small business and self-employed taxpayers during the COVID-19 crisis. The loans were primarily made to existing bank customers and are 100% guaranteed by the SBA.

The Company remains committed to creating a safe and healthy environment for employees while offering assurance that it remains a financially strong service provider possessing the resources necessary to weather this pandemic in support of its valued customers.

In late fiscal 2020, vaccines for combating COVID-19 were approved by health agencies and have been administered throughout the country. While vaccination efforts are underway and a significant amount of previous business and other restrictions have been lifted, the ongoing impact of COVID-19, including any increases in infection rates, new variants, supply chain disruptions, labor force shortages, and renewed governmental action and business and activity restrictions to combat its spread, cannot be estimated. Given these and other uncertainties discussed throughout this report, the Company remains subject to heightened risk, and the aggregate impact that COVID-19 could have on the Company's financial condition and operating results is presently unknown.

For further discussion on COVID-19, refer to Note 1 "Basis of Presentation."

Overview

Cass provides payment and information processing services to large manufacturing, distribution and retail enterprises from its offices/locations in St. Louis, Missouri, Columbus, Ohio, Greenville, South Carolina, Wellington, Kansas, Jacksonville, Florida, Breda, Netherlands, Basingstoke, United Kingdom, and Singapore. The Company's services include freight invoice rating, payment processing, auditing, and the generation of accounting and transportation information. Cass also processes and pays energy invoices, which include electricity and gas as well as waste and telecommunications expenses, and is a provider of telecom expense management solutions. Cass solutions include a B2B payment platform for clients that require an agile fintech partner. Additionally, the Company offers an on-line platform to provide generosity services for faith-based and non-profit organizations. The Company's bank subsidiary, the "Bank," supports the Company's payment operations. The Bank also provides banking services to its target markets, which include privately-owned businesses and faith-based ministries in the St. Louis metropolitan area as well as other selected cities in the United States.

The specific payment and information processing services provided to each customer are developed individually to meet each customer's requirements, which can vary greatly. In addition, the degree of automation such as electronic data interchange, imaging, work flow, and web-based solutions varies greatly among customers and industries. These factors combine so that pricing varies greatly among the customer base. In general, however, Cass is compensated for its processing services through service fees and investment of account balances generated during the payment process. The amount, type, and calculation of service fees vary greatly by service offering, but generally follow the volume of transactions processed. Interest income from the balances generated during the payment processing cycle is affected by the amount of time Cass holds the funds prior to payment and the dollar volume processed. Both the number of transactions processed and the dollar volume processed are therefore key metrics followed by management. Other factors will also influence revenue and profitability, such as changes in the general level of interest rates, which have a significant effect on net interest income. The funds generated by these processing activities are invested in overnight investments, investment grade securities, advances to payees, and loans generated by the Bank. The Bank earns most of its revenue from net interest income, or the difference between the interest earned on its loans and investments and the interest paid on its deposits and other borrowings. The Bank also assesses fees on other services such as cash management services.

Industry-wide factors that impact the Company include the willingness of large corporations to outsource key business functions such as freight, energy, telecommunication and environmental payment and audit. The benefits that can be achieved by outsourcing transaction processing, and the management information generated by Cass' systems can be influenced by factors such as the competitive pressures within industries to improve profitability, the general level of transportation costs, deregulation of energy costs, and consolidation of telecommunication providers. Economic factors that impact the Company include the general level of economic activity that can affect the volume and size of invoices processed, the ability to hire and retain qualified staff, and the growth and quality of the loan portfolio. The general level of interest rates also has a significant effect on the revenue of the Company. As discussed in greater detail in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" in the Company's 2020 Annual Report on Form 10-K, a decline in the general level of interest rates can have a negative impact on net interest income and conversely, a rise in the general level of interest rates can have a positive impact on net interest income. The cost of fuel is another factor that has a significant impact on the transportation sector. As the price of fuel goes up or down, the Company's earnings increase or decrease with the dollar amount of transportation invoices.

Currently, management views Cass' major opportunity as the continued expansion of its payment and information processing service offerings and customer base. Management intends to accomplish this by maintaining the Company's leadership position in applied technology, which when combined with the security and processing controls of the Bank, makes Cass unique in the industry.

Critical Accounting Policies

The Company has prepared the consolidated financial statements in this report in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). In preparing the consolidated financial statements, management makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates have been generally accurate in the past, have been consistent and have not required any material changes. There can be no assurances that actual results will not differ from those estimates. The accounting policy that requires significant management estimates and is deemed critical to the Company's results of operations or financial position has been discussed with the Audit Committee of the Board of Directors and is described below.

Allowance for Credit Losses. The Company performs periodic and systematic detailed reviews of its loan portfolio to determine management's estimate of the lifetime expected credit losses. Although these estimates are based on established methodologies for determining allowance requirements, actual results can differ significantly from estimated results. These policies affect both segments of the Company. The impact and associated risks related to these policies on the Company's business operations are discussed in the "Provision and Allowance for Credit Losses and Allowance for Unfunded Commitments" section of this report.

Results of Operations

The following paragraphs more fully discuss the results of operations and changes in financial condition for the three-month period ended September 30, 2021 ("Third Quarter of 2021") compared to the three-month period ended September 30, 2020 ("Third Quarter of 2020") and the nine-month period ended September 30, 2021 ("Nine Months Ended 2021") compared to the nine-month period ended September 30, 2020 ("Nine Months Ended 2020"). The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and related notes and with the statistical information and financial data appearing in this report, as well as in the Company's 2020 Annual Report on Form 10-K. Results of operations for the Third Quarter and Nine Months Ended 2021 are not necessarily indicative of the results to be attained for any other period.

Net Income

The following table summarizes the Company's operating results:

	Third Quarter of			Nine Months Ended		
(In thousands except per share data)	**2021**	**2020**	**% Change**	**2021**	**2020**	**% Change**
Net income	$ 6,805	$ 5,781	17.7 %	$ 20,902	$ 18,765	11.4 %
Diluted earnings per share	$ .48	$ .40	20.0 %	$ 1.45	$ 1.29	12.4 %
Return on average assets	1.14 %	1.14 %	—	1.23 %	1.32 %	— %
Return on average equity	10.61 %	9.25 %	—	10.84 %	10.25 %	— %

Fee Revenue and Other Income

The Company's fee revenue is derived mainly from transportation and facility payment and processing fees. As the Company provides its processing and payment services, it is compensated by service fees which are typically calculated on a per-item basis and by the accounts and drafts payable balances generated in the payment process which can be used to generate interest income. In addition, the Company's fee revenue consists of financial fees which are generated through the payment process. Processing volumes, fee revenue and other income were as follows:

	Third Quarter of			Nine Months Ended		
(In thousands)	**2021**	**2020**	**% Change**	**2021**	**2020**	**% Change**
Transportation invoice volume	9,333	8,660	7.8 %	27,581	24,234	13.8 %
Transportation invoice dollar volume	$ 9,540,408	$ 6,822,565	39.8 %	$ 26,385,936	$ 18,987,243	39.0 %
Facility-related transaction volume*	6,675	7,117	(6.2)%	20,498	20,330	0.8 %
Facility-related dollar volume*	$ 4,215,044	$ 3,595,586	17.2 %	$ 11,590,437	$ 10,118,270	14.5 %
Payment and processing revenue	$ 26,877	$ 24,376	10.3 %	$ 78,441	$ 72,540	8.1 %

*Includes energy, telecom and environmental

Third Quarter of 2021 compared to Third Quarter of 2020:

Payment and processing fee revenue increased 10%. Transportation volumes for invoices and dollars increased 8% and 40%, respectively. The increases were driven by the stronger performance of the manufacturing sector in addition to organic new customer growth. Also contributing to the dramatic increase in dollar volume was scarcity in carrier supply, which continues to drive prices higher. Facility-related invoices decreased 6% while dollar volume increased 17%. The increase in dollar volume is primarily due to significantly fewer pandemic-related restrictions in the restaurant, retail, and hospitality sectors, creating higher utility usage in addition to rising energy prices. The decrease in invoice volume is primarily due to one fewer processing day.

Nine Months Ended 2021 compared to Nine Months Ended 2020:

Payment and processing revenue increased 8% for the same reasons as the Third Quarter. The growth in transportation invoice and dollar volumes were the primary reason for the positive revenue growth.

Net Interest Income

Net interest income is the difference between interest earned on loans, investments, and other earning assets and interest expense on deposits and other interest-bearing liabilities. Net interest income is a significant source of the Company's revenues. The following table summarizes the changes in tax-equivalent net interest income and related factors:

	Third Quarter of			**Nine Months Ended**		
(In thousands)	**2021**	**2020**	**% Change**	**2021**	**2020**	**% Change**
Average earnings assets	$ 2,036,296	$ 1,734,680	17.4 %	$ 1,965,976	$ 1,616,090	21.7 %
Average interest-bearing liabilities	600,263	507,172	18.4 %	583,478	465,128	25.4 %
Net interest income*	11,900	11,280	5.5 %	34,005	34,772	(2.2)%
Net interest margin*	2.32 %	2.59 %		2.31 %	2.87 %	
Yield on earning assets*	2.37 %	2.69 %		2.37 %	3.03 %	
Rate on interest-bearing liabilities	.19 %	.36 %		.21 %	.55 %	

*Presented on a tax-equivalent basis assuming a tax rate of 21% for both 2021 and 2020.

Third Quarter of 2021 compared to Third Quarter of 2020:

Average earning assets increased $301,616,000, or 17.4%. The overall increase in average interest-earning asset balances was funded by a significant increase in deposits and accounts and drafts payable driven by government stimulus programs, higher payments processing volumes and organic growth.

Average investment securities increased $163,540,000, or 46.2%, as cash provided by increases in funding sources were utilized to purchase investment securities. The combined average of federal funds sold and interest-bearing deposits in other financial institutions increased $214,842,000, or 49.9%, also due to increasing funding sources. Average loans decreased $76,766,000 as a significant amount of the PPP loans originated in 2020 were forgiven by the SBA in 2021.

Average accounts and drafts payable increased $194,609,000, or 23.8%, for the Third Quarter of 2021 and average interest-bearing liabilities increased $93,091,000, or 18.4%, compared to the Third Quarter of 2020. The increase in average accounts and drafts payable was primarily driven by the stronger performance of the manufacturing sector, new customer growth and scarcity in carrier supply, which continues to drive prices higher. The increase in deposits was driven by significant liquidity in the economy resulting in higher deposit balances.

Tax-equivalent net interest income increased $620,000, or 5.5%, compared to the same period in the prior year. While average interest-earning assets were up 17.4%, the Company's net interest margin declined 27 basis points from 2.59% to 2.32%, reflecting the negative impact of the historically low short-term interest rate environment.

Nine Months Ended 2021 compared to Nine Months Ended 2020:

Average earning assets increased $349,885,000, or 21.7%, compared to the same period in the prior year. Average interest-bearing deposits in other financial institutions increased $340,058,000, or 171.8%, and average investment securities increased $81,726,000, or 21.9%, for the Nine Months Ended 2021 compared to the Nine Months Ended 2020. These variances were driven by the same factors as the Third Quarter.

Average accounts and drafts payable increased $177,406,000, or 22.9%, and average interest-bearing liabilities increased $118,350,000, or 25.4%, for the Nine Months Ended 2021 compared to the Nine Months Ended 2020.

Tax-equivalent net interest income decreased $767,000, or 2.2%, compared to the same period in the prior year. While average interest-earning assets were up 21.7%, the Company's net interest margin declined 56 basis points from 2.87% to 2.31%, reflecting the negative impact of the historically low short-term interest rate environment.

For more information on the changes in net interest income, please refer to the tables that follow.

Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rate and Interest Differential

The following tables show the condensed average balance sheets for each of the periods reported, the tax-equivalent interest income and expense for each category of interest-earning assets and interest-bearing liabilities, and the average yield on such categories of interest-earning assets and the average rates paid on such categories of interest-bearing liabilities for each of the periods reported.

(In thousands)	Third Quarter of 2021 Average Balance	Third Quarter of 2021 Interest Income/ Expense	Third Quarter of 2021 Yield/ Rate	Third Quarter of 2020 Average Balance	Third Quarter of 2020 Interest Income/ Expense	Third Quarter of 2020 Yield/ Rate
Assets[1]						
Interest-earning assets						
Loans[2]:						
Taxable	$ 873,070	$ 8,987	4.08 %	$ 949,836	$ 9,067	3.80 %
Investment securities[3]:						
Taxable	209,662	731	1.38	69,158	372	2.14
Tax-exempt[4]	308,071	2,228	2.87	284,826	2,219	3.10
Certificates of deposit	—	—	—	209	1	1.90
Interest-bearing deposits in other financial institutions	612,053	231	0.15	189,975	36	0.08
Federal funds sold and other short-term investments	33,440	10	0.12	240,676	50	0.08
Total interest-earning assets	2,036,296	12,187	2.37	1,734,680	11,745	2.69
Non-interest-earning assets						
Cash and due from banks	18,778			16,993		
Premises and equipment, net	17,718			19,507		
Bank-owned life insurance	28,134			17,875		
Goodwill and other intangibles	17,167			18,027		
Other assets	266,334			215,633		
Allowance for credit losses	(11,183)			(11,295)		
Total assets	$ 2,373,244			$ 2,011,420		
Liabilities and Shareholders' Equity[1]						
Interest-bearing liabilities						
Interest-bearing demand deposits	$ 531,541	$ 145	0.11 %	$ 425,192	$ 227	0.21 %
Savings deposits	17,767	2	0.04	14,675	3	0.08
Time deposits >= $100	19,403	49	1.00	26,335	104	1.57
Other time deposits	31,542	91	1.14	40,959	131	1.27
Total interest-bearing deposits	600,253	287	0.19	507,161	465	0.36
Short-term borrowings	10	—	—	11	—	—
Total interest-bearing liabilities	600,263	287	0.19	507,172	465	0.36
Non-interest bearing liabilities						
Demand deposits	453,116			371,862		
Accounts and drafts payable	1,010,641			816,032		
Other liabilities	54,703			67,829		
Total liabilities	2,118,723			1,762,895		
Shareholders' equity	254,521			248,525		
Total liabilities and shareholders' equity	$ 2,373,244			$ 2,011,420		
Net interest income		$ 11,900			$ 11,280	
Net interest margin			2.32 %			2.59 %
Interest spread			2.18			2.33

1. Balances shown are daily averages.
2. Interest income on loans includes net loan fees of $969,000 and $678,000 for the Third Quarter of 2021 and 2020, respectively. The increase in net loan fees is due to higher PPP fees.
3. For purposes of these computations, yields on investment securities are computed as interest income divided by the average amortized cost of the investments.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 21% for both 2021 and 2020. The tax-equivalent adjustment was approximately $468,000 and $466,000 for the Third Quarter of 2021 and 2020, respectively.

(In thousands)	Nine Months Ended 2021 Average Balance	Nine Months Ended 2021 Interest Income/ Expense	Nine Months Ended 2021 Yield/ Rate	Nine Months Ended 2020 Average Balance	Nine Months Ended 2020 Interest Income/ Expense	Nine Months Ended 2020 Yield/ Rate
Assets[1]						
Interest-earning assets						
Loans[2]:						
Taxable	$ 885,274	$ 26,270	3.97 %	$ 904,632	$ 27,366	4.04 %
Investment securities[3]:						
Taxable	149,953	1,387	1.24	82,271	1,400	2.27
Tax-exempt[4]	304,348	6,748	2.96	289,964	6,781	3.12
Certificates of deposit	—	—	—	340	6	2.36
Interest-bearing deposits in other financial institutions	537,987	473	.12	197,929	492	.33
Federal funds sold and other short-term investments	88,414	42	.06	140,955	638	.60
Total interest-earning assets	1,965,976	34,920	2.37	1,616,091	36,683	3.03
Non-interest-earning assets:						
Cash and due from banks	19,890			16,765		
Premises and equipment, net	17,877			19,955		
Bank-owned life insurance	21,286			17,761		
Goodwill and other intangibles	17,381			18,240		
Other assets	248,634			214,331		
Allowance for credit losses	(11,615)			(10,919)		
Total assets	$ 2,279,429			$ 1,892,224		
Liabilities and Shareholders' Equity[1]						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 510,886	$ 431	.11 %	$ 382,424	$ 1,062	.37 %
Savings deposits	19,098	7	.05	12,010	19	.21
Time deposits >= $100	22,231	200	1.20	28,134	383	1.82
Other time deposits	31,253	277	1.18	42,483	445	1.40
Total interest-bearing deposits	583,468	915	.21	465,051	1,909	.55
Short-term borrowings	10	—	—	77	2	3.47
Total interest-bearing liabilities	583,478	915	.21	465,128	1,911	.55
Non-interest bearing liabilities:						
Demand deposits	430,506			342,386		
Accounts and drafts payable	952,747			775,341		
Other liabilities	54,935			64,859		
Total liabilities	2,021,666			1,647,714		
Shareholders' equity	257,763			244,510		
Total liabilities and shareholders' equity	$ 2,279,429			$ 1,892,224		
Net interest income		$ 34,005			$ 34,772	
Net interest margin			2.31 %			2.87 %
Interest spread			2.17			2.48

1. Balances shown are daily averages.
2. Interest income on loans includes net loan fees of $2,738,000 and $1,399,000 for the Nine Months Ended 2021 and 2020, respectively. The increase in net loan fees is due to higher PPP fees.
3. For purposes of these computations, yields on investment securities are computed as interest income divided by the average amortized cost of the investments.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 21% for both 2021 and 2020. The tax-equivalent adjustment was approximately $1,417,000 and $1,424,000 for the Nine Months Ended 2021 and 2020, respectively.

Analysis of Net Interest Income Changes

The following tables present the changes in interest income and expense between periods due to changes in volume and interest rates. That portion of the change in interest attributable to the combined rate/volume variance has been allocated to rate and volume changes in proportion to the absolute dollar amounts of the change in each.

	Third Quarter of 2021 Compared to Third Quarter of 2020		
(In thousands)	**Volume**	**Rate**	**Total**
Increase (decrease) in interest income:			
Loans[1]:			
Taxable	$ (751)	$ 671	$ (80)
Investment securities:			
Taxable	530	(171)	359
Tax-exempt[2]	178	(169)	9
Certificates of deposit	(1)	—	(1)
Interest-bearing deposits in other financial institutions	135	60	195
Federal funds sold and other short-term investments	(56)	16	(40)
Total interest income	35	407	442
Interest expense on:			
Interest-bearing demand deposits	48	(130)	(82)
Savings deposits	1	(2)	(1)
Time deposits >=$100	(23)	(32)	(55)
Other time deposits	(28)	(12)	(40)
Total interest expense	(2)	(176)	(178)
Net interest income	$ 37	$ 583	$ 620

1. Interest income includes net loan fees.
2. Interest income is presented on a tax-equivalent basis assuming a tax rate of 21% for the Third Quarter of 2021 and 2020.

(In thousands)	Nine Months Ended 2021 Compared to Nine Months Ended 2020 Volume	Rate	Total
Increase (decrease) in interest income:			
Loans[1]:			
Taxable	$ (593)	$ (503)	$ (1,096)
Investment securities:			
Taxable	812	(825)	(13)
Tax-exempt[2]	325	(358)	(33)
Certificates of deposit	(6)	—	(6)
Interest-bearing deposits in other financial institutions	448	(467)	(19)
Federal funds sold and other short-term investments	(175)	(421)	(596)
Total interest income	811	(2,574)	(1,763)
Interest expense on:			
Interest-bearing demand deposits	275	(906)	(631)
Savings deposits	7	(19)	(12)
Time deposits >=$100	(70)	(113)	(183)
Other time deposits	(106)	(62)	(168)
Short-term borrowings	(1)	(1)	(2)
Total interest expense	105	(1,101)	(996)
Net interest income	$ 706	$ (1,473)	$ (767)

1. Interest income includes net loan fees.
2. Interest income is presented on a tax-equivalent basis assuming a tax rate of 21% for the Nine Months Ended 2021 and 2020.

Provision and Allowance for Credit Losses and Allowance for Unfunded Commitments

The Company recorded a provision for credit losses and off-balance sheet credit exposures of $340,000, and $0 in the Third Quarter of 2021 and 2020, respectively. The Company recorded a release of credit losses and off-balance sheet credit exposures of $870,000 in the Nine Months Ended 2021 and a provision for loan losses of $725,000 in the Nine Months Ended 2020. The amount of the provision for (release of) credit losses is derived from the Company's quarterly Current Expected Credit Loss ("CECL") model. The amount of the provision for (release of) credit losses will fluctuate as determined by these quarterly analyses. The provision for credit losses in the Third Quarter of 2021 was primarily due to loan growth and the related impact in the CECL model. The release of credit losses in the Nine Months Ended 2021 was primarily due to improved economic conditions and the removal of specific allowance for credit loss allocations on two impaired loans.

The Company had net loan recoveries of $11,000 in the Third Quarter of 2021 and $6,000 in the Third Quarter of 2020. The Company had net loan recoveries of $28,000 and $17,000 in the Nine Months Ended 2021 and the Nine Months Ended 2020, respectively.

The ACL was $11,532,000 at September 30, 2021 compared to $11,944,000 at December 31, 2020. The ACL represented 1.32% of outstanding loans at September 30, 2021 and 1.34% of outstanding loans at December 31, 2020. Excluding PPP loans, the ACL represented 1.35% of total loans at September 30, 2021 and 1.53% of total loans at December 31, 2020. The allowance for unfunded commitments was $137,000 at September 30, 2021 and $567,000 at December 31, 2020. There were no nonperforming loans outstanding at September 30, 2021 or December 31, 2020.

The ACL has been established and is maintained to estimate the lifetime expected credit losses in the loan portfolio. An ongoing assessment is performed to determine if the balance is adequate. Charges or credits are made to expense based on changes in the economic forecast, qualitative risk factors, loan volume, and individual loans. For loans that are individually evaluated, the Company uses two impairment measurement methods: 1) the present value of expected future cash flows and 2) collateral value.

The Company also utilizes ratio analyses to evaluate the overall reasonableness of the ACL compared to its peers and required levels of regulatory capital. Federal and state regulatory agencies review the Company's methodology for maintaining the ACL. These agencies may require the Company to adjust the ACL based on their judgments and interpretations about information available to them at the time of their examinations.

Summary of Credit Loss Experience

The following table presents information on the Company's provision for (release of) credit losses and analysis of the ACL:

	Third Quarter of		Nine Months Ended	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Allowance for credit/loan losses at beginning of period	$ 11,171	$ 11,292	$ 11,944	$ 10,556
Provision for (release of) credit/loan losses	350	—	(440)	725
Loans charged off	—	—	—	—
Recoveries on loans previously charged off	11	6	28	17
Net recoveries	11	6	28	17
Allowance for credit/loan losses at end of period	$ 11,532	$ 11,298	$ 11,532	$ 11,298
Allowance for unfunded commitments at beginning of Period	$ 147	$ —	$ 567	$ —
(Release of) provision for credit losses	(10)	—	(430)	—
Allowance for unfunded commitments at end of period	137	—	137	—
Loans outstanding:				
Average	$ 873,070	$ 949,836	$ 885,274	$ 904,632
September 30	872,905	944,557	872,905	944,557
Ratio of ACL to loans outstanding:				
Average	1.32 %	1.19 %	1.30 %	1.25 %
September 30	1.32 %	1.20 %	1.32 %	1.20 %

The Company had no property carried as other real estate owned as of September 30, 2021 and September 30, 2020.

Operating Expenses

Total operating expenses for the Third Quarter of 2021 were up 7.0%, or $2,010,000, compared to the Third Quarter of 2020 as personnel and outside service expenses increased as a result of the increase in payment processing volumes.

Total operating expenses for the Nine Months Ended 2021 were up $4,052,000, or 4.8%, compared to the Nine Months Ended 2020, also due to the increase in payment processing volumes.

Financial Condition

Total assets at September 30, 2021 were $2,292,986,000, an increase of $89,751,000, or 4.1%, from December 31, 2020. The Company increased the investment securities portfolio $183,353,000, or 51.3%, during the period in an effort to increase the yield on interest-earning assets. Payment in excess of funding increased $71,816,000, or 36.9%, due to an increase in transportation dollars processed. In addition, the Company purchased $24,868,000 of bank-owned life insurance policies during the Three Months Ended September 30, 2021. These increases were partially offset by a decrease in cash and cash equivalents of $170,219,000, or 25.4%, and a decrease in loans of $18,772,000. Changes in cash and cash equivalents reflect the Company’s daily liquidity position and are affected by the changes in the other asset balances and changes in deposit and accounts and drafts payable balances.

Total liabilities at September 30, 2021 were $2,045,343,000, an increase of $103,268,000, or 5.3%, from December 31, 2020. Total deposits at September 30, 2021 were $1,087,317,000, an increase of $36,461,000, or 3.5%, from December 31, 2020. Accounts and drafts payable at September 30, 2021 were $905,479,000, an increase of $70,093,000, or 8.4%, from December 31, 2020, reflecting an increase in both transportation and facility-related dollar volumes.

Total shareholders’ equity at September 30, 2021 was $247,643,000, a $13,517,000, or 5.2%, decrease from December 31, 2020. Total shareholders’ equity decreased primarily due to share repurchases of $18,975,000, dividends paid of $11,576,000, and an other comprehensive loss of $5,578,000, partially offset by net income of $20,902,000.

Accounts and drafts payable will fluctuate from period-end to period-end due to the payment processing cycle, which results in lower balances on days when payments clear and higher balances on days when payments are issued. For this reason, average balances are a more meaningful measure of accounts and drafts payable (for average balances refer to the tables under the "Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rate and Interest Differential" section of this report).

Liquidity and Capital Resources

The balance of liquid assets consists of cash and cash equivalents, which include cash and due from banks, interest-bearing deposits in other financial institutions, federal funds sold and money market funds, and was $500,309,000 at September 30, 2021, a decrease of $170,219,000, or 25.4%, from December 31, 2020. At September 30, 2021, these assets represented 21.8% of total assets. These funds are the Company's and its subsidiaries' primary source of liquidity to meet future expected and unexpected loan demand, depositor withdrawals or reductions in accounts and drafts payable.

Secondary sources of liquidity include the investment portfolio and borrowing lines. Total investment in securities was $541,079,000 at September 30, 2021, an increase of $183,353,000 from December 31, 2020. These assets represented 23.6% of total assets at September 30, 2021. Of this total, 66% were state and political subdivision securities. Of the total portfolio, 4.8% mature in one year, 20.3% mature in one to five years, and 74.9% mature in five or more years.

The Bank has unsecured lines of credit at correspondent banks to purchase federal funds up to a maximum of $83,000,000 at the following banks: US Bank, $20,000,000; UMB Bank, $20,000,000; Wells Fargo Bank, $15,000,000; PNC Bank, $12,000,000; Frost National Bank, $10,000,000; and JPM Chase Bank, $6,000,000. The Bank also has secured lines of credit with the Federal Home Loan Bank of $215,048,000 collateralized by commercial mortgage loans. The Company also has secured lines of credit with UMB Bank of $75,000,000 and First Horizon Bank of $75,000,000 collateralized by state and political subdivision securities. There were no amounts outstanding under any line of credit as of September 30, 2021 or December 31, 2020.

In addition to the lines of credit discussed above, as of April 21, 2020 the Bank was approved for the Federal Reserve's Paycheck Protection Program Lending Facility. The Bank can receive non-recourse loans with the previously mentioned PPP loans pledged as collateral. The Bank can borrow an amount up to 100% of the amount of the PPP loans, which was $16,307,000 as of September 30, 2021.

The deposits of the Company's banking subsidiary have historically been stable, consisting of a sizable volume of core deposits related to customers that utilize other commercial products of the Bank. The accounts and drafts payable generated by the Company has also historically been a stable source of funds. The Company is part of the Certificate of Deposit Account Registry Service ("CDARS") and Insured Cash Sweep ("ICS") deposit placement programs. Time deposits include $31,998,000 of CDARS deposits and interest-bearing demand deposits include $153,175,000 of ICS deposits. These programs offer the Bank's customers the ability to maximize Federal Deposit Insurance Corporation ("FDIC") insurance coverage. The Company uses these programs to retain or attract deposits from existing customers.

Net cash flows provided by operating activities were $30,680,000 for the Nine Months Ended 2021, compared to $40,061,000 for the Nine Months Ended 2020, a decrease of $34,249,000. Net cash flows from investing and financing activities fluctuate greatly as the Company actively manages its investment and loan portfolios and customer activity influences changes in deposit and accounts and drafts payable balances. Other causes for the changes in these account balances are discussed earlier in this report. Due to the daily fluctuations in these account balances, the analysis of changes in average balances, also discussed earlier in this report, can be more indicative of underlying activity than the period-end balances used in the statements of cash flows. Management anticipates that cash and cash equivalents, maturing investments and cash from operations will continue to be sufficient to fund the Company's operations and capital expenditures in 2021, which are estimated to range from $4 million to $6 million.

The Company faces market risk to the extent that its net interest income and fair market value of equity are affected by changes in market interest rates. For information regarding the market risk of the Company's financial instruments, see Item 3, "Quantitative and Qualitative Disclosures about Market Risk."

There are several trends and uncertainties that may impact the Company's ability to generate revenues and income at the levels that it has in the past. In addition, these trends and uncertainties may impact available liquidity. Those that could significantly impact the Company include the general levels of interest rates, business activity, and energy costs as well as new business opportunities available to the Company.

As a financial institution, a significant source of the Company's earnings is generated from net interest income. Therefore, the prevailing interest rate environment is important to the Company's performance. A major portion of the Company's funding sources are the non-interest bearing accounts and drafts payable generated from its payment and information processing services. Accordingly, higher levels of interest rates will generally allow the Company to earn more net interest income. Conversely, a lower interest rate environment will generally tend to depress net interest income. The Company actively manages its balance sheet in an effort to maximize net interest income as the interest rate environment changes. This balance sheet management impacts the mix of earning assets maintained by the Company at any point in time. For example, in a low interest rate environment, short-term relatively lower rate liquid investments may be reduced in favor of longer term relatively higher yielding investments and loans. If the primary source of liquidity is reduced in a low interest rate environment, a greater reliance would be placed on secondary sources of liquidity including borrowing lines, the ability of the Bank to generate deposits, and the investment portfolio to ensure overall liquidity remains at acceptable levels. For a discussion of trends and impacts relating to COVID-19, refer to Note 1 "Basis of Presentation."

The overall level of economic activity can have a significant impact on the Company's ability to generate revenues and income, as the volume and size of customer invoices processed may increase or decrease. Higher levels of economic activity increase both fee income (as more invoices are processed) and balances of accounts and drafts payable. For a discussion of trends and impacts relating to COVID-19, refer to Note 1 "Basis of Presentation." Lower levels of economic activity, such as those experienced by the Company as a result of COVID-19 and governmental actions related thereto, decrease both fee income and balances of accounts and drafts payable.

The relative level of energy costs can impact the Company's earnings and available liquidity. Lower levels of energy costs will tend to decrease transportation and energy invoice amounts resulting in a corresponding decrease in accounts and drafts payable. Decreases in accounts and drafts payable generate lower interest income. For a discussion of trends and impacts relating to COVID-19, refer to Note 1 "Basis of Presentation."

New business opportunities are an important component of the Company's strategy to grow earnings and improve performance. Generating new customers allows the Company to leverage existing systems and facilities and grow revenues faster than expenses.

The Basel III Capital Rules require FDIC insured depository institutions to meet and maintain several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio.

Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements. Also included in Tier 2 capital is the allowance for credit losses limited to a maximum of 1.25% of risk-weighted assets and, for non-advanced approaches institutions like Cass that have exercised a one-time opt-out election regarding the treatment of Accumulated Other Comprehensive Income, up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. The calculation of all types of regulatory capital is subject to deductions and adjustments specified in applicable regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans, and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

The Basel III Capital Rules require banking organizations, like Cass, to maintain:

- a minimum ratio of common equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer;
- a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer;
- a minimum ratio of total capital (that is, Tier 1 plus Tier 2 capital) to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer; and
- a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to adjusted average consolidated assets.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer will face limitations on the payment of dividends, common stock repurchases and discretionary cash payments to executive officers based on the amount of the shortfall.

The Company and the Bank continue to exceed all regulatory capital requirements, as evidenced by the following capital amounts and ratios:

	September 30, 2021		December 31, 2020	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)				
Cass Information Systems, Inc.	$ 247,480	17.04 %	$ 255,332	21.41 %
Cass Commercial Bank	184,869	21.45 %	171,298	21.46 %
Common equity tier I capital (to risk-weighted assets)				
Cass Information Systems, Inc.	$ 235,949	16.24 %	$ 243,388	20.41 %
Cass Commercial Bank	174,093	20.20 %	161,300	20.21 %
Tier I capital (to risk-weighted assets)				
Cass Information Systems, Inc.	$ 235,949	16.24 %	$ 243,388	20.41 %
Cass Commercial Bank	174,093	20.20 %	161,300	20.21 %
Tier I capital (to leverage assets)				
Cass Information Systems, Inc.	$ 235,949	10.01 %	$ 243,388	11.52 %
Cass Commercial Bank	174,093	12.32 %	161,300	14.48 %

Inflation

The Company's assets and liabilities are primarily monetary, consisting of cash, cash equivalents, securities, loans, payables and deposits. Monetary assets and liabilities are those that can be converted into a fixed number of dollars. The Company's consolidated balance sheet reflects a net positive monetary position (monetary assets exceed monetary liabilities). During periods of inflation, the holding of a net positive monetary position will result in an overall decline in the purchasing power of a company. Management believes that replacement costs of equipment, furniture, and leasehold improvements will not materially affect operations. The rate of inflation does affect certain expenses, such as those for employee compensation, which may not be readily recoverable in the price of the Company's services.

Impact of New and Not Yet Adopted Accounting Pronouncements

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"). The standard is effective for fiscal periods beginning after December 15, 2019. The CARES Act was signed into law on March 27, 2020 and included provisions that temporarily delayed the required implementation date of ASU 2016-13 to the earlier of the end of the national pandemic or December 31, 2020. The Consolidated Appropriations Act was signed into law on December 27, 2020 and extended the deferral of required implementation of ASU 2016-13 to the earlier of the first day of a company's fiscal year that begins after the date the COVID-19 national emergency comes to an end or January 1, 2022. The Company elected to defer the adoption of ASU 2016-13 until December 31, 2020 with an effective date of January 1, 2020.

The ASU required measurement and recognition of expected credit losses for financial instruments held, as applicable, which include allowances for credit losses expected over the life of the portfolio, rather than incurred losses, which include allowances for current probable and estimable losses within the portfolio. Under this standard, the Company is required to hold an allowance equal to the expected life-of-loan losses on the loan portfolio. It also applies to off-balance sheet credit exposures such as loan commitments, standby letters of credit and other similar instruments. In addition, ASU 2016-13 made changes to the accounting for available-for-sale debt securities.

The Company adopted ASU 2016-13 using a modified retrospective approach. Results for annual reporting periods beginning after January 1, 2020 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable GAAP. Results for quarterly reporting periods beginning after December 31, 2020 in the Company's Form 10-Q will be presented under ASU 2016-13 while prior quarterly period amounts continue to be reported in accordance with previously applicable GAAP. Upon adoption on January 1, 2020, the Company recognized increases of $723,000 in the allowance for credit losses and $402,000 in the reserve for unfunded commitments, with a corresponding reduction to retained earnings, net of tax, of $856,000. No credit loss allowance was required upon adoption for the investment securities portfolio.

The following table illustrates the impact of the adoption of ASU 2016-13:

(In thousands)	December 31, 2019	Impact of ASU 2016-13 Adoption	As Reported Under ASU 2016-13
Assets:			
Allowance for credit/loan losses on loans	$ 10,556	$ 723	$ 11,279
Deferred tax asset	2,298	269	2,567
Liabilities:			
Reserve for unfunded commitments	—	402	402
Shareholders' equity:			
Retained earnings	90,341	(856)	89,485

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, the Company manages its interest rate risk through measurement techniques that include gap analysis and a simulation model. As part of the risk management process, asset/liability management policies are established and monitored by management. The economic impact of the COVID-19 pandemic has introduced significant uncertainty and market volatility, which may result in the deterioration of the Company's risk position since December 31, 2020.

	% change in projected net interest income	
	September 30, 2021	December 31, 2020
+200 basis points	21.7 %	33.0 %
+100 basis points	10.9 %	16.3 %
Flat rates	— %	— %
-100 basis points	(2.6)%	(2.5)%

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the supervision and with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report and concluded that, as of such date, these controls and procedures were effective.

There were no changes in the Third Quarter of 2021 in the Company's internal control over financial reporting identified by the Company's principal executive officer and principal financial officer in connection with their evaluation that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is the subject of various pending or threatened legal actions and proceedings, including those that arise in the ordinary course of business. Management believes the outcome of all such proceedings will not have a material effect on the businesses or financial conditions of the Company or its subsidiaries.

ITEM 1A. RISK FACTORS

The Company has included in Part I, Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2020, a description of certain risks and uncertainties that could affect the Company's business, future performance or financial condition (the "Risk Factors"). There are no material changes to the Risk Factors as disclosed in the Company's 2020 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended September 30, 2021, the Company repurchased a total of 314,672 shares of its common stock pursuant to its treasury stock buyback program, as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2021 – July 31, 2021	42,938	$ 41.10	42,938	302,674
August 1, 2021– August 31, 2021	170,700	43.85	170,700	131,974
September 1, 2021 – September 30, 2021	101,034	44.21	101,034	30,940
Total	314,672	$ 43.59	314,672	30,940

(1) All repurchases made during the quarter ended September 30, 2021 were made pursuant to the treasury stock buyback program, which was authorized by the Board of Directors on October 17, 2011 and announced by the Company on October 20, 2011. The program, which has no expiration date, is periodically modified by the Board of Directors and was most recently modified on October 19, 2021 to authorize 750,000 shares for repurchase under the terms of the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors implemented in the Third Quarter of 2021.

ITEM 6. EXHIBITS

Exhibit 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 101.INS XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document.

Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.

Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.

Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.

Exhibit 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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.

CASS INFORMATION SYSTEMS, INC.

DATE: November 5, 2021	By	/s/ Eric H. Brunngraber
		Eric H. Brunngraber Chairman, President, and Chief Executive Officer (Principal Executive Officer)
DATE: November 5, 2021	By	/s/ Michael J. Normile
		Michael J. Normile Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Eric H. Brunngraber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cass Information Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Eric H. Brunngraber

Eric H. Brunngraber
Chairman, President, and Chief
Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael J. Normile, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cass Information Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Michael J. Normile

Michael J. Normile
Executive Vice President and Chief
Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Cass Information Systems, Inc. (“the Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric H. Brunngraber, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric H. Brunngraber

Eric H. Brunngraber
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)
November 5, 2021

A signed original of this written statement required by Section 906 has been provided to Cass Information Systems, Inc. and will be retained by Cass Information Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of Cass Information Systems, Inc. (“the Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Normile, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Normile

Michael J. Normile
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
November 5, 2021

A signed original of this written statement required by Section 906 has been provided to Cass Information Systems, Inc. and will be retained by Cass Information Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.