2023 Annual Report
and Form 10-K

Dear Fellow Shareholders,

For the year ended December 31, 2023, we earned net income of $30.1 million and diluted earnings per share of $2.18. These results were down 13.9% and 13.8%, respectively, as compared to 2022. Key items of note when considering our financial results in 2023 are as follows:

We entered a Freight Recession

Transportation dollar volumes declined 14.4% in 2023 reflective of a decline in the average cost of a transportation invoice of 12.4%, from $1,216 in 2022 to $1,065 in 2023. Lower dollar volumes negatively impact the overall level of our payment float and our ability to generate financial fees on the payments to freight carriers, as financial fees are in large part tied to dollar volumes.

The Banking Industry went through a Liquidity Crisis

Following the high-profile bank failures early in the year, we incurred a decrease of average deposits of $107.5 million, or 9.0%. While we did not lose any clients, we did experience deposit outflows as some of our larger corporate clients searched for higher interest rates.

We Continue Strategic Investments in Technology

Expenses increased 14.7%. As mentioned in last year's letter, improving our operational efficiency remains a key focus. We made great strides in various technology initiatives, including optical character recognition, artificial intelligence, machine learning and other processes to digitize documents and produce data. While these investments continue to increase our operating expenses in the short term, we anticipate they will result in improved operating leverage beginning in second quarter of 2024. This timing is tied to our ability to onboard newly acquired clients without adding incremental expense.

Higher Interest Rates Helped Grow Net Interest Income

Cass is significantly asset sensitive primarily due to our high level of noninterest bearing funding. Our net interest margin improved to 3.25% in 2023 from 2.74% in 2022. The longer interest rates stay at current levels, the more our asset portfolio will reprice, continuing this trend.

We are Growing our Facility Clients and Revenue

We experienced a 6.7% increase in facility transaction volumes fueled by new client growth. Additionally, our first two Waste Brokerage clients were onboarded in the fourth quarter and should provide a lift to revenue. As discussed below, this momentum will carryforward into 2024.

Despite the challenges caused by the disruption in the banking system in the Spring and the ongoing freight recession, we were able to generate record revenue of $197.5 million, provide a return on average equity of 14.24% and have our second-best year ever in terms of diluted EPS. In addition, we maintained exceptional credit quality with no non-performing loans or charge-offs.

Looking Forward

We have seen tremendous interest in our Waste Invoice Management Solution which makes it easy to process and manage unstructured documents, normalize data, and allow clients access to dynamic reporting. Clients can increase operational efficiencies, reduce labor costs and aggregate key data for ESG, spending and audit purposes by using these services. We expect to see sales efforts in this product show up more meaningfully in 2024 revenue.

We had phenomenal sales activity of our Utility Bill Management solutions as well, which provides clients with the visibility, data, and understanding needed to control risk and manage utility costs effectively. These new clients are being onboarded and are expected to contribute to both revenue and payment float in the second quarter of 2024.

Headwinds remain as we enter 2024. The loss of deposits as a result of the disruption in the banking industry, combined with the impact of the freight recession, had the impact of reducing our average interest-earning assets by $157.1 million, or 7.0% comparing the fourth quarter of 2023 to the fourth quarter of 2022. Freight rates remain at low levels, without any obvious signs of increasing in the short term, pressuring our level of payment float and our ability to earn interest on those funds. At a time of higher interest rates and improving net interest margin, the smaller balance sheet directly decreases income.

We also enter into an unknown interest rate environment in 2024. A reduction in the Federal Funds rate and/or longer-term interest rates, could pressure net interest income and profitability levels in the short term.

As we look forward, we will continue to execute on our corporate strategy. Our recent technology investments have allowed us to onboard clients faster and allow for Facility client growth. While we are behind our original timeline in Transportation to gain efficiencies, we continue progressing and have improved the client experience and functionality. We continue to see excellent growth potential in our existing markets, as we continue to add new clients and develop new and innovative products and services to support the markets in which we compete. We also continue to explore new opportunities, both commercially and geographically, where we believe our clients, as well as potential prospects, can benefit from our involvement.

As always, I am excited to direct you to the Investor section of our website. Here you will find our SEC filings, an investor presentation containing highlights of our recent accomplishments, along with our ESG report.

On behalf of the Board of Directors and our leadership team, I am thankful for your support and belief in the future success of Cass. I am proud and thankful to work with the outstanding and dedicated Cass team, as well as participating in the success of our growing roster of clients.

Sincerely,

Martin H. Resch
President and Chief Executive Officer

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission file number 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		(314) 506-5500
(Address of principal executive offices)	(Zip Code)	(Telephone Number, incl. area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.50 per share	CASS	The Nasdaq Global Select Market

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

Title of each Class
None

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

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

Indicate by check mark 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer: ☐ Accelerated filer: ☒ Non-accelerated filer: ☐ Smaller reporting company: ☐ Emerging growth company: ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $515.5 million based on the closing price of the common stock of $38.78 on June 30, 2023, as reported by The Nasdaq Global Select Market. As of February 15, 2024, the Registrant had 13,649,223 shares outstanding of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this report is incorporated by reference to the Registrant's Proxy Statement for the 2024 Annual Meeting of Shareholders.

Auditor Name: KPMG LLP Auditor Location: St. Louis, MO Auditor Firm ID: 185

CASS INFORMATION SYSTEMS, INC.
FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

PART I.		
Item 1.	BUSINESS	1
Item 1A.	RISK FACTORS	11
Item 1B.	UNRESOLVED STAFF COMMENTS	19
Item 1C.	CYBERSECURITY	19
Item 2.	PROPERTIES	21
Item 3.	LEGAL PROCEEDINGS	21
Item 4.	MINE SAFETY DISCLOSURES	21
PART II.		
Item 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	22
Item 6.	RESERVED	23
Item 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
Item 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	39
Item 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	41
Item 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	80
Item 9A.	CONTROLS AND PROCEDURES	80
Item 9B.	OTHER INFORMATION	82
Item 9C.	DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	82
PART III.		
Item 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	83
Item 11.	EXECUTIVE COMPENSATION	83
Item 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	83
Item 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	84
Item 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	84
PART IV.		
Item 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	85
Item 16.	FORM 10-K SUMMARY	87
	SIGNATURES	88

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 the section Part I, Item 1A, "Risk Factors." 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.

[This page intentionally left blank.]

PART I.

ITEM 1. BUSINESS

Description of Business

Cass Information Systems, Inc. ("Cass" or the "Company") provides payment and information processing services to large manufacturing, distribution and retail enterprises across the United States. The Company's services include freight invoice rating, payment processing, auditing, and the generation of accounting and transportation information. Cass also processes and pays facility-related 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 integrated payments, a B2B payment platform for clients that require an agile fintech partner. Additionally, the Company offers a church management software solution and an on-line platform to provide generosity services for faith-based and non-profit organizations. The Company's bank subsidiary, Cass Commercial Bank (the "Bank"), supports the Company's payment operations. The Bank also provides banking services to its target markets, which include privately held businesses in the St. Louis metropolitan area and restaurant franchises and faith-based ministries within the United States.

Company Strategy and Core Competencies

Cass is an information services company with a primary focus on processing payables and payables-related transactions for large corporations located in the United States. Cass possesses four core competencies that encompass most of its processing services.

Data acquisition – This refers to the gathering of data elements from diverse, heterogeneous sources and the building of complete databases for our customers. Data is the raw material of the information economy. Cass gathers vital data from complex and diverse input documents, electronic media, proprietary databases and data feeds, including data acquired from vendor invoices as well as customer procurement and sales systems. Through its numerous methods of obtaining streams and pieces of raw data, Cass is able to assemble vital data into centralized data management systems and warehouses, thus producing an engine to create the power of information for managing critical corporate functions and processing systems.

Data management – Once data is assembled, Cass is able to utilize the power from derived information to produce significant savings and benefits for its clients. This information is integrated into customers' unique financial and accounting systems, eliminating the need for internal accounting processing and providing internal and external support for these critical systems. Information is also used to produce management and exception reporting for operational control, feedback, planning assistance and performance measurement.

Business Intelligence – Receiving information in the right place at the right time and in the required format is paramount for business survival. Cass' information delivery solutions provide reports, digital images, data files and retrieval capabilities through the internet or directly into customer internal systems. Cass' proprietary internet management delivery system is the foundation for driving these critical functions. Transaction, operational, control, status and processing exception information are all delivered through this system creating an efficient, accessible and highly reliable asset for Cass customers.

Financial exchange – Since Cass is unique among its competition in that it owns a commercial bank, it is also able to manage the movement of funds from its customers to their suppliers. This is a distinguishing factor, which clearly requires the processing capability, operating systems and financial integrity of a banking organization. Cass provides immediate, accurate, controlled and protected funds management and transfer system capabilities for all of its customers. Old and costly check processing and delivery mechanisms are replaced with more efficient electronic cash management and funds transfer systems.

Cass' core competencies allow it to perform the highest volumes of transaction processing in an integrated, efficient and systematic approach. Not only is Cass able to process the transaction, it is also able to collect the data defining the transaction and effect the financial payment governing its terms.

These core competencies, enhanced through shared business processes, drive Cass' strategic business units. Building upon these foundations, Cass continues to explore new business opportunities that leverage these competencies and processes.

Marketing, Customers and Competition

The Company, through its Transportation Information Services business unit, is one of the largest firms in the transportation bill processing and payment industry in the United States based on the total dollars of transportation bills paid and items processed. Competition consists of a few primary competitors and numerous small transportation bill audit firms located throughout the United States. While offering transportation payment services, few of these audit firms compete on a national basis. These competitors compete mainly on price, functionality and service levels. The Company, through its Utility Expense Management business unit, also competes with other companies located throughout the United States that pay utility bills and provide management reporting. Available data indicates that the Company is one of the largest providers of utility information processing and payment services. Cass is unique among these competitors in that it is not exclusively affiliated with any one energy service provider ("ESP"). Various ESPs market the Company's services, adding value with their unique auditing, consulting and technological capabilities. Many of Cass' services are customized for the ESPs, providing a full-featured solution without any development costs to the ESP. The Company, through its Telecom Information Services business unit, is a leader in the growing telecom expense management market and competes with other companies located throughout the United States in this market. The Company, through its Waste Expense Management business, is one of the largest providers of waste invoice management solutions and competes against small expense management companies along with large national account programs of major haulers. The Company's TouchPoint division offers a church management software solution and an on-line platform to provide generosity services for faith-based and non-profit organizations, which is a complementary service offering to the Bank's faith-based customers. Also, the Company, through its CassPay operation, competes with providers of corporate payment solutions.

The Bank is organized as a Missouri trust company with banking powers and was founded in 1906. The Company was originally classified as a bank holding corporation due to its ownership of a federally-insured commercial bank and was originally organized in 1982 as Cass Commercial Corporation under the laws of Missouri. Approval by the Board of Governors of the Federal Reserve System was received in February 1983. The Company changed its name to Cass Information Systems, Inc. in January 2001. In December 2011, the Federal Reserve Bank ("FRB") of St. Louis approved the election of Cass Information Systems, Inc. to become a financial holding company. As a financial holding company, Cass may engage in activities that are financial in nature or incidental to a financial activity. The Bank encounters competition from numerous banks and financial institutions located throughout the St. Louis, Missouri metropolitan area and other areas in which the Bank competes. The Bank's principal competitors, however, are large bank holding companies that are able to offer a wide range of banking and related services through extensive branch networks. The Bank targets its services to privately held businesses, restaurant franchises, and faith-based ministries located in St. Louis, Missouri and other selected cities located throughout the United States.

The Company holds several trademarks for the payment and rating services it provides. These include: FreightPay®, Transdata®, Ratemaker®, Best Rate®, Rate Exchange®, CassPort®, Cass Freight Index®, Cass Truckload Linehaul Index®, Cass Intermodal Price Index® Expense$mart®, ExpenseSmart®, TouchPoint®, Gyve®, Generosity Made Simple®, WasteVision™ and Direct2Carrier Payments™. The Company holds patents for methods and systems for managing employee-liable expenses and methods and systems for communicating expense management information.

The Company and its subsidiaries have a varied client base and are not dependent on any one customer or group of customers for a significant portion of its business.

Employees and Human Capital Resources

The Company and its subsidiaries had 1,061 full-time and 255 part-time employees as of February 15, 2024. Of these employees, the Bank had 66 full-time and no part-time employees.

Cass has long been committed to comprehensive and competitive compensation and benefits programs to attract and retain talent in a competitive environment. Retention of skilled and highly trained employees is critical as the Company's future operating results depend substantially upon the continued service of executive officers and key personnel. Furthering the philosophy to attract and retain a pool of talented and motivated employees who will continue to advance the Company's purpose and contribute to overall success, compensation and benefits programs include: a noncontributory profit sharing program for most employees; a defined contribution 401(k) plan to provide retirement benefits to eligible employees; a performance-based equity compensation program for executive officers and key personnel; and incentive programs for loan and sales personnel. Cass also provides comprehensive health, dental, and vision plans to most employees, as well as free employee assistance programs to all employees and members of their families.

The Company invests in its employees' futures by assisting with tuition reimbursement for continued education. Employees are also able to participate in educational seminars run by outside parties to maintain and expand professional knowledge.

In order to develop a workforce that aligns with the Company's corporate values, regularly sponsored campaigns and events occur, such as charitable workplace campaigns, food drives to assist local food banks, and toy drives to support charities during the holidays. The Company offers paid time off for charitable endeavors. Additionally, the Company supports a number of organizations with annual financial contributions.

The Company recognizes the benefits of building a corporate culture that promotes diversity, equity and inclusion ("DEI") to foster unique ideas and ways of thinking. In pursuit of the Company's overall DEI mission, Cass focuses on: a) cultivating an environment that encourages collaboration, flexibility and fairness to enable all employees to contribute to their full potential; b) promoting diversity in our talent management and succession planning processes and employee development programs; and c) ensuring leadership commitment in facilitating the Company's DEI efforts.

The Company's DEI Committee was formed after a thorough process of determining a charter and actively looks to expand the Company's DEI vision. The committee members are passionate about DEI efforts and represent the Company's various business divisions and corporate departments. The Company continues to promote DEI within its culture and make improvements to human resources programs to support related initiatives. As of December 31, 2023, 69% of the Company's U.S. employees were female, and 23% were ethnically diverse. Within the management group, 52% were female, and 13% were ethnically diverse. The Company continues to support and provide diversity training to all employees. The Company also continues its commitment to providing a workplace that is free of harassment and discrimination by taking proactive measures and providing all employees with non-discrimination and sexual harassment prevention training on an annual basis. The DEI initiatives are supported and promoted to provide all employees a place where they feel welcomed, appreciated and valued.

Equal opportunities, anti-harassment, non-discrimination, the health and safety of employees and work-life balance are actively promoted as more fully described in the Company's Environmental, Social, and Governance ("ESG") report.

Supervision and Regulation

The Company and its bank subsidiary are extensively regulated under federal and state law. These laws and regulations are intended to primarily protect depositors, not shareholders. The Bank is subject to regulation and supervision by the Missouri Division of Finance, the FRB and the Federal Deposit Insurance Corporation (the "FDIC"). The Company is a financial holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "BHC Act"), and as such, it is subject to regulation, supervision and examination by the FRB. Significant elements of the laws and regulations applicable to the Company and the Bank are described below. The description is qualified in its entirety by reference to the full text of the statutes, regulations and policies that are described. Also, such statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to the Company and its subsidiaries could have a material effect on the business, financial condition and results of operations of the Company.

Bank Holding Company Activities – In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other related activities. In addition, bank holding companies that qualify and elect to be financial holding companies, such as the Company, may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. Such permitted activities include securities underwriting and dealing, insurance underwriting and making merchant banking investments.

To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be "well capitalized" and "well managed." A depository institution subsidiary is considered to be "well capitalized" if it satisfies the requirements for this status discussed in the section "Prompt Corrective Action" below. A depository institution subsidiary is considered "well managed" if it received a composite rating and management rating of at least "satisfactory" in its most recent examination. A financial holding company's status will also depend upon it maintaining its status as "well capitalized" and "well managed' under applicable FRB regulations. If a financial holding company ceases to meet these capital and management requirements, the FRB may impose limitations or conditions on the conduct of its activities during the non-compliance period, and the company may not commence any of the broader financial activities

permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the FRB. If the company does not return to compliance within 180 days, the FRB may require divestiture of the holding company's depository institutions.

In order for a financial holding company to commence any new activity permitted by the BHC Act or to acquire a company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the Community Reinvestment Act. See "Community Reinvestment Act" below.

The FRB has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the FRB has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

The BHC Act, the Bank Merger Act, and other federal and state statutes regulate acquisitions of banks and banking companies. The BHC Act requires the prior approval of the FRB for the direct or indirect acquisition by the Company of more than 5% of the voting shares or substantially all of the assets of a bank or bank holding company. Under the Bank Merger Act, the prior approval of the FRB or other appropriate bank regulatory authority is required for the Bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing acquisition applications, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the Community Reinvestment Act and its compliance with fair housing laws.

The Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted in July 2010, significantly restructured the financial regulatory environment in the United States, affecting all bank holding companies and banks, including the Company and the Bank, some of which are described in more detail below. The impact of the Dodd-Frank Act on the Company and the Bank has been substantial.

Enhanced Prudential Standards – The FRB is required to monitor emerging risks to financial stability and enact enhanced supervision and prudential standards applicable to large bank holding companies and certain non-bank covered companies designated as systemically important by the Financial Stability Oversight Council. The Dodd-Frank Act mandates that certain regulatory requirements applicable to these systemically important financial institutions be more stringent than those applicable to other financial institutions. In 2019, the FRB adopted new rules impacting certain capital and liquidity requirements and other enhanced prudential standards. The final rules assign all domestic bank holding companies with $100 billion or more in total consolidated assets to one of four categories of tailored regulatory requirements. The Company and the Bank are generally not impacted by these rules. The enhanced prudential standards rules, as amended in 2019, require publicly traded bank holding companies with $50 billion or more in total consolidated assets to establish risk committees. Prior to the amendment, the requirement to establish a risk committee was applicable to publicly traded companies with $10 billion or more in consolidated assets.

Dividends and Stock Repurchases – Both the Company and the Bank are subject to various regulations that restrict their ability to pay dividends and the amount of dividends that they may pay. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a depository institution, such as the Bank, may not pay dividends if payment would cause it to become undercapitalized or if it is already undercapitalized. The payment of dividends by the Company and the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital and, under certain circumstances, the ability of federal regulators to prohibit dividend payments as an unsound or unsafe practice.

From time to time, the Company's Board of Directors has authorized stock repurchase plans. Bank holding companies must consult with the Federal Reserve before redeeming any equity or other capital instrument included in tier 1 or tier 2 capital prior to stated maturity, if such redemption could have a material effect on the level or composition of the organization's capital base. In addition, a bank holding company is unable to repurchase shares equal to 10% or more of its net worth if it would not be well-capitalized (as defined by the Federal Reserve) after giving effect to such repurchase. Bank holding companies experiencing financial weaknesses, or that are at significant risk of developing financial weaknesses, must consult with the Federal Reserve before redeeming or repurchasing common stock or other regulatory capital instruments.

In August 2022, the Inflation Reduction Act of 2022 (the "Inflation Reduction Act") was enacted. Among other things, the Inflation Reduction Act imposes a new 1% excise tax on the fair market value of stock repurchased after December 31,

2022 by publicly traded U.S. corporations. With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements.

Capital Requirements – As a bank holding company, the Company and the Bank are subject to capital requirements pursuant to the FRB's capital guidelines which include (i) risk-based capital guidelines, which are designed to make capital requirements more sensitive to various risk profiles and account for off-balance sheet exposure; (ii) guidelines that consider market risk, which is the risk of loss due to change in value of assets and liabilities due to changes in interest rates; and (iii) guidelines that use a leverage ratio which places a constraint on the maximum degree of risk to which a financial holding company may leverage its equity capital base.

The Basel III Capital Rules require the Company and the Bank to maintain the following:

- 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 (resulting in a minimum common equity Tier 1 capital ratio of 7.0%);
- a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%);
- 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 (resulting in a minimum total capital ratio of 10.5%); 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.

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 ("AOCI"), 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 the regulations. For instance, the Basel III Capital Rules and the capital simplification rules enacted in 2019 provide for a number of deductions from and adjustments to common equity Tier 1 capital. These include, for example, the requirement that certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from Tier 1 capital to the extent that any one such category exceeds 25% of common equity Tier 1 capital.

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 FRB has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is or may become inadequate in light of the particular risks or circumstances. As of December 31, 2023, the Company and the Bank met all capital adequacy requirements under the Basel III Capital Rules.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (commonly referred to as "Basel IV"). Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and

provides a new standardized approach for operational risk capital. Under the Basel framework, these standards went into effect on January 1, 2023, with an aggregate output floor phasing in through January 1, 2027. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company or the Bank. The impact of Basel IV on the Company will depend on the manner in which it is implemented by the federal bank regulators.

Source of Strength Doctrine – FRB and other regulations require bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this requirement, the Company is expected to commit resources to support the Bank. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to depositors and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Deposit Insurance – Substantially all of the deposits of the Bank are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC, and the Bank is subject to deposit insurance assessments to maintain the DIF. Deposit insurance assessments are based on average consolidated total assets minus average tangible equity. Under the FDIC's risk-based assessment system, insured institutions with less than $10 billion in assets, such as the Bank, are assigned to one of four risk categories based on supervisory evaluations, regulatory capital level, and certain other factors, with less risky institutions paying lower assessments. An institution's assessment rate depends upon the category to which it is assigned and certain other factors.

In October 2022, the FDIC adopted a final rule to increase the initial base deposit insurance assessment rate schedules uniformly by 2 basis points beginning with the first quarterly assessment period of 2023. The increased assessment is expected to improve the likelihood that the DIF reserve ratio would reach the statutory minimum of 1.35% by the statutory deadline prescribed under the FDIC's amended restoration plan.

In November 2023, the FDIC issued a final rule to implement a special assessment to recover losses to the DIF incurred as a result of bank failures in early 2023 and the FDIC's use of the systemic risk exception to cover certain deposits that were otherwise uninsured. The special assessment was based on estimated uninsured deposits as of December 31, 2022 (excluding the first $5.0 billion) and will be assessed at a quarterly rate of 3.36 basis points, over eight quarterly assessment periods, beginning in the first quarter of 2024. As a result of this final rule, the Company did not accrue expense related to this assessment based on the amount of uninsured deposits at December 31, 2022 of less than $5.0 billion. Under the final rule, the estimated loss pursuant to the systemic risk determination will be periodically adjusted, and the FDIC has retained the ability to cease collection early, extend the special assessment collection period, and impose a final shortfall special assessment on a one-time basis. The extent to which any such additional future assessments will impact the Company's future deposit insurance expense is currently uncertain.

FDIC insurance expense totaled $603,000, $415,700 and $300,200 for the years ended December 31, 2023, 2022 and 2021, respectively.

The FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Prompt Corrective Action – The Basel III Capital Rules incorporate new requirements into the prompt correction action framework, described above. The Federal Deposit Insurance Act ("FDIA") requires that federal banking agencies take "prompt corrective action" against depository institutions that do not meet minimum capital requirements and includes the following five capital tiers: "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation.

A depository institution is deemed to be (i) "well-capitalized" if the institution has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a leverage ratio of 5% or greater, a common equity Tier 1 ratio of 6.5% or greater and is not subject to any regulatory order agreement or written directive to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 6% or greater, a leverage ratio of 4% or greater, a common equity Tier 1 ratio of 4.5% or greater and does not meet the definition of "well capitalized"; (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8%, a Tier 1 risk-based capital ratio of less than 6%, a leverage ratio of less

than 4% or a common equity Tier 1 ratio of less than 4.5%; (iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 4%, a leverage ratio of less than 3% or a common equity Tier 1 ratio of less than 3%; and (v) "critically undercapitalized" if the institution has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%. An institution may be deemed to be in a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects for other purposes.

Subject to a narrow exception, a receiver or conservator is required to be appointed for an institution that is "critically undercapitalized" within specified time frames. The regulations also provide that a capital restoration plan must be filed with the FRB within 45 days of the date an institution is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company up to the lesser of 5% of the institution's total assets when it was deemed to be undercapitalized or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The FRB could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

As of December 31, 2023, the most recent notification from the regulatory agencies categorized the Company and the Bank as well-capitalized. For further information regarding the capital ratios and leverage ratio of the Company and the Bank, see Item 8, Note 2 of this report.

Safety and Soundness Regulations – In accordance with the FDIA, the federal banking agencies adopted guidelines establishing general standards relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, compensation, fees and benefits. In general, the guidelines require that institutions maintain appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, regulations adopted by the federal banking agencies authorize the agencies to require that an institution that has been given notice that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If the institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the agency must issue an order directing corrective actions and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of FDIA. If the institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Loans-to-One-Borrower – The Bank generally may not make loans or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, up to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of December 31, 2023, the Bank was in compliance with the loans-to-one-borrower limitations.

Depositor Preference – The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including depositors whose deposits are payable only outside of the United States and the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Community Reinvestment Act – The Community Reinvestment Act of 1977 ("CRA") requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings that must be publicly disclosed. In order for a financial holding

company to commence any new activity permitted by the BHC Act, or to acquire any company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the CRA. The Bank received a rating of "satisfactory" in its most recent CRA exam.

In October 2023, the OCC, together with the Federal Reserve and FDIC, issued a joint final rule to modernize the CRA regulatory framework. The final rule is intended, among other things, to adapt to changes in the banking industry, including the expanded role of mobile and online banking, and to tailor performance standards to account for differences in bank size and business models. The final rule introduces new tests under which the performance of banks with over $2 billion in assets will be assessed. The new rule also includes data collection and reporting requirements, some of which are applicable only to banks larger than the Bank and updates the definitions of community development and process by which banks can seek approval of qualifying projects. Most provisions of the final rule will become effective on January 1, 2026, and the data reporting requirements will become effective on January 1, 2027.

Financial Privacy – Banks and other financial institutions are subject to regulations that limit their ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

The Bank is also subject to regulatory guidelines establishing standards for safeguarding customer information and maintaining information security programs. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

Transactions with Affiliates – Transactions between the Bank and its affiliates are subject to regulations that limit the types and amounts of covered transactions engaged in by the Bank and generally require those transactions to be on an arm's-length basis. The term "affiliate" is defined to mean any company that controls or is under common control with the Bank and includes the Company and its non-bank subsidiaries. "Covered transactions" include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, certain purchases of assets from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In general, these regulations require that any such transaction by the Bank (or its subsidiaries) with an affiliate must be secured by designated amounts of specified collateral and must be limited to certain thresholds on an individual and aggregate basis.

Federal law also limits the Bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital.

Cybersecurity – Federal regulators regularly issue new and updated guidance and standards regarding cybersecurity intended to enhance cyber risk management among financial institutions and public companies generally. Financial institutions are expected to comply with such guidance and standards and develop appropriate risk management processes and security controls. If the Company fails to observe the regulatory guidance, it could be subject to various regulatory sanctions, including financial penalties.

Recently, the federal banking agencies adopted a final rule requiring banking organizations to notify their primary banking regulator within 36 hours of determining that a "computer-security incident" has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking organization's ability to carry out banking operations or deliver banking products and services to a material portion of its customer base, its businesses and operations that would result in material loss, or its operations that would impact the stability of the United States. Banking organizations are also required to notify each affected customer as soon as possible in the event of an incident that results in actual or potential harm to the integrity or availability of information and systems or that violates or threatens to violate the organization's security for four or more hours.

Risks and exposures related to cybersecurity attacks, including litigation and enforcement risks, are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking and other technology-based products and services by the Company and its customers. See Item 1A, "Risk Factors" for a further discussion of risks related to cybersecurity.

Anti-Money Laundering Regulation and the USA PATRIOT Act - A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The Bank Secrecy Act ("BSA"), the USA PATRIOT Act of 2021 (the "USA PATRIOT Act") and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective Anti-Money Laundering ("AML") program and to file timely reports such as suspicious activity reports and currency transaction reports that assist government agencies in detecting and preventing money laundering. The USA PATRIOT Act prohibits financial institutions from entering into specified financial transactions and account relationships and requires that the institutions implement customer identification programs, and enhance due diligence procedures for certain high-risk customers. Regulatory authorities routinely examine financial institutions for compliance with these obligations. The federal banking agencies and the Financial Crimes Enforcement Network ("FinCEN") are authorized to impose significant civil money penalties for violations of those requirements and have recently engaged in coordinated enforcement efforts against banks and other financial services providers with the Department of Justice, Drug Enforcement Administration and Internal Revenue Service. The Company is also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control.

The Anti-Money Laundering Act of 2020 ("AMLA") amended the BSA and was intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the U.S. Department of the Treasury to promulgate priorities for anti-money laundering and countering the financing of terrorism policy; requires the development of standards for testing technology and internal processes for BSA compliance; expands enforcement- and investigation-related authority, including increasing available sanctions for certain BSA violations; and expands BSA whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance.

In 2021, Congress passed the Corporate Transparency Act as part of the National Defense Authorization Act, which enacted the most significant overhaul of the BSA and related AML laws since the USA PATRIOT Act. Notable amendments include (i) significant changes to the collection of beneficial ownership information and the establishment of a beneficial ownership registry, which requires corporate entities (generally, any corporation, limited liability company or other similar entity with 20 or fewer employees and annual gross income of $5 million or less) to report beneficial ownership information to FinCEN (which information will be maintained by FinCEN and made available upon request to financial institutions); (ii) enhanced whistleblower provisions, which provide that one or more whistleblowers who voluntarily provide original information leading to the successful enforcement of violations of the AML laws in any judicial or administrative action brought by the Secretary of the Treasury or the Attorney General resulting in monetary sanctions exceeding $1 million (including disgorgement and interest but excluding forfeiture, restitution, or compensation to victims) will receive not more than 30 percent of the monetary sanctions collected and will receive increased protections; (iii) increased penalties for violations of the BSA; (iv) improvements to existing information sharing provisions that permit financial institutions to share information relating to suspicious activity reports with foreign branches, subsidiaries, and affiliates (except those located in China, Russia, or certain other jurisdictions) for the purpose of combating illicit finance risks; and (v) expanded duties and powers of FinCEN. Many of the requirements included in the AML amendments will require additional rulemakings, reports and other measures, and the impact of these rules will depend on, among other things, rulemaking and implementation guidance. FinCEN proposed three rules to implement changes to the beneficial ownership requirements and related amendments set forth in the Corporate Transparency Act. As of the date of this Form 10-K, two of the three have been finalized. The Beneficial Ownership Reporting Rule took effect on January 1, 2024 and requires certain domestic and foreign companies created, or registered to conduct business, in the United States to report beneficial ownership information to FinCEN. The Access Rule, effective as of February 20, 2024, sets forth the circumstances under which FinCEN can disclose beneficial ownership information to authorized recipients and how FinCEN and recipients of the data will protect that information. It is expected that FinCEN will issue a third rule, by January 1, 2025, to revise existing customer due diligence requirements and bring them into conformance with the Corporate Transparency Act and the Access Rule.

Climate-Related Regulation and Guidance - In recent years the federal banking agencies have increased their focus on climate-related risks impacting the operations of banks, the communities they serve and the broader financial system.

Accordingly, the agencies have begun to enhance their supervisory expectations regarding the climate risk management practices of larger banking organizations, including by encouraging such banks to: ensure that management of climate-related risk exposures has been incorporated into existing governance structures; evaluate the potential impact of climate-related risks on the bank's financial condition, operations and business objectives as part of its strategic planning process; account for the effects of climate change in stress testing scenarios and systemic risk assessments; revise expectations for credit portfolio concentrations based on climate-related factors; consider investments in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change; evaluate the impact of climate change on the bank's borrowers and consider possible changes to underwriting criteria to account for climate-related risks to mortgaged properties; incorporate climate-related financial risk into the bank's internal reporting, monitoring and escalation processes; and prepare for the transition risks to the bank associated with the adjustment to a low-carbon economy and related changes in laws, regulations, governmental policies, technology, and consumer behavior and expectations.

In 2021, the OCC issued proposed principles for climate-related financial risk management for national banks with more than $100 billion in total assets. In 2022, the FDIC and FRB issued their own proposed principles for climate risk management by larger banking organizations. Although these risk management principles, if adopted as proposed, would not apply to the Bank directly based upon its current size, the regulators have indicated that all banks, regardless of their size, may have material exposures to climate-related financial and other risks that require prudent management. The federal banking agencies are expected to adopt a more formal climate risk management framework for larger banking organizations in the coming months. As climate-related supervisory guidance is considered and formalized for all banks and financial institutions, the Company may be required to expend significant capital and incur compliance, operating, maintenance and remediation costs in order to conform to such requirements.

Other Regulations – The operations of the Company and the Bank are also subject to:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Fair Credit Reporting Act, governing the provision of consumer information to credit reporting agencies and the use of consumer information;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Electronic Funds Transfer Act, governing automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.
- Fair Housing Act, Home Mortgage Disclosure Act, and Real Estate Settlement Procedures Act, prohibiting discrimination against borrowers seeking housing and mortgages; requiring transparency and public reporting on mortgage and lending activities; and requiring that borrowers for mortgage loans for one- to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check.

Certain of these laws are consumer protection laws that extensively govern the Company's relationship with its customers. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which the Company operates and civil money penalties. Failure to comply with consumer protection requirements may also result in the Company's inability to pursue merger or acquisition transactions.

Website Availability of SEC Reports

Cass files annual, quarterly and current reports with the Securities and Exchange Commission (the "SEC"). Cass will, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC, make available free of charge

on its website each of its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and its definitive proxy statements. The address of Cass' website is: www.cassinfo.com.

The reference to the Company's website address does not constitute incorporation by reference of the information contained on the website and should not be considered part of this report.

Statistical Disclosure by Bank Holding Companies

For the statistical disclosure by bank holding companies, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 1A. RISK FACTORS

This section highlights specific risks that could affect the Company's business. Although this section attempts to highlight key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time, and Cass cannot predict such risks or estimate the extent to which they may affect the Company's financial performance. In addition to the factors discussed elsewhere or incorporated by reference in this report, the identified risks that could cause actual results to differ materially include the following:

Economic and Market Conditions Risk

Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.

The recent high-profile bank failures have generated significant market volatility among publicly traded bank holding companies. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC have made statements ensuring that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly.

Any regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company's expenses and affect the Company's operations.

The Company anticipates increased regulatory scrutiny and new regulations designed to address the recent negative developments in the banking industry, all of which may increase the Company's costs of doing business and reduce its profitability. Among other things, there may be an increased focus by regulators on deposit composition and the level of uninsured deposits. As primarily a commercial bank, the Bank has a higher degree of uninsured deposits compared to larger national banks or smaller community banks with a stronger focus on retail deposits. As a result, the Bank could face increased scrutiny or be viewed as higher risk.

General political, economic or industry conditions may be less favorable than expected.

Local, domestic, and international economic, political and industry-specific conditions and governmental monetary and fiscal policies affect the industries in which the Company competes, directly and indirectly. Conditions such as inflation, recession, unemployment, volatile interest rates, tight money supply, real estate values, international conflicts, global pandemics, natural disasters, risks related to climate change, and other factors outside of Cass' control may adversely affect the Company. Economic downturns could result in the delinquency of outstanding loans, which could have a material adverse impact on Cass' earnings.

Unfavorable developments concerning customer credit quality could affect Cass' financial results.

Although the Company regularly reviews credit exposure related to its customers and various industry sectors in which it has business relationships, default risk may arise from events or circumstances that are difficult to detect or foresee. Under such circumstances, the Company could experience an increase in the level of provision for credit losses, delinquencies, nonperforming assets, net charge-offs and allowance for credit losses.

Fluctuations in interest rates could affect Cass' net interest income and balance sheet.

The operations of financial institutions such as the Company are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Prevailing economic conditions, the fiscal and monetary policies of the federal government and the policies of various regulatory agencies all affect market rates of interest, which in turn significantly affect financial institutions' net interest income. Fluctuations in interest rates affect Cass' financial statements, as they do for all financial institutions. Volatility in interest rates can also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as federal government and corporate securities and other investment vehicles, which, because of the absence of federal insurance premiums and reserve requirements, generally pay higher rates of return than financial institutions. Due in part to the recent increase in the Federal Funds rate, the Company's net interest margin increased to 3.25% in 2023 from 2.74% in 2022, therefore increasing net interest income. As discussed in greater detail in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," a decline in market interest rates would be expected to have a negative impact on the Company's net interest income.

The value of our goodwill and other intangible assets may decline in the future

As of December 31, 2023, the Company had $20.7 million of goodwill and other intangible assets. A significant decline in the Company's expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of the Company's common stock may necessitate taking charges in the future related to the impairment of goodwill and other intangible assets which could have a material adverse effect on the Company's business, financial condition and results of operations.

In certain circumstances, Cass remits payment of invoices prior to receiving funds from its customers. As such, Cass could experience losses if such funds are not received from customers after payment is remitted.

Although the Company regularly reviews credit exposure related to its customers and various industry sectors in which it has business relationships, default risk may arise from events or circumstances that are difficult to detect or foresee. Under such circumstances, the Company could experience losses related to funds remitted for payment to freight carriers, utility companies and other such companies, prior to receiving funds from its customers.

The Company has lending concentrations, including, but not limited to, faith-based ministries located in selected cities, franchise restaurants, and privately-held businesses located in or near St. Louis, Missouri, that could suffer a significant decline which could adversely affect the Company.

Cass' customer base consists, in part, of lending concentrations in several segments and geographical areas. If any of these segments or areas is significantly affected by weak economic conditions, the Company could experience increased credit losses, and its business could be adversely affected.

Operations of the Company's customer base are impacted by macro-economic factors such as a strong dollar and/or volatility in commodity prices. A reduction in its customers' operations could have a material adverse effect on Cass' results of operations.

A decline in the cost of oil worldwide can have a negative effect on both the number of freight transactions processed and the dollar amount of invoices processed. For example, lower oil prices can cause a significant drop in drilling supplies being transported to fracking operations by domestic railroads and trucks. Lower oil prices can also result in lower gas and fuel prices, negatively affecting the dollar amounts of the invoices that Cass processes for its freight and shipping customers. A decline in oil prices could have an adverse effect on the Company's revenues and could significantly impact its results of operations.

Business Operations and Strategic Risk

Operational difficulties or cybersecurity problems could damage Cass' reputation and business.

In the ordinary course of business, the Company depends on the reliable operation of its computer operations and network connections from its clients to its systems. Any failure, interruption, or breach in security of these systems would cause Cass to be unable to process transactions for its clients, resulting in decreased revenues. The Company also relies on electronic communications and information systems to store sensitive customer data. Any failure, interruption, breach in

security or loss of data, whatever the cause, could reduce client satisfaction with the Company’s products and services and harm Cass’ financial results. These types of threats may derive from human error, fraud or malice on the part of external or internal parties, or may result from accidental technological failure. Further, to access the Company’s products and services, Cass’ customers may use computers and mobile devices that are beyond the Company’s security control systems. The Company’s technologies, systems, networks and software, and those of other financial institutions have been, and are likely to continue to be, the target of cybersecurity threats and attacks, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at Cass. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. A material security problem affecting Cass could damage its reputation, deter prospects from purchasing its products and services, deter customers from using its products and services or result in liability to Cass.

Cloud technologies are also critical to the operation of the Company's systems, and reliance on cloud technologies is growing. Service disruptions in cloud technologies may lead to delays in accessing, or the loss of, data that is important to the Company's businesses and may hinder customers access to products and services.

Although the Company makes significant efforts to maintain the security and integrity of Cass’ information systems and have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that Cass’ security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because attempted security breaches, particularly cyber-attacks and intrusions, or disruptions will occur in the future, and because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, the Company may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible to entirely mitigate this risk. While specific “cyber” insurance coverage is maintained, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under Cass’ cyber insurance coverage. A security breach or other significant disruption of Cass’ information systems or those related to customers, merchants and third-party vendors, including as a result of cyber-attacks, could i) disrupt the proper functioning of Cass’ networks and systems and therefore operations and/or those of certain customers; ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of the Company or its customers; iii) result in a violation of applicable privacy, data breach and other laws, subjecting the Company to additional regulatory scrutiny and expose Cass to civil litigation, governmental fines and possible financial liability; iv) require significant management attention and resources to remedy the damages that result; or v) harm Cass’ reputation or cause a decrease in the number of customers that choose to do business with the Company. The occurrence of any of the foregoing could have a material adverse effect on Cass’ business, financial condition and results of operations.

Cass must respond to rapid technological changes and these changes may be more difficult or expensive than anticipated.

If competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, the Company’s existing product and service offerings, technology and systems may become obsolete. Further, if Cass fails to adopt or develop new technologies or to adapt its products and services to emerging industry standards, Cass may lose current and future customers. Finally, Cass’ ability to adopt these technologies can also be inhibited by intellectual property rights of third parties. Any of these could have a material adverse effect on its business, financial condition and results of operations. The payment processing and financial services industries are changing rapidly and in order to remain competitive, Cass must continue to enhance and improve the functionality and features of its products, services and technologies. These changes may be more difficult or expensive than the Company anticipates.

Methods of reducing risk exposures might not be effective.

Instruments, systems and strategies used to hedge or otherwise manage exposure to various types of credit, interest rate, market and liquidity, operational, regulatory/compliance, business risks and enterprise-wide risks could be less effective than anticipated. As a result, the Company may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk.

Customer borrowing, repayment, investment, deposit, and payable processing practices may be different than anticipated.

The Company uses a variety of financial tools, models and other methods to anticipate customer behavior as part of its strategic and financial planning and to meet certain regulatory requirements. Individual, economic, political and industry-specific conditions and other factors outside of Cass' control could alter predicted customer borrowing, repayment, investment, deposit, and payable processing practices. Such a change in these practices could adversely affect Cass' ability to anticipate business needs, including cash flow and its impact on liquidity, and to meet regulatory requirements.

The Company's allowance for credit losses ("ACL") is subject to continuing evaluation and may be insufficient.

The Company maintains an ACL, which is a reserve established through a provision for credit losses charged to expense. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on loans. Management uses a systematic, documented approach in determining the appropriate level of ACL, which represents management's estimate of losses in loans and off-balance sheet exposures as of the balance sheet date. Management estimated the allowance balance using relevant available information from internal and external factors, relating to past events, current conditions and reasonable and supportable forecasts based on economic sources, such as Gross Domestic Product ("GDP"). Historical credit loss experience, of both the Company and similar peer banks, provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for asset quality trends, borrower's ability to pay, collateral, and other environmental factors. The ACL is measured on a collective pool basis when similar risk characteristics exist. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires management to make estimates based on risks and trends that are subject to material change. Continuing deterioration in economic conditions, including the possibility of a recession, affecting borrowers and securities issuers; inflation; rising interest rates; new information regarding existing loans, credit commitments and securities holdings; global pandemics; natural disasters and risks related to climate change; and identification of additional problem loans, ratings down-grades and other factors, both within and outside of the Company's control, may require an increase in the allowances for credit losses on loans, securities and off-balance sheet credit exposures.

The determination and application of the ACL accounting policy involves judgments, estimates, and uncertainties that are subject to change. Changes in these assumptions, estimates or the conditions surrounding them may have a material impact on the Company's financial condition, liquidity or results of operations. Various regulatory agencies, as an integral part of the examination process, periodically review the ACL. Such agencies may require the Company to recognize additions to the ACL or reserve increases to adversely graded classified loans based on information available to them at the time of their examinations.

The application of the model used to determine the ACL could result in volatility in earnings. Additionally, if charge-offs in future periods exceed the ACL, the Company will need additional provisions to increase the ACL. Any increases in the ACL will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Company's business, financial condition and results of operations.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Provision and Allowance for Credit Losses and Unfunded Commitments" and Item 8, "Financial Statements and Supplementary Data—Note 1" for additional information.

Competitive product and pricing pressure within Cass' markets may change.

The Company operates in a very competitive environment, which is characterized by competition from a number of other vendors and financial institutions in each market in which it operates. The Company competes with large payment processors and national and regional financial institutions and also smaller auditing companies and banks in terms of products and pricing. If the Company is unable to compete effectively in products and pricing in its markets, business could decline.

Management's ability to maintain and expand customer relationships may differ from expectations.

The industries in which the Company operates are very competitive. The Company not only competes for business opportunities with new customers, but also competes to maintain and expand the relationships it has with its existing

customers. The Company continues to experience pressures to maintain these relationships as its competitors attempt to capture its customers.

The introduction, withdrawal, success and timing of business initiatives and strategies, including, but not limited to, the expansion of payment and processing activities to new markets, the expansion of products and services to existing markets and opening of new bank branches, may be less successful or may be different than anticipated. Such a result could adversely affect Cass' business.

The Company makes certain projections as a basis for developing plans and strategies for its payment processing and banking products. If the Company does not accurately determine demand for its products and services, it could result in the Company incurring significant expenses without the anticipated increases in revenue, which could result in an adverse effect on its earnings.

In addition, there are risks and uncertainties associated with the introduction of new products and services, including substantial investments of time and resources. The introduction and development of new products and services may not be achieved along expected timelines, or at all, and may not be successful as a result of factors beyond the Company's control, including regulatory, competition and external market factors. Failure to successfully manage these risks in the development and implementation of new products or services, and failure to integrate such new products and services into our existing system of internal controls, could have a material adverse effect on our business, financial condition and results of operations.

The Company and the Bank are subject to liquidity risk.

The Company requires liquidity to meet deposit and accounts and drafts payable obligations as they come due. Access to funding sources in amounts adequate to finance the Company's commitments and business activities or on terms that are acceptable or favorable to the Company could be impaired by risks and uncertainties that are beyond the Company's control, including those described in this Item 1A, "Risk Factors" section.

The Company's access to deposits and accounts and drafts payable for liquidity purposes may also be adversely affected by the needs of the Company's depositors and customers. A failure to maintain adequate liquidity could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company could experience an unexpected inability to obtain needed liquidity which could adversely affect the Company's business, profitability, and viability as a going concern.

Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of interest rate market opportunities and is essential to a financial institution's business. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure, its ability to liquidate assets, and its access to alternative sources of funds. The bank failures in 2023 exemplify the potential serious results of the unexpected inability of insured depository institutions to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institution's ability to satisfy its obligations to depositors. The Company seeks to ensure funding needs are met by maintaining a level of liquidity through asset and liability management. If the Company becomes unable to obtain funds when needed, it could have a material adverse effect on its business, financial condition, and results of operations.

Rising interest rates have decreased the value of the Company's available-for-sale securities portfolio, and the Company would realize losses if it were required to sell such securities to meet liquidity needs.

As a result of inflationary pressures and the resulting rapid increases in interest rates over the last year, the fair value of previously issued government and other fixed income securities has declined significantly, resulting in unrealized losses. While the Company does not currently intend to sell these securities, if the Company were required to sell such securities to meet liquidity needs, it may incur losses, which could impair the Company's capital, financial condition, and results of operations and require the Company to raise additional capital on unfavorable terms, thereby negatively impacting its profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, while the Federal Reserve Board has announced a Bank Term Funding Program available to eligible depository institutions secured by U.S. Treasuries, agency debt, mortgage-backed securities, and other qualifying assets as collateral at par to mitigate the risk of potential losses on

the sale of such instruments, there is no guarantee that such programs will be effective in addressing liquidity needs as they arise.

Management's ability to retain key officers and employees may change.

Cass' future operating results depend substantially upon the continued service of Cass' executive officers and key personnel. Cass' future operating results also depend in significant part upon Cass' ability to attract and retain qualified management, financial, technical, marketing, sales, and support personnel. Competition for qualified personnel is intense, and the Company cannot ensure success in attracting or retaining qualified personnel. There may be only a limited number of persons with the requisite skills to serve in these positions, and it may be increasingly difficult for the Company to hire personnel over time. Cass' business, financial condition and results of operations could be materially adversely affected by the loss of any of its key employees, by the failure of any key employee to perform in his or her current position, or by Cass' inability to attract and retain skilled employees.

Regulatory, Legal and Accounting Risk

The Company and the Bank are subject to extensive government regulation and supervision and possible enforcement or other legal actions that could detrimentally affect Cass' business.

The Company and the Bank are subject to extensive federal and state regulation and supervision, the primary focus of which is to protect customers, depositors, the deposit insurance fund and the safety and soundness of the banking system as a whole, and not shareholders. In addition, since the global financial crisis, financial institutions generally have been subject to increased scrutiny from regulatory authorities, with an increased focus on risk management and consumer compliance. This regulatory structure and heightened focus gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to capital levels, the timing and amount of dividend payments, the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Failure to comply with applicable laws, regulations, policies or guidance could result in enforcement and other legal actions by federal and state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter, and other regulatory sanctions, as well as reputational damage, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. The substance and impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although any change could impact the regulatory structure under which the Company or its competitors operate and may significantly increase costs, impede the efficiency of internal business processes, require an increase in regulatory capital, require modifications to the Company's business strategy, and/or limit its ability to pursue business opportunities in an efficient manner. A change in statutes, regulations or regulatory policies applicable to the Company or any of its subsidiaries could have a material, adverse effect on the Company's business, financial condition and results of operations.

See Item 1, "Business—Supervision and Regulation," and Item 8, Note 2 to the consolidated financial statements included elsewhere in this report for additional information.

The Company may need to raise additional capital or sell assets if it fails to meet regulatory capital requirements or meet commitments and liquidity needs. Such capital may not be available on favorable terms, or at all.

Fully phased in, the Basel III Capital rules implemented stricter capital requirements and leverage limits and methods for calculating risk-weighted assets, meaning the Company is required to hold more capital against such assets. Complying with these more stringent capital requirements could result in management modifying its business strategy and could limit the Company's ability to make distributions, including paying dividends, or buying back shares.

The Company may also need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet commitments and business needs. The ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time and the Company's financial condition, as well as the need for other financial institutions to raise capital at the same time. Economic conditions and the loss of confidence in financial institutions may increase the cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve.

An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on the Company's business, financial condition and results of operations.

Legal and regulatory proceedings and related matters with respect to the financial services industry, including those directly involving the Company and its subsidiaries, could adversely affect Cass or the financial services industry in general.

The Company is subject to various legal and regulatory proceedings. It is inherently difficult to assess the outcome of these matters, and there can be no assurance that the Company will prevail in any proceeding or litigation. Any such matter could result in substantial cost and diversion of Cass' efforts, which by itself could have a material adverse effect on Cass' financial condition and operating results. Further, adverse determinations in such matters could result in actions by Cass' regulators that could materially adversely affect Cass' business, financial condition or results of operations. Please refer to Item 3, "Legal Proceedings."

The Company's accounting policies and methods are the basis of how Cass reports its financial condition and results of operations, and they require management to make estimates about matters that are inherently uncertain. In addition, changes in accounting policies and practices, as may be adopted by the regulatory agencies, the Financial Accounting Standards Board, or other authoritative bodies, could materially impact Cass' financial statements.

The Company's accounting policies and methods are fundamental to how Cass records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure that they comply with generally accepted accounting principles and reflect management's judgment as to the most appropriate manner in which to record and report Cass' financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in the Company reporting materially different amounts than would have been reported under a different alternative.

Cass has identified one accounting policy as being "critical" to the presentation of its financial condition and results of operations because it requires management to make particularly subjective and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. More information on Cass' critical accounting policies is contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

From time to time, the regulatory agencies, the Financial Accounting Standards Board ("FASB"), and other authoritative bodies change the financial accounting and reporting standards that govern the preparation of the Company's financial statements. These changes can be hard to predict and can materially impact how management records and reports the Company's financial condition and results of operations.

Cass is subject to examinations and challenges by tax authorities, which, if not resolved in the Company's favor, could adversely affect the Company's financial condition and results of operations.

In the normal course of business, Cass and its affiliates are routinely subject to examinations and challenges from federal and state tax authorities regarding the amount of taxes due in connection with investments it has made and the businesses in which it is engaged. Recently, federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in the Company's favor, they could have an adverse effect on Cass' financial condition and results of operations.

General Risk Factors

Cass' stock price can become volatile and fluctuate widely in response to a variety of factors.

The Company's stock price can fluctuate based on factors that can include actual or anticipated variations in Cass' quarterly results; new technology or services by competitors; unanticipated losses or gains due to unexpected events, including losses or gains on securities held for investment purposes; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; changes in

accounting policies or practices; failure to integrate acquisitions or realize anticipated benefits from acquisitions; or changes in government regulations.

General market fluctuations, industry factors and general economic and political conditions, such as economic slowdowns or recessions, governmental intervention, interest rate changes, credit loss trends, low trading volume or currency fluctuations also could cause Cass' stock price to decrease regardless of the Company's operating results.

Certain events beyond the Company's control, such as severe weather, natural disasters, terrorist activities or other hostilities, may adversely affect the general economy, financial and capital markets, specific industries, and the Company.

Severe weather, natural disasters, acts of terrorism or other hostilities, and other adverse external events beyond the Company's control, could have a significant impact on the Company's ability to conduct business. Such events could disrupt Cass' operations or those of its customers, affect the stability of the Bank's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. The occurrence of any such event in the future could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

Climate change could have a material negative impact on the Company and its clients.

The Company's business, as well as the operations and activities of it clients, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to Cass and its clients and these risks are expected to increase over time. Climate changes presents multi-faceted risks, including (i) operational risk from the physical effects of climate events on facilities and other assets as well as those of clients; (ii) credit risk from borrowers with significant exposure to climate risk; and (iii) reputational risk from stakeholder concerns about practices related to climate change, carbon footprint and business relationships with clients who operate in carbon-intensive industries. The Company's business, reputation and ability to attract and retain employees may also be harmed if the response to climate change is perceived to be ineffective or insufficient.

Climate change exposes Cass to physical risk as its effects may lead to more frequent and more extreme weather events, such as prolonged droughts or flooding, tornados, hurricanes, wildfires and extreme seasonal weather; and longer-term shifts, such as increasing average temperatures, ozone depletion and rising sea levels. Such events and long-term shifts may damage, destroy or otherwise impact the value or productivity of the Company's properties and other assets; reduce the availability of insurance; and/or disrupt operations and other activities through prolonged outages. Such events and long-term shifts may also have a significant impact on Cass customers, which could amplify credit risk by diminishing borrowers' repayment capacity or collateral values, and other businesses and counterparties with whom we transact, which could have a broader impact on the economy, supply chains and distribution networks.

Climate change also exposes Cass to transition risks associated with the transition to a less carbon-dependent economy. Transition risks may result from changes in policies; laws and regulations; technologies; and/or market preferences to address climate change. Such changes could materially, negatively impact our business, results of operations, financial condition and/or our reputation, in addition to having a similar impact on our clients. Cass has clients who operate in carbon-intensive industries that are exposed to climate risks, such as those risks related to the transition to a less carbon-dependent economy, as well as clients who operate in low-carbon industries that may be subject to risks associated with new technologies.

Federal and state banking regulators and supervisory authorities, investors and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. The OCC, FRB and the U.S. Treasury Department have emphasized that climate-related risks are faced by banking organizations of all types and sizes, specifically including physical and transition risks, and is in the process of enhancing supervisory expectations regarding banks' risk management practices. These agencies have indicated increased expectations for larger financial institutions to measure, monitor and manage climate-related risk as part of their enterprise risk management processes. Although any initial policies may not apply to financial institutions of the Bank's size, it is likely that regulators will expect all banks to enhance internal control and risk management programs and processes relating to climate change. To the extent that these

initiatives lead to the adoption of new regulations or guidance applicable to the Company and the Bank, compliance costs and risks are expected to increase.

Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon-intensive environment, the Company faces ongoing legislative and regulatory uncertainties and changes regarding climate risk management and practices that if adopted, may result in higher regulatory, compliance, credit and reputational risks and costs.

The Company is subject to ESG risks that could adversely affect its reputation and the market price of its securities.

The Company is subject to a variety of risks arising from ESG matters. ESG matters include climate risk, hiring practices, the diversity of the work force, and racial and social justice issues involving the Company's personnel, customers and third parties with whom it otherwise does business. Risks arising from ESG matters may adversely affect, among other things, reputation and the market price of the Company's securities. Further, the Company may be exposed to negative publicity based on the identity and activities of those to whom it lends and with which it otherwise does business and the public's view of the approach and performance of its customers and business partners with respect to ESG matters. Any such negative publicity could arise from adverse news coverage in traditional media and could also spread through the use of social media platforms. The Company's relationships and reputation with its existing and prospective customers and third parties with which it does business could be damaged if it were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on the Company's ability to attract and retain customers and employees and could have a negative impact on the market price for securities. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. These shifts in investing priorities may result in adverse effects on the market price of the Company's securities to the extent that investors determine that the Company has not made sufficient progress on ESG matters.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Managing cybersecurity risk within Cass is an ongoing, multifaceted process aimed at safeguarding digital assets and sensitive information. Led by the Company's Chief Information Security Officer ("CISO") and overseen by the Executive IT Council, the Company has a dedicated team of security professionals to implement the Company's information security processes.

The Executive IT Council is comprised of the CEO, CFO, Chief information Officer ("CIO"), CISO, and all heads of business units that serve together to manage and oversee the Company's IT program as a whole. As part of this function and at the direction of the CISO, the Executive IT Council is charged with approving and providing oversight of the IT solutions that enhance the Company's security posture. As more fully described in "Governance" below, the CISO and CIO regularly report the Executive IT Council's findings to the Audit and Risk Committee of the Board, and to the full Board, in an effort to provide a collaborative and multi-point cybersecurity program.

The Company also relies on certain critical third party IT vendors that support processing, transmission, and storage of data, which has become more critical given the information security risks that are intensified through the Company's increased use of remote work arrangements. The Company has also engaged a third party to help monitor and analyze its system activities.

The Company's information security program is comprised of three primary components that guide the activities of employees and advisors tasked with managing the program:

- Information Security Policy: The Company maintains an Information Security Policy that aligns with the National Institute of Standards and Technology and ISO 27001 cybersecurity guidelines and frameworks. This policy is reviewed at least annually by the Company's IT Security & Risk team, with updates approved by the Board of Directors. The Information Security Policy addresses the standards, design, scope, testing, and operation of the

Company’s cybersecurity program. All Company employees are trained both initially and on an annual basis on the information security requirements set by the policy. Employees whose work is more pertinent to cybersecurity management and risk, such as software development, receive additional and more specialized training.

- Incident Management Policy: The Company’s Incident Management Policy provides the structure and guidance for the Company’s cyber incident response operations to ensure the quick detection of security events and vulnerabilities, as well as promote a rapid response to security incidents and mitigation measures. A dedicated security incident response team is tasked with addressing security incidents and driving the Company’s response.
- Cyber Risk Management Program: The Company performs a comprehensive risk assessment on an annual basis to identify and prioritize potential threats and vulnerabilities, then uses the results to implement and revise policies, assign responsibilities, and deploy security controls to address them on an ongoing, 24-7 basis.

Using the policies and programs described above, Cass has implemented a multi-layered cybersecurity approach, including, deployment of advanced endpoint protection, threat intelligence, and anomaly detection tools, continuous monitoring of network traffic through intrusion detection and prevention systems, regular penetration testing and vulnerability assessments, and encryption of sensitive data at rest and in transit.

Cass is dependent on third-party vendors to support operations and business objectives. Recognizing the interconnected nature of the Company’s business, Cass places emphasis on managing third-party cybersecurity risk by maintaining a Vendor Management Policy. This policy establishes guidelines for conducting due diligence on vendors’ security practices, making ongoing risk assessments and conducting extensive control reviews of identified high-risk vendors.

Because the Company is a bank holding company, its information security program is regularly evaluated by banking examiners and regulators. In addition, the Company undergoes annual Service Organization Controls Type II audits to evaluate information security controls related to specific services offered by the Company.

While the Company continues to face a number of cybersecurity risks in connection with the business, Cass has not experienced any cyber incidents that materially affected business strategy, results of operations or financial condition over the past fiscal year. The Company commits to transparently communicating with stakeholders, including shareholders, regulatory bodies, and law enforcement agencies, as required. To mitigate financial risks associated with cybersecurity incidents, Cass maintains a comprehensive cyber insurance policy. This policy covers various costs, including legal expenses, investigation costs, business interruption, and potential liabilities.

Governance

As described above, the Company's cybersecurity program is led by the CISO, who ultimately reports to the Executive Vice President and CIO. The CISO is supported by an information security team, made up of two security analysts and one IT audit and compliance analyst. The security analysts monitor the Company’s security solutions and security event logs and responds to incidents and events when they occur. The IT audit and compliance analyst tracks remediation efforts, manages the Company’s third party risk program and works with internal and external auditors on all IT compliance activities. Members of the information security team hold cybersecurity certifications, such as a Certified Information Systems Security Professional ("CISSP") or Certified Information Security Manager certifications. The CIO oversees all IT departments within the Company, including security and risk, and is the primary liaison between IT and the Board of Directors.

Both the CISO and CIO have extensive experience assessing and managing cybersecurity programs and cybersecurity risk. The CIO has a bachelor’s degree in Management Information Systems and an MBA from Oakland University, and was previously the Domain CIO at Comerica Bank. The CISO has a bachelor’s degree in Computer Science from the University of Illinois, holds the CISSP, Certified in Risk and Information Systems Control and Certified Chief Information Security Officer certifications, and has been active in the management of the Company’s security programs for more than a decade, serving in the CISO role since early 2023.

The CISO and CIO provide monthly updates to the Executive IT Council on security incidents, compliance and patching metrics, as well as security related industry updates that might affect the Company’s business. The Executive IT Council approves all security related project expenditures and all members are a part of the Company’s incident response team.

The Audit and Risk Committee, together with the full Board of Directors, actively oversees the Company’s cybersecurity program. The Audit and Risk Committee receives reports on evolving cybersecurity standards and key metrics, including the number of incidents, response times, and effectiveness of safety controls, from the CIO on a quarterly basis, and more

frequently when necessary. These reports include updates on the activities of the Executive IT Council. Changes to the Company's information security policies and programs are approved by the Audit and Risk Committee. This information is reported to the full Board of Directors which, together with the Audit and Risk Committee, evaluates and considers the effectiveness of the Company's risk management policies and controls relating to cybersecurity that are described in the section above.

The Company believes that by layering cybersecurity practices and risk management oversight in a way that involves various individuals, teams, and ultimately, the Board of Directors, it fosters a culture of accountability and helps enable Cass to prioritize the safety and security of its and its clients' data.

ITEM 2. PROPERTIES

The Company leases office space in St. Louis County, Missouri, to house the headquarters of the Company and the Bank. The Company's headquarters occupy 7,549 square feet in an office center at 12444 Powerscourt Drive. The Bank's headquarters occupy 16,572 square feet in the same center at 12412 Powerscourt Drive.

The Company owns approximately 61,500 square feet of office space at 13001 Hollenberg Drive in Bridgeton, Missouri where the Company's transportation processing activities are performed.

The Company owns a production facility of approximately 48,300 square feet located at 2675 Corporate Exchange Drive, Columbus, Ohio. Additional facilities are located in Greenville, South Carolina, Wellington, Kansas, Jacksonville, Florida, and Brighton, Michigan. The Company has offices in Breda, Netherlands, Basingstoke, United Kingdom, and Singapore to service its multinational customers.

In addition, the Bank owns a banking facility near downtown St. Louis, Missouri, has an operating branch in the Bridgeton, Missouri location, and has an additional leased facility in Colorado Springs, Colorado.

Management believes that these facilities are suitable and adequate for the Company's operations.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not involved in any pending proceedings other than ordinary routine litigation incidental to their businesses. Management believes none of these proceedings, if determined adversely, would have a material effect on the business or financial conditions of the Company or its subsidiaries.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is quoted on The Nasdaq Global Select Market® under the symbol "CASS." As of February 15, 2024, there were approximately 5,717 holders of record of the Company's common stock.

The Company has continuously paid regularly scheduled cash dividends since 1934 and expects to continue to pay quarterly cash dividends in the future. However, future dividend payments will depend on the Company's earnings, capital requirements, financial condition, applicable banking regulatory requirements and other factors considered relevant by the Company's Board of Directors.

The Company maintains a treasury stock buyback program approved by the Board of Directors in October 2023 pursuant to which, the Board of Directors has authorized the repurchase of up to 500,000 shares of the Company's common stock and has no expiration date. The Company has repurchased 13,964 shares under this treasury stock buyback program and therefore has 486,036 shares remaining for repurchase.

The Company repurchased a total of 150,541 shares at an aggregate cost of $5.8 million during the year ended December 31, 2023 and 130,374 shares at an aggregate cost of $5.3 million during the year ended December 31, 2022. A portion of the repurchased shares may be used for the Company's employee benefit plans and the balance will be available for other general corporate purposes. The pace of repurchase activity will depend on factors such as levels of regulatory capital, cash generation from operations, cash requirements for investments, repayment of debt, current stock price, business and market conditions, and other factors. The Company may repurchase shares from time to time on the open market or in private transactions, including structured transactions. The stock repurchase program may be modified or discontinued at any time.

During the three months ended December 31, 2023, the Company repurchased shares of its common stock as follows:

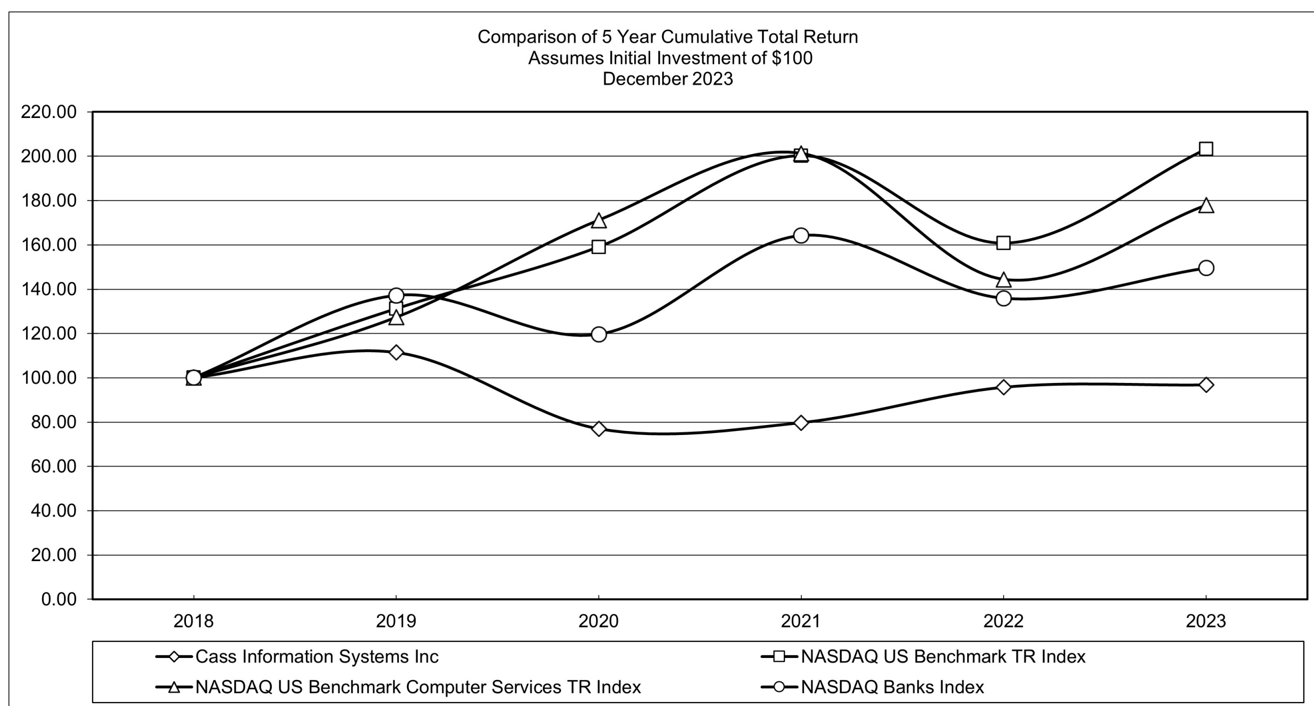
Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(2)]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2023 – October 31, 2023	1,650	$ 37.68	1,650	498,350
November 1, 2023 – November 30, 2023	13,295	40.28	11,714	486,636
December 1, 2023 – December 31, 2023	600	41.83	600	486,036
Total	15,545	$ 40.06	13,964	486,036

(1) During the quarter ended December 31, 2023, there were 13,964 shares repurchased pursuant to the Company's publicly announced treasury stock buyback program and 1,581 shares transferred from employees in satisfaction of tax withholding obligations upon the vesting of restricted stock.

(2) The Board of Directors authorized the treasury stock buyback program on October 17, 2023, announced by the Company on October 19, 2023. The program provides that the Company may repurchase up to an aggregate of 500,000 shares of common stock and has no expiration date.

Performance Quoted on The Nasdaq Stock Market for the Last Five Fiscal Years

The following graph compares the cumulative total returns over the last five fiscal years of a hypothetical investment of $100 in shares of common stock of the Company with a hypothetical investment of $100 in The Nasdaq Stock Market (“Nasdaq”), the index of Nasdaq computer and data processing stocks, and the index of Nasdaq bank stocks. The graph assumes $100 was invested on December 31, 2018, with dividends reinvested. Returns are based on period end prices.



ITEM 6. <u>RESERVED</u>

ITEM 7. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to promote understanding of the results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, the consolidated financial statements and the accompanying Notes to Financial Statements (Part II, Item 8 of this Form 10-K). This section generally discusses the results of operations for 2023 compared to 2022. For discussion related to the results of operations and changes in financial condition for 2022 compared to 2021 refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2022 Annual Report on Form 10-K filed with the SEC on February 28, 2023.

The Company intends for the discussion of financial condition and results of operations that follows to provide information that will assist the reader in understanding the Consolidated Financial Statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies, and estimates affect the Consolidated Financial Statements. This discussion should be read in conjunction the Consolidated Financial Statements and the related notes that appear in Part II, Item 8 of this document.

Executive Overview

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, transactional level payment services, 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. Transactional level payment services and interest income from the balances generated during the payment processing cycle are 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," 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.

The Company recorded revenue of $197.5 million in 2023, up 8.2% from the prior year. Net income was $30.1 million and diluted EPS was $2.18 per share, decreases of 13.9% and 13.8% from the prior year, respectively.

The Company continues to operate profitably, posting a 1.24% return on average assets and 14.24% return on average equity. The Company's common equity Tier 1 capital ratio was 14.73% at December 31, 2023, significantly exceeding regulatory requirements. In addition, the Company has maintained exceptional credit quality with no non-performing loans at December 31, 2023, and no loan charge-offs during the year ended December 31, 2023.

The Company's solid capital and liquidity positions, combined with ongoing earnings, are expected to continue to allow for investment in strategic opportunities when they become available, in addition to return of capital to shareholders. The Company delivered $21.7 million in dividend payments and share repurchases during 2023. The Company continues to invest in the technology, processes, and people required to support its multi-national customer base.

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 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. A summary of significant accounting policies and a summary of recent accounting pronouncements applicable to the Company's Consolidated Financial Statements are included in Item 8, "Financial Statements and Supplementary Data—Note 1."

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 and Risk 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. The process combines many factors: economic factors, historical credit loss experience, of both the Company and similar peer banks, loan portfolio growth and concentrations, asset quality, risk tolerance, and other qualitative and quantitative factors which could affect future credit loss. Given the Company's recent historical loss experience, the impact of the qualitative risk factors related to the collective ACL is a substantial percentage of the overall ACL. Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses, and therefore the appropriateness of the ACL, could change significantly. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall allowance because a wide variety of factors and inputs are considered in estimating the ACL and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all loan types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others. Various regulatory agencies, as an integral part of the examination process, periodically review the ACL. Such agencies may require the Company to recognize additions to the ACL or reserve increases to adversely graded classified loans based on information available to them at the time of their examinations. The Company believes the level of ACL is appropriate. 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 Note 1 "Summary of Significant Accounting Policies" and Note 4 "Loans," as well as the "Provision and Allowance for Credit Losses and Allowance for Unfunded Commitments" section of this report.

Summary of Results

	For the Years Ended December 31,			% Change	
(In thousands except per share data)	**2023**	**2022**	**2021**	**2023 v. 2022**	**2022 v. 2021**
Processing fees	$ 79,566	$ 76,470	$ 74,589	4.0 %	2.5 %
Financial fees	45,985	43,757	32,733	5.1 %	33.7 %
Net interest income	66,494	58,844	44,326	13.0 %	32.8 %
(Release of) provision for credit losses	(550)	1,350	(130)	(140.7)%	(1138.5)%
Other	4,916	4,755	2,369	3.4 %	100.7 %
Total revenues	197,511	182,476	154,147	8.2 %	18.4 %
Operating expense	160,155	139,576	120,326	14.7 %	16.0 %
Income before income tax expense	37,356	42,900	33,821	(12.9)%	26.8 %
Income tax expense	7,297	7,996	5,217	(8.7)%	53.3 %
Net income	$ 30,059	$ 34,904	$ 28,604	(13.9)%	22.0 %
Diluted earnings per share	$ 2.18	$ 2.53	$ 2.00	(13.8)%	26.5 %
Return on average assets	1.24 %	1.35 %	1.23 %	—	—
Return on average equity	14.24 %	16.53 %	11.29 %	—	—

The Company recorded revenue of $197.5 million in 2023, up 8.2% from the prior year, due to increases in processing fees, financial fees, net interest income and a positive variance in the (release of) provision for credit losses. Operating expenses increased 14.7% as a result of increases in personnel and other expenses as the Company invests in, and transitions to, improved technology. Net income was $30.1 million and diluted EPS was $2.18 per share, decreases of 13.9% and 13.8% from the prior year, respectively.

The Company posted a 1.24% return on average assets and 14.24% return on average equity.

Further detail about the components of revenue and expenses are explained in the sections following.

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, discounts received for services provided to carriers and by the accounts and drafts payable balances generated in the payment process which can be used to generate interest income. Processing volumes, average payments in advance of funding, fee revenue and other income were as follows:

	December 31,			% Change	
(In thousands)	2023	2022	2021	2023 v. 2022	2022 v. 2021
Transportation invoice transaction volume	35,949	36,807	36,783	(2.3)%	0.1 %
Transportation invoice dollar volume	$ 38,288,478	$ 44,749,359	$ 36,829,841	(14.4)%	21.5 %
Facility transaction volume[(1)]	13,857	12,990	12,499	6.7 %	3.9 %
Facility dollar volume[(1)]	$ 19,836,821	$ 19,514,049	$ 15,867,556	1.7 %	23.0 %
Average payments in advance of funding	$ 234,865	$ 278,185	$ 211,809	(15.6)%	31.3 %
Processing fees	$ 79,566	$ 76,470	$ 74,589	4.0 %	2.5 %
Financial fees	$ 45,985	$ 43,757	$ 32,733	5.1 %	33.7 %
Other income	$ 4,916	$ 4,755	$ 2,369	3.4 %	100.7 %

(1) Includes utility, telecom and waste

Processing fees increased $3.1 million, or 4.0%, during 2023 largely driven by a 6.7% increase in facility transaction volumes as well as an increase in fees received for ancillary processing services. Transportation invoice volumes decreased 2.3% over the same period. The decline in transportation volumes is primarily due to the on-going freight recession.

Financial fees increased $2.2 million, or 5.1%, in 2023 primarily attributable to the increase in short-term interest rates throughout 2023, partially offset by a decline in transportation dollar volumes of 14.4%. The decline in transportation dollar volumes had a direct effect on the 15.6% decrease in average payments in advance of funding, which is the primary generator of financial fees.

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:

	December 31,			% Change	
(In thousands)	2023	2022	2021	2023 v. 2022	2022 v. 2021
Average earning assets	$ 2,076,951	$ 2,205,792	$ 1,999,609	(5.8)%	10.3 %
Average interest-bearing liabilities	$ 573,308	$ 603,262	$ 592,069	(5.0)%	1.9 %
Net interest income [(1)]	$ 67,583	$ 60,533	$ 46,199	11.6 %	31.0 %
Net interest margin [(1)]	3.25 %	2.74 %	2.31 %	—	—
Yield on earning assets [(1)]	4.04 %	2.90 %	2.37 %	—	—
Rate on interest bearing liabilities	2.84 %	0.58 %	0.20 %	—	—

(1) Presented on a tax-equivalent basis using a tax rate of 21%.

The increase in net interest income in 2023 compared to 2022 is primarily due to an increase in the Federal Funds rate throughout 2022 and into 2023, positively affecting the net interest rate margin which increased to 3.25% as compared to 2.74% in the prior year. This was partially offset by a decrease in average earning assets of $128.8 million, or 5.8%. The yield on interest-earning assets increased 114 basis points from 2.90% in 2022 to 4.04% in 2023 while the cost of interest-bearing liabilities increased 226 basis points from 0.58% in 2022 to 2.84% in 2023.

Average loans increased $63.7 million, or 6.4%, to $1.06 billion. This increase was due to loan growth during the second half of 2022, specifically in the Company's franchise restaurants, faith-based and lease financing receivables portfolios. The average yield on loans increased 83 basis points to 4.81% in 2023.

Average investment securities decreased $54.7 million, or 6.9%, due to the sale and maturity of investment securities throughout 2023. The investment portfolio will expand and contract over time as the Company manages its liquidity and interest rate position. The average tax-equivalent yield on investment securities increased 33 basis point to 2.63% in 2023 as a result of the increase in short and long-term interest rates. The average yield on tax-exempt investment securities declined 19 basis points to 2.69% driven by maturities of higher rate securities. These securities have longer term fixed rates and the Company has not purchased any such securities since interest rates began increasing.

Average short-term investments, consisting of interest-bearing deposits in other financial institutions and federal funds sold, decreased $137.8 million, or 32.4%. The decrease is primarily a result of the increase in the average balance of loans, coupled with the decrease in average funding sources, partially offset by the decrease in average investment securities. The average yield on short-term investments increased 327 basis points to 4.78% in 2023 primarily due to the increase in short-term market interest rates that began in March 2022. The majority of these short-term investments are held at the Federal Reserve Bank.

The average balance of interest-bearing deposits decreased $32.2 million, or 5.3%. Average non-interest-bearing demand deposits decreased $75.5 million, or 12.8%. The Company experienced deposit attrition during the first six months of 2023 as larger commercial depository clients moved their funds to higher interest rate alternatives outside of the banking system. The Company also incurred a shift from non-interest bearing to interest-bearing deposits driven by the customer base. The average rate paid on interest-bearing deposits increased 225 basis points to 2.83% in 2023 due to the increase in short-term interest rates.

Average accounts and drafts payable decreased $60.1 million, or 5.3%. The decrease in average accounts and drafts payable was primarily driven by the decrease in transportation dollar volumes of 14.4% due to the ongoing freight recession.

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

The following table contains condensed average balance sheets for each of the periods reported, the tax-equivalent interest income and expense on 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)	2023			2022			2021		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets [1]									
Interest-earning assets									
Loans [2]:	$1,055,668	$ 50,825	4.81 %	$ 992,004	$ 39,460	3.98 %	$ 887,662	$ 35,178	3.96 %
Securities [4]:									
Taxable	541,159	14,118	2.61	509,537	10,083	1.98	192,885	2,547	1.32
Tax-exempt [3]	192,881	5,186	2.69	279,247	8,043	2.88	304,672	8,919	2.93
Short-term investments	287,243	13,720	4.78	425,004	6,429	1.51	614,390	726	0.12
Total interest-earning assets	2,076,951	83,849	4.04 %	2,205,792	64,015	2.90 %	1,999,609	47,370	2.37 %
Non-interest-earning assets									
Cash and due from banks	24,914			20,772			21,220		
Premises and equipment, net	24,445			19,291			17,846		
Payments in advance of funding	234,865			278,185			211,809		
Bank-owned life insurance	48,540			46,468			26,766		
Goodwill and other intangibles	21,060			19,558			17,273		
Unrealized (loss) gain on investment securities	(68,893)			(43,147)			15,833		
Other assets	71,050			51,686			35,231		
Allowance for credit losses	(13,324)			(12,527)			(11,595)		
Total assets	$2,419,608			$2,586,078			$2,333,992		
Liabilities and Shareholders' Equity [1]									
Interest-bearing liabilities									
Interest-bearing demand deposits	$ 496,154	$ 14,056	2.83 %	$ 549,054	$ 3,118	0.57 %	$ 521,409	$ 582	0.11 %
Savings deposits	7,162	113	1.58	13,288	38	0.29	18,398	9	0.05
Time deposits >=$250	23,912	705	2.95	18,272	181	0.99	14,576	139	0.95
Other time deposits	43,839	1,276	2.91	22,637	145	0.64	37,676	441	1.17
Total interest-bearing deposits	571,067	16,150	2.83	603,251	3,482	0.58	592,059	1,171	0.20
Short-term borrowings	2,241	116	5.18	11	—	—	10	—	—
Total interest-bearing liabilities	573,308	16,266	2.84 %	603,262	3,482	0.58 %	592,069	1,171	0.20 %
Noninterest-bearing liabilities									
Demand deposits	512,608			588,121			447,880		
Accounts and drafts payable	1,081,245			1,141,329			986,572		
Other liabilities	41,378			42,224			54,035		
Total liabilities	2,208,539			2,374,936			2,080,556		
Shareholders' equity	211,069			211,142			253,436		
Total liabilities and shareholders' equity	$2,419,608			$2,586,078			$2,333,992		
Net interest income [3]		$ 67,583			$ 60,533			$ 46,199	
Net interest margin [3]			3.25 %			2.74 %			2.31 %
Interest spread			1.20 %			2.32 %			2.17 %

(1) Balances shown are daily averages.

(2) Interest income on loans includes net loan fees of $686,000, $684,000, and $3.4 million for 2023, 2022 and 2021, respectively. Loan fees include $0, $167,000, and $2.6 million of PPP loan fees for 2023, 2022 and 2021, respectively.

(3) Interest income is presented on a tax-equivalent basis assuming a tax rate of 21%. The tax-equivalent adjustment was approximately $1.1 million, $1.7 million and $1.9 million for 2023, 2022, and 2021, respectively.

(4) For purposes of these computations, yields on investment securities are computed as interest income divided by the average amortized cost of the investments.

Analysis of Net Interest Income Changes

The following table presents the changes in interest income and expense between years due to changes in volume and interest rates.

	2023 Over 2022			2022 Over 2021		
(In thousands)	Volume [1]	Rate [1]	Total	Volume[1]	Rate [1]	Total
Increase (decrease) in interest income:						
Loans [2]:	$ 2,657	$ 8,708	$ 11,365	$ 4,150	$ 132	$ 4,282
Securities:						
Taxable	658	3,377	4,035	5,780	1,756	7,536
Tax-exempt [3]	(2,351)	(506)	(2,857)	(734)	(142)	(876)
Short-term investments	(2,671)	9,962	7,291	(291)	5,994	5,703
Total interest income	$ (1,707)	$ 21,541	$ 19,834	$ 8,905	$ 7,740	$ 16,645
Interest expense on:						
Interest-bearing demand deposits	$ (329)	$ 11,267	$ 10,938	$ 32	$ 2,504	$ 2,536
Savings deposits	(25)	100	75	(3)	32	29
Time deposits >=$250	71	453	524	36	6	42
Other time deposits	236	895	1,131	(139)	(157)	(296)
Short-term borrowings	—	116	116	—	—	—
Total interest expense	(47)	12,831	12,784	(74)	2,385	2,311
Net interest income	$ (1,660)	$ 8,710	$ 7,050	$ 8,979	$ 5,355	$ 14,334

(1) The change in interest due to the combined rate/volume variance has been allocated in proportion to the absolute dollar amounts of the change in each.

(2) Interest income includes net loan fees.

(3) Interest income is presented on a tax-equivalent basis assuming a tax rate of 21%.

Loan Portfolio

Interest earned on the loan portfolio is a primary source of income for the Company. The loan portfolio was $1.01 billion, representing 40.9% of the Company's total assets as of December 31, 2023 and generated $50.8 million in interest income during the year then ended. The following tables show the composition of the loan portfolio at the end of the periods indicated and remaining maturities for loans as of December 31, 2023.

	December 31,		
(In thousands)	2023	2022	2021
Commercial and industrial	$ 498,502	$ 561,616	$ 450,336
Real estate (commercial and faith-based):			
Mortgage	499,739	495,280	464,341
Construction	16,023	25,968	39,461
PPP	—	—	6,299
Other	54	42	130
Total loans	$ 1,014,318	$ 1,082,906	$ 960,567

Loans by Maturity as of December 31, 2023

(In thousands)	One Year Or Less		Over 1 Year Through 5 Years		Over 5 Years Through 15 Years [(1)]		
	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Total
Commercial and industrial	$ 19,711	$ 54,318	$ 200,726	$ 29,778	$ 179,335	$ 14,634	$ 498,502
Real Estate:							
Mortgage	68,144	13,175	311,474	1,741	93,587	11,618	499,739
Construction	7,784	5	838	7,396	—	—	16,023
Other	—	54	—	—	—	—	54
Total loans	$ 95,639	$ 67,552	$ 513,038	$ 38,915	$ 272,922	$ 26,252	$ 1,014,318

(1) The Company did not have any loans with maturities greater than 15 years.

The Company has no concentrations of loans exceeding 10% of total loans, which are not otherwise disclosed in the loan portfolio composition table and as are discussed in Item 8, Note 4, of this report. The Company's primary market niche for banking services is privately held businesses, franchise restaurants, and faith-based ministries.

Loans to commercial entities are generally secured by the business assets of the borrower, including accounts receivable, inventory, machinery and equipment, and the real estate from which the borrower operates. Operating lines of credit to these companies generally are secured by accounts receivable and inventory, with specific percentages of each determined on a customer-by-customer basis based on various factors including the type of business. Intermediate term credit for machinery and equipment is generally provided at some percentage of the value of the equipment purchased, depending on the type of machinery or equipment purchased by the entity. Loans secured exclusively by real estate to businesses and faith-based ministries are generally made with a maximum 80% loan to value ratio, depending upon the Company's estimate of the resale value and ability of the property to generate cash. The Company's loan policy requires an independent appraisal for all loans over $500,000 secured by real estate. Company management monitors the local economy in an attempt to determine whether it has had a significant deteriorating effect on such real estate loans. When problems are identified, appraised values are updated on a continual basis, either internally or through an updated external appraisal.

Loans decreased $68.6 million, or 6.3%, to $1.01 billion at December 31, 2023. Lease finance receivables and franchise restaurant loans, which are both included in commercial and industrial loans, decreased $39.4 million, or 24.5%, and $8.6 million, or 3.9%, respectively, during 2023. Commercial and industrial loans decreased $14.5 million, or 8.0%, during 2023. These decreases were due to being more selective in booking new loans as a result of the decline in deposits during the year. Additional details regarding the types and maturities of loans in the loan portfolio are contained in the tables above and in Item 8, Note 4.

Provision and Allowance for Credit Losses on Loans and Allowance for Unfunded Commitments

The Company recorded a release of credit losses and off-balance sheet credit exposures of $550,000 in 2023 and a provision for credit losses of $1.4 million in 2022. The amount of the (release of) provision for credit losses was derived from the Company's CECL model. The amount of the provision will fluctuate as determined by these analyses. The Company had net loan recoveries of $0 and $13,000 in 2023 and 2022, respectively. The ACL was $13.1 million at December 31, 2023 compared to $13.5 million at December 31, 2022. The ACL represented 1.29% and 1.25% of outstanding loans at December 31, 2023 and December 31, 2022, respectively. The allowance for unfunded commitments was $132,000 at December 31, 2023 and $232,000 at December 31, 2022. There were no nonperforming loans outstanding at December 31, 2023 and one nonperforming loan outstanding with an outstanding balance of $1.2 million, or 0.11% of total loans at December 31, 2022. The single nonperforming loan at December 31, 2022 paid off in full during January 2023.

The ACL has been established and is maintained to estimate the lifetime credit losses expected 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 values.

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.

The following schedule summarizes activity in the ACL and the allocation of the allowance to the Company's loan categories.

Summary of Credit Loss Experience

	December 31,				
(In thousands)	**2023**	**2022**	**2021**	**2020**	**2019**
Allowance at beginning of year	$ 13,539	$ 12,041	$ 11,944	$ 11,279	$ 10,225
Loans charged-off:					
Commercial and industrial	—	—	—	—	—
Real estate (commercial and faith-based):					
Mortgage	—	—	—	—	—
Construction	—	—	—	—	—
Other	—	—	—	—	—
Total loans charged-off	—	—	—	—	—
Recoveries of loans previously charged-off:					
Commercial and industrial	—	13	12	19	81
Real estate (commercial and faith-based):					
Mortgage	—	—	15	1	—
Construction	—	—	—	—	—
Other	—	—	—	—	—
Total recoveries of loans previously charged-off	—	13	27	20	81
Net loans recovered	—	(13)	(27)	(20)	(81)
(Release of) provision for credit losses	(450)	1,485	70	645	250
Allowance at end of year	$ 13,089	$ 13,539	$ 12,041	$ 11,944	$ 10,556
Cumulative effect of accounting change (ASU 2016-13)	—	—	—	—	723
Allowance at beginning of next year	$ 13,089	$ 13,539	$ 12,041	$ 11,944	$ 11,279
Allowance for unfunded commitments at beginning of year	$ 232	$ 367	$ 567	$ 402	$ —
(Release of) provision for credit losses	(100)	(135)	(200)	165	—
Allowance for unfunded commitments at end of year	132	232	367	567	—
Cumulative effect of accounting change (ASU 2016-13)	—	—	—	—	402
Allowance for unfunded commitments at beginning of next year	$ 132	$ 232	$ 367	$ 567	$ 402
Loans outstanding:					
Average	$1,055,668	$ 992,004	$ 887,662	$ 906,631	$ 760,153
December 31	1,014,318	1,082,906	960,567	891,676	772,638
Ratio of allowance for credit losses to loans outstanding at December 31	1.29 %	1.25 %	1.25 %	1.34 %	1.37 %

Ratio of net recoveries to average loans outstanding	— %	— %	— %	— %	(0.01)%
Allocation of allowance for credit losses [(1)]:					
Commercial and industrial	$ 5,412	$ 5,977	$ 5,035	$ 4,635	$ 4,874
Real estate (commercial and faith-based):					
Mortgage	7,569	7,378	6,714	6,892	5,370
Construction	108	184	292	417	312
Other	—	—	—	—	—
Total	$ 13,089	$ 13,539	$ 12,041	$ 11,944	$ 10,556

Percentage of categories to total loans:					
Commercial and industrial	49.1 %	51.9 %	46.9 %	33.5 %	41.9 %
Real estate (commercial and faith-based):					
Mortgage	49.3	45.7	48.3	48.7	52.8
Construction	1.6	2.4	4.1	5.5	5.3
PPP	—	—	0.7	12.3	—
Other	—	—	—	—	—
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(1) Although specific allocations exist, the entire allowance is available to absorb losses in any particular loan category.

Nonperforming Assets

Nonperforming loans are defined as loans on non-accrual status and loans 90 days or more past due but still accruing. Nonperforming assets include nonperforming loans plus foreclosed real estate. Loans with modifications to borrowers experiencing financial difficulty are not included in nonperforming loans unless they are on non-accrual status or past due 90 days or more.

It is the policy of the Company to continually monitor its loan portfolio and to discontinue the accrual of interest on any loan for which collection is not probable. Subsequent payments received on such loans are applied to principal if collection of principal is not probable; otherwise, these receipts are recorded as interest income. There was no interest income recognized on nonaccrual loans for the years ended 2023 and 2022.

There were no nonaccrual loans at December 31, 2023 and one nonaccrual loan of $1.2 million at December 31, 2022. There were no foreclosed assets at December 31, 2023 or December 31, 2022. The single nonperforming loan at December 31, 2022 paid off in full during January 2023.

The Company does not have any foreign loans. The Company's loan portfolio includes $157,000 of single family real estate mortgages, as the Company does not market its services to retail customers. Also, the Company had no sub-prime mortgage loans or residential development loans in its portfolio in any of the years presented.

The Company does not have any other interest-earning assets which would have been included in nonaccrual, past due or restructured loans if such assets were loans.

Summary of Nonperforming Assets

	December 31,				
(In thousands)	**2023**	**2022**	**2021**	**2020**	**2019**
Commercial and industrial:					
Nonaccrual	$ —	$ 1,150	$ —	$ —	$ —
Contractually past due 90 days or more and still accruing	—	—	—	—	—
Real estate – mortgage:					
Nonaccrual	—	—	—	—	—
Contractually past due 90 days or more and still accruing	—	—	—	—	—
Total nonperforming loans	$ —	$ 1,150	$ —	$ —	$ —
Total foreclosed assets	—	—	—	—	—
Total nonperforming assets	$ —	$ 1,150	$ —	$ —	$ —

Operating Expenses

Operating expenses in 2023 compared to 2022 and 2021 include the following significant pre-tax components:

	December 31,		
(In thousands)	**2023**	**2022**	**2021**
Salaries and commissions	$ 93,474	$ 85,489	$ 75,641
Share-based compensation	4,139	6,732	2,859
Net periodic pension cost (benefit)	733	(2,564)	(1,839)
Other benefits	20,348	16,817	15,494
Total personnel expense	$ 118,694	$ 106,474	$ 92,155
Occupancy	3,560	3,676	3,824
Equipment	7,138	6,668	6,745
Amortization of intangible assets	780	680	859
Other operating	29,983	22,078	16,743
Total operating expense	$ 160,155	$ 139,576	$ 120,326

Total operating expenses increased 14.7% in 2023 compared to 2022.

Salaries and commissions increased $8.0 million, or 9.3%, as a result of merit increases and an increase in average full-time equivalent employees ("FTEs") of 10.8% due to strategic investments in various technology initiatives.

Share-based compensation decreased $2.6 million, reflecting the Company's financial performance and the impact on performance-based restricted stock between the periods.

Pension expense increased $3.3 million. Despite the Company's defined benefit pension plan being frozen in the first quarter of 2021 resulting in no service cost in subsequent periods, expense increased as a result of the accounting impact of the decline in plan assets during 2022 and corresponding decline in expected return on plan assets for 2023.

Other benefits, such as 401(k) match, health insurance and payroll taxes, increased $3.5 million, or 21.0%, primarily due to the 10.8% increase in average FTEs as well as a significant increase in employer health insurance costs over prior year levels.

Other operating expense increased $7.9 million, or 35.8%, to $30.0 million. Certain expense categories such as outside service fees and data processing have increased as the Company invests in, and transitions to, improved technology.

Income Tax Expense

Income tax expense in 2023 totaled $7.3 million, compared to $8.0 million in 2022. When measured as a percent of pre-tax income, the Company's effective tax rate was 19.5% and 18.6% in 2023 and 2022, respectively. The increase in the effective tax rate in 2023 compared to 2022 was primarily due to a lower level of tax-free interest income on municipal securities in the current year.

Investment Portfolio

Investment securities decreased $127.4 million, or 16.9%, during 2023 to $627.1 million at December 31, 2023. U.S. Treasury securities decreased $46.6 million to $108.7 million at December 31, 2023 compared to $155.3 million at December 31, 2022. State and political securities decreased $76.1 million, or 25.8%, to $219.0 million at December 31, 2023 as a result of maturities and sales. The investment portfolio provides the Company with a significant source of earnings, secondary source of liquidity, and mechanisms to manage the effects of changes in loan demand and interest rates. Therefore, the size, asset allocation and maturity distribution of the investment portfolio will vary over time depending on management's assessment of current and future interest rates, changes in loan demand, changes in the Company's sources of funds and the economic outlook. During 2023, the Company purchased investment securities totaling $15.3 million.

There was no single issuer of securities in the investment portfolio at December 31, 2023 for which the aggregate amortized cost exceeded 10% of total shareholders' equity.

Investments by Type

	December 31,		
(In thousands)	**2023**	**2022**	**2021**
State and political subdivisions	$ 219,035	$ 295,126	$ 371,128
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	157,799	173,939	168,646
Corporate bonds	102,340	85,097	84,338
Asset-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	39,222	45,023	49,341
Treasury securities	108,721	155,283	—
Total investments	$ 627,117	$ 754,468	$ 673,453

Investment Securities by Maturity

(At December 31, 2023)

(In thousands)	Within 1 Year	Over 1 to 5 Years	Over 5 to 10 Years	Over 10 Years	Yield
State and political subdivisions	$ 20,492	$ 78,179	$ 91,789	$ 28,575	2.49 % [1]
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	713	40,396	116,690	1.69 %
Corporate bonds	—	55,771	46,569	—	3.69 %
Asset-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	—	—	39,222	5.44 %
Treasury securities	108,721	—	—	—	2.47 %
Total investments	$ 129,213	$ 134,663	$ 178,754	$ 184,487	2.64 %
Weighted average yield [1]	2.55 %	4.08 %	1.98 %	2.48 %	2.64 %

[1] Yields are presented on a tax-equivalent basis assuming a tax rate of 21%.

Deposits and Accounts and Drafts Payable

(In thousands)	December 31, 2023		2022		2021
Noninterest-bearing demand deposits	$ 524,359	$	642,757	$	582,642
Interest-bearing demand deposits	616,455		614,460		638,861
Total deposits	$ 1,140,814	$	1,257,217	$	1,221,503
Accounts and drafts payable	$ 1,071,369	$	1,067,600	$	1,050,396

Total deposits decreased $116.4 million, or 9.3% during 2023. Noninterest-bearing demand deposits decreased $118.4 million, or 18.4%, to $524.4 million at December 31, 2023 and interest-bearing deposits increased $2.0 million, or 0.3%, to $616.5 million at December 31, 2023. The Company experienced deposit attrition during the first six months of 2023 as larger commercial depository clients moved their funds to higher interest rate alternatives outside of the banking system. The Company also incurred a shift from non-interest bearing to interest-bearing deposits from current customers.

Accounts and drafts payable generated by the Company in its payment processing operations increased $3.8 million, or 0.4%, to $1.07 billion, at December 31, 2023. Due to the Company's payment processing cycle, average balances are much more indicative of the underlying activity than period-end balances since point-in-time comparisons can be misleading if the comparison dates fall on different days of the week. Average accounts and drafts payable decreased $60.1 million, or 5.3%, to $1.08 billion during 2023. The decrease in average accounts and drafts payable was primarily driven by the decrease in transportation dollar volumes due to the ongoing freight recession.

The composition of average deposits and the average rates paid on those deposits is represented in the table entitled "Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rate and Interest Differential" which is included earlier in this discussion. The Company does not have any significant deposits from foreign depositors.

Maturities of Certificates of Deposit as of December 31, 2023

(In thousands)	$100 or Less	$100 to Less Than $250	$250 or More	Total
Three months or less	$ 3,466	$ 34,607	$ 7,576	$ 45,649
Three to six months	349	2,233	4,276	6,858
Six to twelve months	923	9,175	10,011	20,109
Over twelve months	528	2,525	1,053	4,106
Total	$ 5,266	$ 48,540	$ 22,916	$ 76,722

Liquidity

The discipline of liquidity management as practiced by the Company seeks to ensure that funds are available to fulfill all payment obligations relating to invoices processed as they become due and meet depositor withdrawal requests and borrower credit demands while at the same time maximizing profitability. This is accomplished by balancing changes in demand for funds with changes in supply of funds. Primary liquidity to meet demand is provided by short-term liquid assets that can be converted to cash, maturing securities and the ability to obtain funds from external sources. The Company's Asset/Liability Committee ("ALCO") has direct oversight responsibility for the Company's liquidity position and profile. Management considers both on-balance sheet and off-balance sheet items in its evaluation of liquidity.

The balances of liquid assets consist 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, totaled $372.5 million at December 31, 2023, an increase of $171.5 million, or 85.4%, from December 31, 2022. The increase during 2023 is primarily attributed to decreases in investment securities, loans and payments in advance of funding, partially offset by a decrease in deposits. At December 31, 2023, cash and cash equivalents represented 15.0% of total assets and 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 securities available-for-sale at fair value were $627.1 million at December 31, 2023, a decrease of $127.4 million, or 16.9%, from December 31, 2022. Investment securities represented 25.3% of total assets at December 31, 2023. Of the total portfolio, 20.6% mature in one year or less, 21.5% mature after one year through five years and 57.9% mature after five years.

As of December 31, 2023, the Bank had unsecured lines of credit at six correspondent banks to purchase federal funds up to a maximum of $83.0 million in aggregate. As of December 31, 2023, the Bank had secured lines of credit with the Federal Home Loan Bank of $228.3 million collateralized by commercial mortgage loans. At December 31, 2023, the Company had lines of credit from three banks up to a maximum of $250.0 million in aggregate collateralized by state and political subdivision securities. There were not any amounts outstanding at December 31, 2023 and 2022 under any of the lines of credit.

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 many other commercial products of the Bank. The accounts and drafts payable generated by the Company have also historically been a stable source of funds.

Net cash flows provided by operating activities for the years 2023, 2022 and 2021 were $36.9 million, $51.6 million, and $34.5 million, respectively. Net income plus depreciation and amortization accounts for most of the operating cash provided. 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. Further analysis of the changes in these account balances is discussed earlier in this report. Due to the daily fluctuations in these account balances, management believes that 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, cash from operations, and borrowing lines will continue to be sufficient to fund the Company's operations and capital expenditures in 2024. The Company anticipates the annual capital expenditures for 2024 should range from $10 million to $12 million. Capital expenditures in 2024 are expected to primarily consist of purchases of equipment and software related to the payment and information processing services business.

Net income plus amortization of intangible assets, net amortization of premium/discount on investment securities and depreciation of premises and equipment was $39.5 million and $45.9 million for the years ended December 31, 2023 and December 31, 2022, respectively, a decrease of $6.4 million year over year. The decrease was due to the decrease in net income of $4.8 million and lower net amortization of premium/discount on investment securities of $1.8 million. The net amortization of premium/discount on investment securities is dependent on the type of securities purchased and changes in the prevailing market interest rate environment.

Other factors impacting the $14.7 million decrease in net cash provided by operating activities include:

- A decrease in other operating activities, net of $4.6 million, primarily due to changes in various accounts receivable and payable;
- A decrease in stock-based compensation expense of $2.6 million due to lower Company earnings and the impact on performance based stock;
- A decrease in current income tax liability of $2.2 million; and
- A change in the (release of) provision for credit losses of $1.9 million primarily due to changes in loans outstanding during the respective periods.

These factors were partially offset by an increase in the pension liability of $3.3 million.

On an overall basis, the Company's $14.7 million decrease in net cash provided by operating activities was due to higher operating expenses driven by strategic investments in technology initiatives. Higher expense levels were partially offset by improved revenue driven by higher levels of net interest income, processing fees and financial fees. The increase in net interest income in 2023 compared to 2022 is primarily due to the Federal Reserve's actions to increase the Federal Funds rate throughout 2022 and into 2023, positively affecting the net interest rate margin which increased to 3.25% as compared to 2.74% in the prior year.

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, inflation, 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 noninterest-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.

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. Lower levels of economic activity decrease both fee income (as fewer invoices are processed) and balances of accounts and drafts payable generated (as fewer or lower average dollar invoices are processed) from the Company's transportation customers.

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 and reduce liquidity.

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. During 2023, new business was added in both the transportation and facility expense management operations, driven by both successful marketing efforts and the solid market leadership position held by Cass.

Capital Resources

One of management's primary objectives is to maintain a strong capital base to warrant the confidence of customers, shareholders, and bank regulatory agencies. A strong capital base is needed to take advantage of profitable growth opportunities that arise and to provide assurance to depositors and creditors. The Company and its banking subsidiary continue to exceed all regulatory capital requirements, as evidenced by the capital ratios at December 31, 2023 as shown in Item 8, Note 2 of this report.

Cash dividends paid were $16.0 million and $15.4 million in 2023 and 2022, respectively.

Shareholders' equity was $229.8 million, or 9.3% of total assets, at December 31, 2023, an increase of $23.5 million as compared to December 31, 2022. The increase was primarily a result of net income of $30.1 million and the decrease in accumulated other comprehensive loss of $11.9 million due to the change in market values on investment securities, partially offset by the payment of cash dividends of $16.0 million, and the repurchase of treasury shares of $5.8 million.

Dividends from the Bank are a source of funds for payment of dividends by the Company to its shareholders. The only restrictions on dividends are those dictated by regulatory capital requirements, state corporate laws and prudent and sound banking principles. During 2023, the Bank paid dividends of $7.5 million to the Company. As of December 31, 2023, unappropriated retained earnings of $30.8 million were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities.

The Company maintains a treasury stock buyback program approved by the Board of Directors in October 2023 pursuant to which the Board of Directors has authorized the repurchase of up to 500,000 shares of the Company's common stock and has no expiration date. A total of 486,036 shares remain under the buyback program at December 31, 2023.

The Company repurchased a total of 150,541 shares at an aggregate cost of $5.8 million during the year ended December 31, 2023 and 130,374 shares at an aggregate cost of $5.3 million during the year ended December 31, 2022. A portion of the repurchased shares may be used for the Company's employee benefit plans and the balance will be available for other general corporate purposes. The pace of future repurchase activity will depend on factors such as levels of regulatory capital, cash generation from operations, cash requirements for investments, repayment of debt, current stock price, business and market conditions, and other factors. The Company may repurchase shares from time to time on the

open market or in private transactions, including structured transactions. The stock repurchase program may be modified or discontinued at any time.

Impact of Inflation

Inflation could have the impact of increasing our operating expenses, such as compensation expense. Inflationary pressures may also have an impact on total assets, earnings and capital, which could impact the Company's ability to grow. An increase in total assets could have the impact of decreasing regulatory capital ratios if earnings and total regulatory capital do not increase at the same rate.

As a result of rising inflation, the Federal Reserve increased the Federal Funds rate throughout 2022 and 2023. The increase in the Federal Funds rate has contributed to the increase in the Company's net interest margin to 3.25% in 2023 from 2.74% in 2022, therefore positively impacting net interest income. Partially as a result of declining inflation, the market is forecasting a decline in the Federal Funds rate beginning in 2024. A decrease in the Federal Funds rate could negatively impact the Company's net interest margin and income.

Commitments, Contractual Obligations and Off-Balance Sheet Arrangements

In the normal course of business, the Company is party to activities that involve credit, market and operational risk 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. 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. At December 31, 2023, an allowance for unfunded commitments of $132,000 had been recorded. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Provision and Allowance for Credit Losses and Unfunded Commitments.”

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 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 December 31, 2023, the balance of loan commitments, standby and commercial letters of credit were $196.1 million, $13.6 million and $353,000, 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 its guarantees on these financial instruments. See Note 14 "Disclosures about Fair Value of Financial Instruments" for more information.

During 2023, the Company did not make a contribution to its noncontributory defined benefit pension plan. In determining pension expense, the Company makes several assumptions, including the discount rate and long-term rate of return on assets. These assumptions are determined at the beginning of the plan year based on interest rate levels and financial market performance.

For 2023, these assumptions were as follows:

Assumption	Rate
Weighted average discount rate	5.25 %
Expected long-term rate of return on assets	6.00 %

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

The Company faces market risk to the extent that its net interest income is affected by changes in market interest rates. The asset/liability management discipline as applied by the Company seeks to limit the volatility, to the extent possible, that can result from changes in market interest rates. This is accomplished by limiting the concentration of maturities of fixed rate investments, loans, and deposits; matching fixed rate assets and liabilities to the extent possible; and optimizing the mix of fees and net interest income. However, the Company's asset/liability position often differs from other financial holding companies with positive cumulative "gaps." This asset sensitive position is caused primarily by the operations of the Company, which generate large balances of accounts and drafts payable. These balances, which are noninterest bearing, can cause the Company to become susceptible to changes in interest rates, with a decreasing net interest margin in periods of declining interest rates and an increasing net interest margin in periods of rising interest rates, like the Company experienced in 2023.

The Company’s ALCO measures the Company's interest rate risk sensitivity on a quarterly basis to monitor and manage the variability of earnings in various interest rate environments. The ALCO evaluates the Company's risk position to determine whether the level of exposure is significant enough to hedge a potential decline in earnings or whether the Company can safely increase risk to enhance returns. The ALCO uses gap reports, 12-month net interest income simulations, and fair market value of equity analyses as its main analytical tools to provide management with insight into the Company's exposure to changing interest rates.

Management uses a gap report to review any significant mismatch between the re-pricing points of the Company’s rate sensitive assets and liabilities in certain time horizons. A negative gap indicates that more liabilities re-price in that particular time frame and, if rates rise, these liabilities will re-price faster than the assets. A positive gap would indicate the opposite. Gap reports can be misleading in that they capture only the re-pricing timing within the balance sheet and fail to capture other significant risks such as basis risk and embedded options risk. Basis risk involves the potential for the spread relationship between rates to change under different rate environments and embedded options risk relates to the potential for the alteration of the level and/or timing of cash flows given changes in rates.

Another measurement tool used by management is net interest income simulation, which forecasts net interest income during the coming 12 months under different interest rate scenarios. Management has set policy limits specifying acceptable levels of interest rate risk given multiple simulated rate movements. These simulations are more informative than gap reports because they are able to capture more of the dynamics within the balance sheet, such as basis risk and embedded options risk. A table containing simulation results as of December 31, 2023, from an immediate and sustained parallel change in interest rates in three varying scenarios is shown below.

While net interest income simulations do an adequate job of capturing interest rate risk to short term earnings, they do not capture risk within the current balance sheet beyond 12 months. The Company uses fair market value of equity analyses to help identify longer-term risk that may reside on the current balance sheet. The fair market value of equity is represented by the present value of all future income streams generated by the current balance sheet. The Company measures the fair market value of equity as the net present value of all asset and liability cash flows discounted at forward rates suggested by the current U.S. Treasury curve plus appropriate credit spreads. This representation of the change in the fair market value of equity under different rate scenarios gives insight into the magnitude of risk to future earnings due to rate changes. Management has set policy limits relating to declines in the market value of equity.

The table below illustrates the projected impact of interest rate shocks on net interest income as of December 31, 2023:

Change in Interest Rates	% Change in Net Interest Income
+200 basis points	14.7%
+100 basis points	6.5
Flat rates	—
-100 basis points	(3.2)
-200 basis points	(6.0)%

The Company is generally asset sensitive as average interest-earning assets of $2.08 billion for 2023 greatly exceeded average interest-bearing liabilities of $573.3 million. The table above on the projected impact of interest rate shocks results from a static balance sheet at December 31, 2023. On an average balance basis, the percent change in net interest income generally is higher to the positive for a rising interest rate environment and more negative for a declining interest rate environment. Since the Company held more short-term investments ($351.6 million) on its ending balance sheet at December 31, 2023 than its average balance for full year 2023 of $287.2 million, the percent changes in net interest income are not necessarily representative of what would occur in a changing interest rate environment as these short-term investments are floating rate assets. The Company's cash position can vary significantly on a day to day basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
(In thousands except share and per share data)	**2023**	**2022**
Assets		
Cash and due from banks	$ 20,908	$ 20,995
Short-term investments	351,560	179,947
Cash and cash equivalents	372,468	200,942
Securities available-for-sale, at fair value	627,117	754,468
Loans	1,014,318	1,082,906
Less allowance for credit losses	13,089	13,539
Loans, net	1,001,229	1,069,367
Payments in advance of funding	198,861	293,775
Premises and equipment, net	30,093	19,958
Investments in bank-owned life insurance	49,159	47,998
Goodwill	17,309	17,309
Other intangible assets, net	3,345	4,126
Accounts and drafts receivable from customers	110,651	95,779
Other assets	68,390	69,301
Total assets	$ 2,478,622	$ 2,573,023
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits		
Noninterest-bearing	$ 524,359	$ 642,757
Interest-bearing	616,455	614,460
Total deposits	1,140,814	1,257,217
Accounts and drafts payable	1,071,369	1,067,600
Other liabilities	36,630	41,881
Total liabilities	2,248,813	2,366,698
Shareholders' Equity:		
Preferred stock, par value $0.50 per share; 2,000,000 shares authorized and no shares issued	—	—
Common stock, par value $0.50 per share; 40,000,000 shares authorized; 15,505,772 shares issued at December 31, 2023 and 2022; 13,582,375 and 13,669,656 shares outstanding at December 31, 2023 and 2022, respectively.	7,753	7,753
Additional paid-in capital	208,007	207,422
Retained earnings	145,782	131,682
Common shares in treasury, at cost (1,923,397 shares at December 31, 2023 and 1,836,116 shares at December 31, 2022, respectively)	(84,264)	(81,211)
Accumulated other comprehensive loss	(47,469)	(59,321)
Total shareholders' equity	229,809	206,325
Total liabilities and shareholders' equity	$ 2,478,622	$ 2,573,023

See accompanying notes to consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)	For the Years Ended December 31, 2023	2022	2021
Fee Revenue and Other Income:			
Processing fees	$ 79,566	$ 76,470	$ 74,589
Financial fees	45,985	43,757	32,733
Other	4,916	4,755	2,369
Total fee revenue and other income	130,467	124,982	109,691
Interest Income:			
Interest and fees on loans	50,825	39,460	35,178
Interest and dividends on securities:			
Taxable	14,118	10,083	2,547
Exempt from federal income taxes	4,097	6,354	7,046
Interest on federal funds sold and other short-term investments	13,720	6,429	726
Total interest income	82,760	62,326	45,497
Interest Expense:			
Interest on deposits	16,150	3,482	1,171
Interest on short-term borrowings	116	—	—
Total interest expense	16,266	3,482	1,171
Net interest income	66,494	58,844	44,326
(Release of) provision for credit losses	(550)	1,350	(130)
Net interest income after (release of) provision for credit losses	67,044	57,494	44,456
Total net revenue	197,511	182,476	154,147
Operating Expense:			
Personnel	118,694	106,474	92,155
Occupancy	3,560	3,676	3,824
Equipment	7,138	6,668	6,745
Amortization of intangible assets	780	680	859
Other operating	29,983	22,078	16,743
Total operating expense	160,155	139,576	120,326
Income before income tax expense	37,356	42,900	33,821
Income tax expense	7,297	7,996	5,217
Net income	$ 30,059	$ 34,904	$ 28,604
Basic Earnings Per Share	$ 2.22	$ 2.58	$ 2.03
Diluted Earnings Per Share	2.18	2.53	2.00

See accompanying notes to consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	For the Years Ended December 31, 2023	2022	2021
Comprehensive Income:			
Net income	$ 30,059	$ 34,904	$ 28,604
Other comprehensive income (loss):			
Net unrealized gain (loss) on securities available-for-sale	12,605	(79,746)	(10,447)
Tax effect	(3,000)	18,981	2,487
Reclassification adjustments for losses (gains) included in net income	173	(15)	(51)
Tax effect	(41)	3	12
FASB ASC 715 pension adjustment	2,550	1,504	11,363
Tax effect	(607)	(358)	(2,705)
Foreign currency translation adjustments, net of tax	172	(143)	(191)
Other comprehensive income (loss)	11,852	(59,774)	468
Total comprehensive income (loss)	$ 41,911	$ (24,870)	$ 29,072

See accompanying notes to consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the Years Ended December 31, 2023	2022	2021
Cash Flows From Operating Activities:			
Net income	$ 30,059	$ 34,904	$ 28,604
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	780	680	859
Net amortization of premium/discount on investment securities	4,473	6,275	7,328
Depreciation	4,189	4,021	4,313
Losses (gains) on sales of securities	173	(15)	(51)
Stock-based compensation expense	4,139	6,732	2,859
(Release of) provision for credit losses	(550)	1,350	(130)
Deferred income tax benefit	(284)	(1,163)	(698)
(Decrease) increase in current income tax liability	(1,481)	724	206
Increase (decrease) in pension liability	806	(2,484)	(1,811)
Increase in accounts receivable	(3,841)	(2,520)	(602)
Other operating activities, net	(1,527)	3,104	(6,330)
Net cash provided by operating activities	36,936	51,608	34,547
Cash Flows From Investing Activities:			
Proceeds from sales of securities available-for-sale	111,583	3,838	63,774
Proceeds from maturities of securities available-for-sale	39,233	61,209	96,951
Purchases of securities available-for-sale	(15,332)	(232,083)	(494,226)
Net decrease (increase) in loans	68,588	(122,326)	(68,664)
Purchase of bank-owned life insurance	—	(4,000)	(25,119)
Decrease (increase) in payments in advance of funding	94,914	(2,348)	(96,864)
Purchases of premises and equipment, net	(14,324)	(5,866)	(4,369)
Asset acquisition of TouchPoint	—	(4,814)	—
Net cash provided by (used in) investing activities	284,662	(306,390)	(528,517)
Cash Flows From Financing Activities:			
Net (decrease) increase in noninterest-bearing demand deposits	(118,398)	60,115	89,138
Net (decrease) increase in interest-bearing demand and savings deposits	(34,106)	(17,838)	90,310
Net increase (decrease) in time deposits	36,101	(6,563)	(8,801)
Net (increase) decrease in accounts and drafts receivable from customers	(14,872)	(90,787)	6
Net increase in accounts and drafts payable	3,769	17,204	215,010
Cash dividends paid	(15,959)	(15,442)	(15,446)
Purchase of common shares for treasury	(5,773)	(5,299)	(30,997)
Other financing activities, net	(834)	(594)	(850)
Net cash (used in) provided by financing activities	(150,072)	(59,204)	338,370
Net increase (decrease) in cash and cash equivalents	171,526	(313,986)	(155,600)
Cash and cash equivalents at beginning of year	200,942	514,928	670,528
Cash and cash equivalents at end of year	$ 372,468	$ 200,942	$ 514,928
Supplemental information:			
Cash paid for interest	$ 15,697	$ 3,431	$ 1,194
Cash paid for income taxes	9,300	8,396	5,637

See accompanying notes to consolidated financial statements.

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2020	$ 7,753	$ 204,875	$ 99,062	$ (50,515)	$ (15)	$ 261,160
Net income			28,604			28,604
Cash dividends ($1.09 per share)			(15,446)			(15,446)
Issuance of 85,056 common shares pursuant to stock-based compensation plan, net		(2,939)		2,249		(690)
Exercise of SARs		(519)		359		(160)
Stock-based compensation expense		2,859				2,859
Purchase of 713,857 common shares				(30,997)		(30,997)
Other comprehensive income					468	468
Balance, December 31, 2021	$ 7,753	$ 204,276	$ 112,220	$ (78,904)	$ 453	$ 245,798
Net income			34,904			34,904
Cash dividends ($1.13 per share)			(15,442)			(15,442)
Issuance of 82,172 common shares pursuant to stock-based compensation plan, net		(2,727)		2,414		(313)
Exercise of SARs		(859)		578		(281)
Stock-based compensation expense		6,732				6,732
Purchase of 130,374 common shares				(5,299)		(5,299)
Other comprehensive income					(59,774)	(59,774)
Balance, December 31, 2022	$ 7,753	$ 207,422	$ 131,682	$ (81,211)	$ (59,321)	$ 206,325
Net income			30,059			30,059
Cash dividends ($1.17 per share)			(15,959)			(15,959)
Issuance of 84,366 common shares pursuant to stock-based compensation plan, net		(3,334)		2,616		(718)
Exercise of SARs		(238)		122		(116)
Stock-based compensation expense		4,157		(18)		4,139
Purchase of 150,541 common shares				(5,773)		(5,773)
Other comprehensive loss					11,852	11,852
Balance, December 31, 2023	$ 7,753	$ 208,007	$ 145,782	$ (84,264)	$ (47,469)	$ 229,809

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1
Summary of Significant Accounting Policies

Summary of Operations The Company provides payment and information services, which include processing and payment of transportation, energy, telecommunications and environmental invoices. These services include the acquisition and management of data, information delivery and financial exchange. The consolidated balance sheet captions, "Accounts and drafts payable" and "Payments in advance of funding," represent the Company's resulting financial position related to the payment services that are performed for customers. The Company also provides a full range of banking services to individual, corporate and institutional customers through the Bank, its wholly owned bank subsidiary.

Basis of Presentation The accounting and reporting policies of the Company and its subsidiaries conform to U.S. GAAP. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of intercompany transactions. Certain amounts in the 2022 and 2021 consolidated financial statements have been reclassified to conform to the 2023 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Use of Estimates In preparing the consolidated financial statements, Company management is required to make estimates and assumptions which significantly affect the reported amounts in the consolidated financial statements.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Company considers cash and due from banks, interest-bearing deposits in other financial institutions, and federal funds sold and other short-term investments to be cash and cash equivalents.

Investment in Debt Securities The Company classifies its investment securities as available-for-sale. Securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, net of the related tax effect, are excluded from earnings and reported in accumulated other comprehensive income, a component of shareholders' equity. Securities are periodically evaluated for credit losses in accordance with the guidance provided in FASB ASC Topic 326, *Financial Instruments – Credit Losses* ("ASC 326").

For available for sale investment securities in an unrealized loss position, the entire loss in fair value is required to be recognized in current earnings if the Company intends to sell the securities or believes it is more likely than not that it will be required to sell the security before the anticipated recovery. If neither condition is met, and the Company does not expect to recover the amortized cost basis, the Company determines whether the decline in fair value resulted from credit losses or other factors. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss has occurred, and an allowance for credit losses is recorded. The allowance for credit losses is limited by the amount that the fair value is less than the amortized cost basis. Any impairment not recorded through the provision for credit losses would be recognized in other comprehensive income.

Changes in the allowance for credit losses would be recorded as a provision for credit losses on the consolidated statements of income. Losses would be charged against the allowance for credit losses on securities when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the conditions regarding intent or requirement to sell is met.

Premiums and discounts are amortized or accreted to interest income over the expected lives of the respective securities using the level-yield method. Interest income is recognized when earned. Gains and losses are calculated using the specific identification method.

Loans Interest on loans is recognized based upon the principal amounts outstanding. It is the Company's policy to discontinue the accrual of interest when there is reasonable doubt as to the collectability of principal or interest. Subsequent payments received on such loans are applied to principal if there is any doubt as to the collectability of such principal; otherwise, these receipts are recorded as interest income. The accrual of interest on a loan is resumed when the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current. Loan origination and commitment fees on originated loans, net of certain direct loan origination costs, are deferred and amortized to interest income using the level-yield method over the estimated lives of the related loans.

Allowance for Credit Losses The ACL is increased by provisions charged to expense and is available to absorb charge-offs, net of recoveries. Management utilizes a systematic, documented approach in determining the appropriate level of the ACL. Management's approach provides for estimated current expected credit losses on loans in accordance with ASC 326. These estimates are based upon a number of factors, such as payment history, financial condition of the borrower, expected future cash flows and collateral exposure.

The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries for amounts previously charged off and expected to be charged off do not exceed the aggregate of amounts previously charged off and expected to be charged off.

Management estimated the allowance balance using relevant available information from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts based on economic factors, such as GDP. Historical credit loss experience, of both the Company and similar peer banks, provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for concentration risk, asset quality trends, borrower's ability to pay, collateral, and other environmental factors. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall ACL because a wide variety of factors and inputs are considered in estimating the allowance and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all loan types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others. The ACL is measured on a collective pool basis when similar risk characteristics exist. Management believes the ACL is adequate to absorb expected losses in the loan portfolio.

Loans
The Company has identified the following portfolio segments:

Commercial & Industrial ("C&I") – C&I loans consist of loans to small and medium-sized businesses in a wide variety of industries, franchise lending, and equipment financing to companies of all sizes. These loans are generally collateralized by inventory, accounts receivable, equipment, and other commercial assets, and may be supported by other credit enhancements such as personal guarantees. Risk arises primarily due to a difference between expected and actual cash flows of the borrower. However, the recoverability of these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans. The fair value of the collateral securing these loans may fluctuate as market conditions change. Included within C&I are revolving loans supported by borrowing bases that fluctuate depending on the amount of underlying collateral.

Commercial Real Estate ("CRE") – CRE loans include various types of loans for which the Company holds real property as collateral. Commercial real estate lending activity is typically restricted to owner-occupied properties or to investor properties that are owned by customers with a current banking relationship. The primary risks of CRE loans include the borrower's inability to pay and material decreases in the value of the real estate being held as collateral.

Faith-based CRE – Faith-based CRE loans include loans to faith-based ministries for which the Company holds real property as collateral. The primary risks of faith-based CRE loans include the borrower's inability to pay and material decreases in the value of the real estate being held as collateral.

Construction and Land Development – The Company originates loans to finance construction projects including faith-based and commercial projects. Construction loans are generally collateralized by first liens on the real estate and have floating interest rates. The primary risks of construction loans are construction completion and timing risk. Adverse economic conditions may negatively impact the borrowers' ability to complete the project. Additionally, the fair value of the underlying collateral may fluctuate as market conditions change.

The ACL is calculated as the difference between the amortized cost basis of the loan portfolio and the projections from the weighted-average remaining maturity ("WARM") model that the Company developed. The WARM model utilizes an attrition analysis, including events such as payoffs, matured loans, and renewals in the borrowers' control, to anticipate the length of time it would take for each portfolio segment to runoff. Management incorporates a one-year GDP forecast and an immediate reversion to peer historical loss rates to determine the annual charge off rates over the estimated life of the loans. After the reasonable and supportable forecast period, the model reverts to long-run /historical average loss rates of its peers. However, for the faith-based CRE ACL, loss rates are determined using the Company's long-run historical averages, as this loan segment is unique to the Company and does not represent a more than nominal percentage of peer loan portfolios. The economic forecast is based on management's assessment of the length and pattern of the current economic

cycle. The resulting annual charge off rate determined for each year in the WARM model is applied to the loan balances estimated in the attrition analysis.

Management accounts for the inherent uncertainty of the underlying economic forecast by reviewing forecast scenarios. Additionally, the ACL calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, value of underlying collateral, loan review and audit results, asset quality and portfolio trends, loan portfolio growth and loan concentrations. The Company has elected to exclude accrued interest receivable ("AIR") from the allowance for credit losses calculation. When a loan is placed on non-accrual, any recorded AIR is reversed against interest income.

The determination and application of the ACL accounting policy involves judgments, estimates, and uncertainties that are subject to change. Changes in these assumptions, estimates or the conditions surrounding them may have a material impact on the Company's financial condition, liquidity or results of operations. Various regulatory agencies, as an integral part of the examination process, periodically review the ACL. Such agencies may require the Company to recognize additions to the ACL or reserve increases to adversely graded classified loans based on information available to them at the time of their examinations.

The ACL is decreased by net charge-offs and is increased by provisions for credit losses that are charged to the consolidated statements of operations. Charge-offs, if any, are typically measured for each loan based on a thorough analysis of the most probable source of repayment, such as the present value of the loan's expected future cash flows, the loan's estimated fair value, or the estimated fair value of the underlying collateral less costs of disposition for collateral-dependent loans. When it is determined that specific loans, or portions thereof, are uncollectible, these amounts are charged off against the ACL.

Unfunded loan commitments
In addition to the ACL for funded loans, the Company maintains reserves to cover the risk of loss associated with off-balance sheet unfunded loan commitments. The allowance for off-balance sheet credit losses is maintained within other liabilities in the statements of financial condition. Under the CECL framework, adjustments to this liability are recorded as provision for credit losses in the consolidated statements of operations. Unfunded loan commitment balances are evaluated by loan segment. In order to establish the required level of reserve, the Company applies average historical utilization rates and ACL loan model loss rates for each loan segment to the outstanding unfunded commitment balances.

Investment securities
Management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings. If either of the above criteria is not met, the Company will evaluate whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss. For U.S. agency-backed securities where the risk of nonpayment of the amortized cost basis is zero, the Company will not measure expected credit losses on these securities. When the loss is not considered a result of credit loss, the cost basis of the security is written down to fair value, with the loss charge recognized in AOCI. Credit losses are not estimated for AIR from investment securities as interest deemed uncollectible is written off through interest income.

Individually Evaluated Loans A loan is considered individually evaluated when it is probable that a creditor will be unable to collect all amounts due, both principal and interest, according to the contractual terms of the loan agreement. Individually evaluated loans are generally measured based on the expected future cash flows and discounted at the loan's effective interest rate. Alternatively, reference to an observable market price could be used to individually evaluate loans, if one exists, or the fair value of the collateral for a collateral-dependent loan. Regardless of the historical measurement method used, the Company measures individually evaluated loans based on the fair value of the collateral when the Company determines foreclosure is probable. The Company uses its methods as discussed above for recognizing interest on individually evaluated loans.

Foreclosed Assets Real estate acquired as a result of foreclosure is initially recorded at fair value less estimated selling costs. Fair value is generally determined through the receipt of appraisals. Any write down to fair value at the time the property is acquired is recorded as a charge-off to the allowance for credit losses. Any decline in the fair value of the property subsequent to acquisition is recorded as a charge to non-interest expense.

Premises and Equipment Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed over the estimated useful lives of the assets, or the respective lease terms for leasehold improvements, using straight-line and accelerated methods. Estimated useful lives do not exceed 40 years for buildings, the lesser of 10 years or the life of the lease for leasehold improvements and range from 3 to 7 years for software, equipment, furniture and fixtures. Maintenance and repairs are charged to expense as incurred.

Intangible Assets Cost in excess of fair value of net assets acquired has resulted from business acquisitions. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with definite useful lives are amortized on a straight-line basis over their respective estimated useful lives.

Periodically, the Company reviews intangible assets for events or changes in circumstances that may indicate that the carrying amount of the assets may not be recoverable. Based on those reviews, adjustments of recorded amounts have not been required.

Non-marketable Equity Investments The Company accounts for non-marketable equity investments, in which it holds less than a 20% ownership, as equity investments without readily determinable fair values. As a result, the carrying value of the investment is determined under the measurement alternative of cost, less impairment (if any), adjusted for fair value changes when observable prices are available. The Company periodically evaluates for impairment of these investments. In performing this evaluation, the Company considers various factors including the investee's financial condition, results of operations, operating trends and other financial ratios. Non-marketable equity investments are included in other assets on the consolidated balance sheets.

Treasury Stock Purchases of the Company’s common stock are recorded at cost. Upon reissuance, treasury stock is reduced based upon the average cost basis of shares held.

Comprehensive Income Comprehensive income consists of net income, changes in net unrealized gains (losses) on available-for-sale securities and pension liability adjustments and is presented in the accompanying consolidated statements of shareholders' equity and consolidated statements of comprehensive income.

Processing Fees A majority of the Company’s fee revenue is attributable to providing services related to processing and payment of invoices. These services include invoice processing, transportation invoice rating, payment processing and services, auditing, and the generation of accounting and transportation information. The Company also processes, pays and generates management information from electric, gas, telecommunications, environmental, and other invoices. The specific payment and information processing services provided to each customer are developed individually to meet each customer’s specific requirements. The Company enters into service agreements with customers typically for fixed fees per transaction that are invoiced monthly. Revenues are recognized in the period services are rendered and earned under the service agreements, as long as collection is reasonably assured.

Financial 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.

Income Taxes Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced if necessary, by a deferred tax asset valuation allowance. In the event that management determines it is more likely than not that it will not be able to realize all or part of net deferred tax assets in the future, the Company adjusts the recorded value of deferred tax assets, which would result in a direct charge to income tax expense in the period that such determination is made. Likewise, the Company will reverse the valuation allowance when realization of the deferred tax asset is expected. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company and its subsidiaries file U.S. federal and certain state income tax returns on a consolidated basis. In addition, certain state jurisdictions are filed on a separate company basis by the Company or its subsidiaries.

The Company recognizes and measures income tax benefits using a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized; and 2) the benefit must be measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized for a tax position in this model and the tax benefit claimed on a tax return is treated as an unrecognized tax benefit. The Company recognizes income tax related interest and penalties in income tax expense.

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.

Stock-Based Compensation The Company follows FASB ASC 718, *Accounting for Stock Options and Other Stock-based Compensation* ("ASC 718"), which requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. ASC 718 also requires that excess tax benefits related to stock option exercises and restricted stock awards be reflected as financing cash inflows instead of operating cash inflows.

Pension Plans The amounts recognized in the consolidated financial statements related to pension are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2023, rate of increase in mortality rates. These assumptions are updated annually and are disclosed in Note 10. The Company follows FASB ASC 715, *Compensation – Retirement Benefits* ("ASC 715"), which requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its consolidated balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The funded status is measured as the difference between the fair value of the plan assets and the projected benefit obligation as of the date of its fiscal year-end.

Fair Value Measurements The Company follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in GAAP, and outlines disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level hierarchy for valuation techniques is used to measure financial assets and financial liabilities at fair value. This hierarchy is based on whether the valuation inputs are observable or unobservable. Financial instrument valuations are considered Level 1 when they are based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instrument valuations use quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Financial instrument valuations are considered Level 3 when they are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable, and when determination of the fair value requires significant management judgment or estimation. The Company records securities available for sale at their fair values on a recurring basis using Level 2 valuations. Additionally, the Company records individually evaluated credits and other real estate owned at their fair value on a nonrecurring basis. The nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or impairment write-downs of individual assets.

Impact of New and Not Yet Adopted Accounting Pronouncements

In March 2022, the FASB issued 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02"). This ASU eliminates the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL methodology for estimating allowances for credit losses and enhances the disclosure requirements for loan restructurings made with borrowers experiencing financial difficulty. Instead, entities are required to evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or continuation of an existing loan. In addition, the amendments require a public business entity to disclose current period gross charge-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. ASU 2022-02 was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The implementation of this ASU effective January 1, 2023 did not have a material impact on the consolidated financial statements.

In October 2023, the FASB issued 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"). This ASU amends the ASC to incorporate certain disclosure requirements from SEC Release No. 33-10532 - Disclosure Update and Simplification that was issued in 2018.

The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. ASU 2023-06 is not expected to have a significant impact on the Company's financial statements.

In November 2023, the FASB issued 2023-07, *Segment Reporting (Topic 820): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). This ASU expands segment disclosure requirements for public entities to require disclosure of significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. ASU 2023-07 is not expected to have a significant impact on the Company's financial statements.

In December 2023, the FASB issued 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). This ASU requires public business entities to disclose in their rate reconciliation table additional categories of information about federal, state, and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. It also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. ASU 2023-09 is not expected to have a significant impact on the Company's financial statements.

Note 2
Capital Requirements and Regulatory Restrictions

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s consolidated financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company’s and the Bank’s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulators to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital and common equity Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes that as of December 31, 2023 and 2022, the Company and the Bank met all capital adequacy requirements to which they are subject.

The Bank is also subject to the regulatory framework for prompt corrective action. As of December 31, 2023, the most recent notification from the regulatory agencies categorized the Bank as well-capitalized. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, common equity Tier I risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank’s category.

The Company has traditionally paid a quarterly cash dividend to its shareholders. Subsidiary dividends can be a significant source of funds for payment of dividends by the Company to its shareholders. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of the Bank to fall below specified minimum levels. Approval is also required if dividends declared exceed the net profits for that year combined with the retained net profits for the preceding two years. Under the foregoing dividend restrictions and while maintaining its “well capitalized” status, at December 31, 2023, unappropriated retained earnings of $30.8 million were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities. In addition to regulatory requirements and considerations, any payment of dividends in the future will depend on the Company’s earnings, financial condition and other factors considered relevant by the Company’s Board of Directors.

There were no restricted funds on deposit used to meet regulatory reserve requirements at December 31, 2023 and 2022.

The Company's and the Bank's actual and required capital amounts and ratios are as follows:

	Actual		Capital Requirements		Requirement to be Well-Capitalized	
(In thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
At December 31, 2023						
Total capital (to risk-weighted assets)						
Cass Information Systems, Inc.	$ 269,580	15.49 %	$ 139,266	8.00 %	$ N/A	N/A %
Cass Commercial Bank	204,584	19.04	85,964	8.00	107,455	10.00
Common Equity Tier I Capital (to risk-weighted assets)						
Cass Information Systems, Inc.	256,359	14.73	78,337	4.50	N/A	N/A
Cass Commercial Bank	192,104	17.88	48,355	4.50	69,846	6.50
Tier I capital (to risk-weighted assets)						
Cass Information Systems, Inc.	256,359	14.73	104,449	6.00	N/A	N/A
Cass Commercial Bank	192,104	17.88	64,473	6.00	85,964	8.00
Tier I capital (to average assets)						
Cass Information Systems, Inc.	256,359	10.71	95,760	4.00	N/A	N/A
Cass Commercial Bank	192,104	12.49	61,526	4.00	76,908	5.00
At December 31, 2022						
Total capital (to risk-weighted assets)						
Cass Information Systems, Inc.	$ 257,313	13.52 %	$ 152,306	8.00 %	$ N/A	N/A %
Cass Commercial Bank	186,075	16.00	93,044	8.00	116,305	10.00
Common Equity Tier I Capital (to risk-weighted assets)						
Cass Information Systems, Inc.	243,774	12.80	85,672	4.50	N/A	N/A
Cass Commercial Bank	172,848	14.86	52,337	4.50	75,598	6.50
Tier I capital (to risk-weighted assets)						
Cass Information Systems, Inc.	243,774	12.80	114,229	6.00	N/A	N/A
Cass Commercial Bank	172,848	14.86	69,783	6.00	93,044	8.00
Tier I capital (to average assets)						
Cass Information Systems, Inc.	243,774	9.52	102,386	4.00	N/A	N/A
Cass Commercial Bank	172,848	10.77	64,196	4.00	80,245	5.00

Note 3
Investment Securities

Investment securities available-for-sale are recorded at fair value on a recurring basis. The Company's investment securities available-for-sale at December 31, 2023 and 2022 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 falls into the Level 2 category. The table below presents the balances of securities available-for-sale

measured at fair value on a recurring basis. The amortized cost, gross unrealized gains, gross unrealized losses and fair value of debt and equity securities are summarized as follows:

	December 31, 2023			
(In thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
State and political subdivisions	$ 235,297	$ 4	$ (16,266)	$ 219,035
Mortgage-backed securities issued or guaranteed by U.S. government agencies or sponsored enterprises	188,307	—	(30,508)	157,799
Corporate bonds	111,109	—	(8,769)	102,340
Treasury securities	109,836	—	(1,115)	108,721
Asset backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	40,368	—	(1,146)	39,222
Total	$ 684,917	$ 4	$ (57,804)	$ 627,117

	December 31, 2022			
(In thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
State and political subdivisions	$ 317,376	$ 54	$ (22,304)	$ 295,126
Mortgage-backed securities issued or guaranteed by U.S. government agencies or sponsored enterprises	205,175	—	(31,236)	173,939
Corporate bonds	96,348	—	(11,251)	85,097
Treasury Securities	158,935	—	(3,652)	155,283
Asset backed securities issued or guaranteed by U.S. government agencies or sponsored enterprises	47,213	—	(2,190)	45,023
Total	$ 825,047	$ 54	$ (70,633)	$ 754,468

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

	December 31, 2023					
	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	$ 63,198	$ 220	$ 152,854	$ 16,046	$ 216,052	$ 16,266
Mortgage-backed securities issued or guaranteed by U.S. government agencies or sponsored enterprises	—	—	157,799	30,508	157,799	30,508
Corporate bonds	19,545	455	82,795	8,314	102,340	8,769
Treasury securities	—	—	108,721	1,115	108,721	1,115
Asset backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	—	39,222	1,146	39,222	1,146
Total	$ 82,743	$ 675	$ 541,391	$ 57,129	$ 624,134	$ 57,804

(In thousands)	December 31, 2022					
	Less than 12 months		12 months or more		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
State and political subdivisions	$ 214,919	$ 8,958	$ 47,474	$ 13,346	$ 262,393	$ 22,304
Mortgage-backed securities issued or guaranteed by U.S. government agencies or sponsored enterprises	53,732	6,135	118,017	25,101	171,749	31,236
Corporate bonds	32,517	3,629	47,580	7,622	80,097	11,251
Treasury securities	155,283	3,652	—	—	155,283	3,652
Asset backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	—	47,213	2,190	47,213	2,190
Total	$ 456,451	$ 22,374	$ 260,284	$ 48,259	$ 716,735	$ 70,633

There were 275 securities, or 98.9%, in an unrealized loss position as of December 31, 2023 compared to 311 securities, or 91.7%, in an unrealized loss position as of December 31, 2022. The unrealized losses at December 31, 2023 were primarily attributable to changes in market interest rates after the securities were purchased. The Company does not currently intend to sell, and based on current conditions, the Company does not believe it will be required to sell these available-for-sale securities before the recovery of the amortized cost basis, which may be the maturity dates of the securities. Therefore, the unrealized losses are recorded in accumulated other comprehensive loss. Of these securities, 210, or 75.5%, were in an unrealized loss position for greater than 12 months at December 31, 2023. At December 31, 2023 and December 31, 2022, the Company had not recorded an allowance for credit losses on securities.

The amortized cost and fair value of debt and equity 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.

(In thousands)	December 31, 2023	
	Amortized Cost	Fair Value
Due in 1 year or less	$ 130,388	$ 129,213
Due after 1 year through 5 years	136,710	134,663
Due after 5 years through 10 years	202,069	178,754
Due after 10 years	215,750	184,487
Total	$ 684,917	$ 627,117

There were no securities pledged to secure public deposits or for other purposes at December 31, 2023.

Proceeds from sales of investment securities classified as available-for-sale were $111.6 million in 2023, $3.8 million in 2022, and $63.8 million in 2021. Gross realized gains on the sales in 2023, 2022, and 2021 were $187,000, $15,000, and $55,000, respectively. Gross realized losses on the sales in 2023, 2022, and 2021 were $360,000, $0 and $4,000, respectively.

Note 4
Loans

The Company originates commercial, industrial and real estate loans to businesses and faith-based ministries throughout the metropolitan St. Louis, Missouri area, Colorado Springs, Colorado and other selected cities in the United States. The Company does not have any particular concentration of credit in any one economic sector; however, a substantial portion of the commercial and industrial loans is extended to privately-held commercial companies and franchises in these market areas and are generally secured by the assets of the business. The Company also has a substantial portion of real estate

loans secured by mortgages that are extended to faith-based ministries in its market area and selected cities in the United States.

A summary of loan categories is as follows:

(In thousands)	December 31, 2023	December 31, 2022
Commercial and industrial	$ 498,502	$ 561,616
Real estate:		
Commercial:		
Mortgage	118,371	108,166
Construction	8,233	17,874
Faith-based:		
Mortgage	381,368	387,114
Construction	7,790	8,094
Other	54	42
Total loans	$ 1,014,318	$ 1,082,906

The following table presents the aging of loans by loan categories at December 31, 2023:

	Performing			Nonperforming		
(In thousands)	Current	30-59 Days	60-89 Days	90 Days and Over	Non-accrual	Total Loans
Commercial and industrial	$ 498,502	$ —	$ —	$ —	$ —	$ 498,502
Real estate						
Commercial:						
Mortgage	118,371	—	—	—	—	118,371
Construction	8,233	—	—	—	—	8,233
Faith-based:						
Mortgage	381,368	—	—	—	—	381,368
Construction	7,790	—	—	—	—	7,790
PPP	—	—	—	—	—	—
Other	54	—	—	—	—	54
Total	$ 1,014,318	$ —	$ —	$ —	$ —	$ 1,014,318

The following table presents the aging of loans by loan categories at December 31, 2022:

	Performing			Nonperforming		
(In thousands)	Current	30-59 Days	60-89 Days	90 Days and Over	Non-accrual	Total Loans
Commercial and industrial	$ 560,466	$ —	$ —	$ —	$ 1,150	$ 561,616
Real estate						
Commercial:						
Mortgage	108,166	—	—	—	—	108,166
Construction	17,874	—	—	—	—	17,874
Faith-based:						
Mortgage	387,114	—	—	—	—	387,114
Construction	8,094	—	—	—	—	8,094
PPP	—	—	—	—	—	—
Other	42	—	—	—	—	42
Total	$ 1,081,756	$ —	$ —	$ —	$ 1,150	$ 1,082,906

The following table presents the credit exposure of the loan portfolio by internally assigned credit grade as of December 31, 2023:

(In thousands)	Loans Subject to Normal Monitoring(1)	Performing Loans Subject to Special Monitoring(2)	Nonperforming Loans Subject to Special Monitoring(2)	Total Loans
Commercial and industrial	$ 498,502	$ —	$ —	$ 498,502
Real estate				
Commercial:				
Mortgage	118,371	—	—	118,371
Construction	8,233	—	—	8,233
Faith-based:				
Mortgage	375,865	5,503	—	381,368
Construction	7,790	—	—	7,790
PPP	—	—	—	—
Other	54	—	—	54
Total	$ 1,008,815	$ 5,503	$ —	$ 1,014,318

(1) Loans subject to normal monitoring involve borrowers of acceptable-to-strong credit quality and risk and have the apparent ability to satisfy their loan obligation.

(2) Loans subject to special monitoring possess some credit deficiency or potential weakness which requires a higher level of management attention.

The following table presents the credit exposure of the loan portfolio by internally assigned credit grade as of December 31, 2022:

(In thousands)	**Loans Subject to Normal Monitoring(1)**	**Performing Loans Subject to Special Monitoring(2)**	**Nonperforming Loans Subject to Special Monitoring(2)**	**Total Loans**
Commercial and industrial	$ 549,241	$ 11,225	$ 1,150	$ 561,616
Real estate				
Commercial:				
Mortgage	108,166	—	—	108,166
Construction	17,874	—	—	17,874
Faith-based:				
Mortgage	386,169	945	—	387,114
Construction	8,094	—	—	8,094
PPP	—	—	—	—
Other	42	—	—	42
Total	$ 1,069,586	$ 12,170	$ 1,150	$ 1,082,906

(1) Loans subject to normal monitoring involve borrowers of acceptable-to-strong credit quality and risk and have the apparent ability to satisfy their loan obligation.

(2) Loans subject to special monitoring possess some credit deficiency or potential weakness which requires a higher level of management attention.

The Company adopted Accounting Standards Update ASU 2022-02, effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination thereof, among other things.

The following table shows the amortized cost of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, segregated by category and type of modification.

(In thousands)	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	Percentage of Total Loans Held for Investment
Commercial and industrial	$ —	$ 22,354	$ —	$ —	4.48 %
Total	$ —	$ 22,354	$ —	$ —	2.20 %

There were three loans modified during the year ended December 31, 2023. The terms were extended by periods of two to four years, and there was not an interest rate reduction associated with the modifications. There were no commitments to lend additional funds to these borrowers at December 31, 2023.

The following table shows the performance of loans that have been modified to borrowers experiencing financial difficulty during the year ended December 31, 2023.

(In thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due
Commercial and industrial	$ 22,354	$ —	$ —	$ —	$ —
Total	$ 22,354	$ —	$ —	$ —	$ —

There were no modified loans that had a payment default during the year ended December 31, 2023 and that had been modified due to the borrower experiencing financial difficulty within the 12 previous months preceding the default.

Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the loan is written off. There were no loans written off during the year ended December 31, 2023.

Prior to the adoption of ASU 2022-02, there were no loans considered troubled debt restructurings as of December 31, 2022.

The Company had no loans evaluated for expected credit losses on an individual basis as of December 31, 2023. The Company had one loan that was considered an individually evaluated credit at December 31, 2022, with no specific allowance. This loan was paid off in full in January 2023. There were no foreclosed loans recorded as other real estate owned as of December 31, 2023 or December 31, 2022.

A summary of the ACL by category for the period ended December 31, 2023 is as follows:

(In thousands)	C&I	CRE	Faith-based CRE	Construction	Total
Allowance for credit losses on loans:					
Balance at December 31, 2022	$ 5,978	$ 940	$ 6,437	$ 184	$ 13,539
(Release of) provision for credit losses [(1)]	(566)	153	39	(76)	(450)
Balance at December 31, 2023	$ 5,412	$ 1,093	$ 6,476	$ 108	$ 13,089

(1) For the period ended December 31, 2023, there was a release of credit losses of $100,000 for unfunded commitments.

A summary of the ACL by category for the period ended December 31, 2022 is as follows:

(In thousands)	C&I	CRE	Faith-based CRE	Construction	Total
Allowance for credit losses on loans:					
Balance at January 1, 2021	$ 5,034	$ 1,031	$ 5,684	$ 292	$ 12,041
Provision for (release of) credit losses [(1)]	931	(91)	753	(108)	1,485
Recoveries	13	—	—	—	13
Balance at December 31, 2022	$ 5,978	$ 940	$ 6,437	$ 184	$ 13,539

(1) For the period ended December 31, 2022, there was a release of credit losses of $135,000 for unfunded commitments.

As of December 31, 2023 and 2022, there were no loans to executive officers or directors, or their affiliates.

Note 5
Premises and Equipment

A summary of premises and equipment is as follows:

	December 31,	
(In thousands)	2023	2022
Land	$ 873	$ 873
Buildings	15,176	14,903
Leasehold improvements	2,052	2,044
Furniture, fixtures and equipment	16,333	14,668
Software	44,345	31,956
Total	78,779	64,444
Less accumulated depreciation	48,686	44,486
Total premises and equipment, net	$ 30,093	$ 19,958

Total depreciation charged to expense in 2023, 2022 and 2021 amounted to $4.2 million, $4.0 million, and $4.3 million, respectively.

Note 6
Acquired Intangible Assets

The Company accounts for intangible assets in accordance with FASB ASC 350, *Goodwill and Other Intangible Assets*, 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:

(In thousands)	December 31, 2023 Gross Carrying Amount	December 31, 2023 Accumulated Amortization	December 31, 2022 Gross Carrying Amount	December 31, 2022 Accumulated Amortization
Assets eligible for amortization:				
Customer lists	$ 6,470	$ (4,851)	$ 6,470	$ (4,561)
Patent	72	(36)	72	(32)
Software	3,212	(1,933)	3,212	(1,508)
Trade Name	373	(70)	373	(42)
Other	500	(392)	500	(358)
Unamortized intangible assets:				
Goodwill	17,309	—	17,309	—
Total intangible assets	$ 27,936	$ (7,282)	$ 27,936	$ (6,501)

Customer lists are amortized over 7 to 10 years; patents over 18 years, software over 3 years to 7 years, trade name over 10 years to 20 years and other intangible assets over 15 years. Amortization of intangible assets amounted to $780,000 and $680,000 for the years ended December 31, 2023, and 2022, respectively. Estimated future amortization of intangibles is $738,000 in 2024, $730,000 in 2025, $582,000 in 2026, $262,000 in 2027, and $253,000 in 2028.

Note 7
Interest-Bearing Deposits

Interest-bearing deposits consist of the following:

(In thousands)	December 31, 2023	December 31, 2022
Interest-bearing demand deposits	$ 532,507	$ 567,426
Savings deposits	7,226	6,413
Time deposits:		
Less than $100	5,266	2,526
$100 to less than $250	48,540	20,137
$250 or more [(1)]	22,916	17,958
Total	$ 616,455	$ 614,460
Weighted average interest rate	3.16 %	1.74 %

(1) The scheduled maturities of time deposits not covered by deposit insurance consist of $21.9 million within one year and $1.1 million within one to three years.

Interest expense consists of the following:

(In thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Interest-bearing demand deposits	$ 14,056	$ 3,118	$ 582
Savings deposits	113	38	9
Time deposits:			
Less than $100	1,276	145	332
$100 to less than $250	288	79	109
$250 or more	417	102	139
Total	$ 16,150	$ 3,482	$ 1,171

The scheduled maturities of time deposits are summarized as follows:

	December 31,			
	2023		2022	
(In thousands)	**Amount**	**Percent of Total**	**Amount**	**Percent of Total**
Due within:				
One year	$ 72,616	94.6 %	$ 37,925	93.3 %
Two years	2,941	3.8 %	1,773	4.4 %
Three years	1,098	1.4 %	797	2.0 %
Four years	39	0.1 %	88	0.2 %
Five years	28	0.1 %	38	0.1 %
Total	$ 76,722	100.0 %	$ 40,621	100.0 %

Note 8
Unused Available Lines of Credit

As of December 31, 2023, the Bank had unsecured lines of credit at six correspondent banks to purchase federal funds up to a maximum of $83.0 million in aggregate. As of December 31, 2023, the Bank had secured lines of credit with the Federal Home Loan Bank of $228.3 million collateralized by commercial mortgage loans. As of December 31, 2023, the Company had lines of credit from three banks up to a maximum of $250.0 million in aggregate collateralized by state and political subdivision securities. There were no amounts outstanding as of December 31, 2023 and 2022 under any of the lines of credit.

Note 9
Common Stock and Earnings per Share

The table below shows activity in the outstanding shares of the Company's common stock during 2023.

	2023
Shares outstanding at January 1	13,669,656
Issuance of common stock:	
Employee restricted stock grants	12,780
Employee restricted stock units vested	9,843
Performance-based stock vested	15,646
Employee SARs exercised	2,974
Directors' stock grants	22,415
Shares repurchased	(150,541)
Shares forfeited	(398)
Shares outstanding at December 31	13,582,375

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:

	December 31,		
(In thousands except share and per share data)	**2023**	**2022**	**2021**
Basic:			
Net income	$ 30,059	$ 34,904	$ 28,604
Weighted average common shares outstanding	13,530,005	13,552,503	14,091,773
Basic earnings per share	$ 2.22	$ 2.58	$ 2.03
Diluted:			
Net income	$ 30,059	$ 34,904	$ 28,604
Weighted average common shares outstanding	13,530,005	13,552,503	14,091,773
Effect of dilutive restricted stock, performance based restricted stock (“PBRS”), and SARs	286,011	255,526	238,103
Weighted average common shares outstanding assuming dilution	13,816,016	13,808,029	14,329,876
Diluted earnings per share	$ 2.18	$ 2.53	$ 2.00

Note 10
Employee Benefit Plans

Defined Benefit Plan

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 Company froze the benefits of the Plan as of February 28, 2021. As such, subsequent to February 28, 2021, there is no service cost associated with the Plan.

A summary of the activity in the Plan’s projected benefit obligation, assets, funded status and amounts recognized in the Company’s consolidated balance sheets is as follows:

(In thousands)	**2023**	**2022**
Projected benefit obligation:		
Balance, January 1	$ 85,433	$ 117,323
Interest cost	4,314	3,293
Actuarial gain	865	(31,982)
Benefits paid	(3,485)	(3,201)
Balance, December 31	$ 87,127	$ 85,433
Plan assets:		
Fair value, January 1	$ 83,394	$ 114,136
Actual investment return	8,097	(26,820)
Expenses paid from plan assets	(1,252)	(721)
Benefits paid	(3,485)	(3,201)
Fair value, December 31	$ 86,754	$ 83,394
Funded status:		
Accrued pension liability	$ (373)	$ (2,039)

The following represent the major assumptions used to determine the projected benefit obligation of the Plan. For 2023, 2022 and 2021, the Plan’s expected benefit cash flows were discounted using the FTSE Above Median Double-A Curve. For 2023 and 2022, the Pri-2012 Mortality Table and MP-2021 Mortality Improvement Scale were used. For 2021, the Pri-2012 Mortality Table and MP-2021 Mortality Improvement Scale were used.

	2023	2022	2021
Weighted average discount rate	5.05 %	5.25 %	2.85 %
Rate of increase in compensation levels	N/A	N/A	(a)

(a) 6.0% graded down to 3.25% over the first seven years of service.

The accumulated benefit obligation was $87.1 million and $85.4 million as of December 31, 2023 and 2022, respectively. The Company made no contributions during 2023 or 2022 to the Plan. The Company has not determined if it will make a contribution to the Plan in 2024. The following pension benefit payments, as appropriate, are expected to be paid by the Plan:

	Amount
2024	$ 4,328,000
2025	4,532,000
2026	4,758,000
2027	4,968,000
2028	5,161,000
2029-2033	28,280,000

The Plan's net periodic pension cost (benefit) included the following components:

	For the Year Ended December 31,		
(In thousands)	2023	2022	2021
Service cost – benefits earned during the year	$ —	$ —	$ 1,002
Interest cost on projected benefit obligations	4,314	3,293	3,076
Expected return on plan assets	(3,735)	(5,857)	(6,310)
Net amortization and deferral	154	—	393
Net periodic pension cost (benefit)	$ 733	$ (2,564)	$ (1,839)

The following represent the major assumptions used to determine the net periodic pension cost (benefit) of the Plan:

	2023	2022	2021
Weighted average discount rate	5.25 %	2.85 %	2.55 %
Rate of increase in compensation levels	N/A	N/A	(a)
Expected long-term rate of return on assets	6.00 %	6.00 %	6.00 %

(a) 6.0% graded down to 3.25% over the first seven years of service.

For 2023 and 2022, the Pri-2012 Mortality Table and the MP-2021 Mortality Improvement Table were used. For 2021, the Pri-2012 Mortality Table and the MP-2020 Mortality Improvement Table were used.

The investment objective for the Plan is to maximize total return with a tolerance for average risk. Asset allocation is a balance between fixed income and equity investments, with a target allocation of approximately 86% fixed income, and 14% equity. Due to volatility in the market, this target allocation is not always desirable and asset allocations can fluctuate between acceptable ranges. The fixed income component is invested in pooled investment grade securities. The equity

components are invested in pooled large cap, small/mid cap and non-U.S. stocks. The expected one-year nominal returns and annual standard deviations are shown by asset class below:

Asset Class	% of Total Portfolio	One-Year Nominal Return	Annual Standard Deviation
Core Fixed Income	86.0 %	4.52 %	4.30 %
Global Equity	14.0 %	8.54 %	18.12 %

Applying appropriate correlation factors between each of the asset classes the long-term rate of return on assets is estimated to be 5.00%.

A summary of the fair value measurements by type of asset is as follows:

	Fair Value Measurements as of December 31,					
	2023			2022		
(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)
Cash	$ 614	$ 614	$ —	$ 566	$ 566	$ —
Real estate investment trusts	2,849	—	2,849	7,120	—	7,120
Equity securities						
U.S. Small/Mid Cap Growth	987	—	987	2,055	—	2,055
Non-U. S. Core	3,811	—	3,811	7,822	—	7,822
U.S. Large Cap Passive	3,333	—	3,333	8,319	—	8,319
Emerging Markets	1,391	—	1,391	3,000	—	3,000
Fixed Income						
U.S. Core	69,710	—	69,710	51,756	—	51,756
Opportunistic	4,059	—	4,059	2,756	—	2,756
Total	$ 86,754	$ 614	$ 86,140	$ 83,394	$ 566	$ 82,828

Supplemental Executive Retirement Plan

The Company also has an unfunded supplemental executive retirement plan ("SERP") which covers key executives of the Company whose benefits are limited by the Internal Revenue Service under the Company's qualified retirement plan. The SERP is a noncontributory plan in which the Company's subsidiaries make accruals designed to fund normal service costs on a current basis using the same method and criteria as the Plan.

A summary of the activity in the SERP's projected benefit obligation and amounts recognized in the Company's consolidated balance sheets is as follows:

	December 31,	
(In thousands)	2023	2022
Benefit obligation:		
Balance, January 1	$ 9,579	$ 12,420
Interest cost	472	318
Benefits paid	(400)	(348)
Actuarial gain	(150)	(2,811)
Balance, December 31	$ 9,501	$ 9,579

The following represent the major assumptions used to determine the projected benefit obligation of the SERP. For 2023, 2022 and 2021, the SERP's expected benefit cash flows were discounted using the FTSE Above Median Double-A Curve.

	2023	2022	2021
Weighted average discount rate	4.95 %	5.15 %	2.65 %
Rate of increase in compensation levels	N/A	N/A	(a)

(a) 6.00% graded down to 3.25% over the first seven years of service.

The accumulated benefit obligation was $9.5 million and $9.6 million as of December 31, 2023 and 2022, respectively. Since this is an unfunded plan, there are no plan assets. Benefits paid were $400,000 in 2023, $348,000 in 2022, and $282,000 in 2021. Expected future benefits payable by the Company over the next ten years are as follows:

	Amount
2024	$ 792,000
2025	790,000
2026	787,000
2027	783,000
2028	778,000
2029-2033	$ 3,754,000

Net periodic pension cost related to the SERP included the following components:

	For the Year Ended December 31,		
(In thousands)	2023	2022	2021
Service cost – benefits earned during the year	$ —	$ —	$ 147
Interest cost on projected benefit obligations	472	318	291
Net amortization and deferral	—	108	203
Net periodic pension cost	$ 472	$ 426	$ 641

The pretax amounts in accumulated other comprehensive loss as of December 31 were as follows:

	The Plan		SERP	
(In thousands)	2023	2022	2023	2022
Prior service cost	$ —	$ —	$ —	$ —
Net actuarial loss (gain)	4,434	6,833	(287)	(136)
Total	$ 4,434	$ 6,833	$ (287)	$ (136)

The estimated pretax prior service cost and net actuarial loss (gain) in accumulated other comprehensive loss at December 31, 2023 expected to be recognized as components of net periodic benefit cost in 2024 for both the Plan and SERP is $0.

The Company also maintains a noncontributory profit sharing program, which covers most of its employees. Employer contributions are calculated based upon formulas which relate to current operating results and other factors. Profit sharing expense recognized in personnel expense in the consolidated statements of income in 2023, 2022, and 2021 was $6.8 million, $7.9 million, and $6.4 million, respectively.

The Company also sponsors a defined contribution 401(k) plan to provide additional retirement benefits to substantially all employees. Contributions under the 401(k) plan for 2023, 2022 and 2021 were $5.1 million, $4.6 million, and $3.5 million, respectively.

Note 11

Stock-based Compensation

Stock-based compensation awards prior to April 17, 2023 were issued under the Company's Amended and Restated Omnibus Stock and Performance Compensation Plan (the "Prior Plan"). On April 18, 2023, shareholders approved the 2023 Omnibus Stock and Performance Compensation Plan (the "2023 Omnibus Plan") to replace the Prior Plan. The 2023 Omnibus Plan permits the issuance of up to 1.0 million shares of the Company's common stock in the form of stock options, SARs, restricted stock, restricted stock units, phantom stock, and performance awards.

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.

Changes in restricted shares outstanding for the year ended December 31, 2023 were as follows:

	Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2022	205,565	$ 42.64
Granted	57,837	44.61
Vested	(25,224)	51.66
Forfeited	(398)	40.15
Balance at December 31, 2023	237,780	$ 42.17

During 2022 and 2021, 64,151 and 53,906 shares, respectively, were granted with weighted average per share market values at date of grant of $39.30 in 2022 and $41.55 in 2021. The fair value of such shares are based on the market price on the date of grant. Amortization of restricted stock bonus awards totaled $2.2 million for 2023, $2.4 million for 2022 and $1.8 million for 2021. As of December 31, 2023, the total unrecognized compensation expense related to non-vested restricted stock awards was $1.5 million, and the related weighted average period over which it is expected to be recognized is approximately 0.99 years. The total fair value of shares vested during the years ended December 2023, 2022, and 2021 was $1.3 million, $1.1 million, and $1.2 million, respectively.

Performance-Based Restricted Stock

The Company has granted three-year 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, based on 100% of target value, for the year ended December 31, 2023:

	Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2022	138,785	$ 43.19
Granted	51,453	48.19
Vested	(30,567)	54.02
Forfeited	(598)	40.15
Balance at December 31, 2023	159,073	$ 42.74

The PBRS that vested during the year ended December 31, 2023 achieved weighted average financial goals of 86.7% of target, resulting in the issuance of 26,499 shares of common stock. The PBRS that vested during the year ended December 31, 2022 achieved weighted average financial goals of 52.9% of target, resulting in the issuance of 18,021

shares of common stock. The outstanding PBRS at December 31, 2023 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

During 2023, there were no SARs granted and no expense recognized. As of December 31, 2023, there was no unrecognized compensation expense related to SARs.

Changes in SARs outstanding for the year ended December 31, 2023 were as follows:

	SARs	Weighted Average Exercise Price
Balance at December 31, 2022	46,325	$ 41.62
Exercised	(15,916)	31.92
Balance at December 31, 2023	30,409	46.70
Exercisable at December 31, 2023	30,409	$ 46.70

The total intrinsic value of SARs exercised during 2023 and 2022 was $508,000 and $2.2 million, respectively. The average remaining contractual term for SARs outstanding as of December 31, 2023 was 0.08 years, and the aggregate intrinsic value was $0. The average remaining contractual term for SARs outstanding as of December 31, 2022 was 0.73 years, and the aggregate intrinsic value was $192,000.

The total compensation cost for share-based payment arrangements was $4.1 million, $6.7 million, and $2.9 million in 2023, 2022, and 2021, respectively.

Note 12
Other Operating Expense

Details of other operating expense are as follows:

	For the Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Promotional expense	$ 3,252	$ 2,889	$ 2,627
Outside service fees	9,627	7,874	7,413
Data processing services	6,553	3,365	2,650
Other	10,551	7,950	4,053
Total other operating expense	$ 29,983	$ 22,078	$ 16,743

Note 13
Income Taxes

The components of income tax expense (benefit) are as follows:

	For the Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Current:			
Federal	$ 6,378	$ 7,794	$ 5,018
State	1,203	1,365	897
Deferred:			
Federal	(242)	(990)	(608)
State	(42)	(173)	(90)
Total income tax expense	$ 7,297	$ 7,996	$ 5,217

A reconciliation of expected income tax expense (benefit), computed by applying the effective federal statutory rate of 21% for each year to income before income tax expense is as follows:

	For the Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Expected income tax expense	$ 7,885	$ 9,035	$ 7,103
(Reductions) increases resulting from:			
Tax-exempt income	(1,104)	(1,571)	(1,673)
State taxes, net of federal benefit	917	942	638
Share-based compensation adjustment	298	258	92
Federal tax credits	(643)	(473)	(357)
Other, net	(56)	(195)	(586)
Total income tax expense	$ 7,297	$ 7,996	$ 5,217

Income tax expense in 2023 totaled $7.3 million compared to $8.0 million in 2022 and $5.2 million in 2021. When measured as a percent of pre-tax income, the Company's effective tax rate was 19.5% in 2023, 18.6% in 2022, and 15.4% in 2021.

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(In thousands)	December 31, 2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 3,115	$ 3,222
ASC 715 pension funding liability	987	1,594
Supplemental executive retirement plan accrual	2,328	2,311
Stock compensation	2,988	2,745
Unrealized loss on investment securities available-for-sale (1)	13,756	16,798
Research and development expenses	604	772
Lease liability	2,020	2,261
Other	330	640
Total deferred tax assets	$ 26,128	$ 30,343
Deferred tax liabilities:		
Premises and equipment	$ (1,144)	$ (1,710)
Pension	(967)	(1,141)
Intangible assets	(1,828)	(1,744)
Right of use asset	(1,927)	(2,178)
Prepaid expenses	(765)	(847)
Other	(283)	(144)
Total deferred tax liabilities	$ (6,914)	$ (7,764)
Net deferred tax assets	$ 19,214	$ 22,579

(1) The deferred tax asset associated with the unrealized losses on securities is mainly a result of changes in interest rates, and the unrealized losses are considered to be temporary as the fair value is expected to recover as the securities approach their respective maturity dates. The issuers of the securities are of high credit quality and all principal amounts are expected to be paid when the securities mature. The Company does not intend to sell and it is more likely than not that the Company will not be required to sell the securities prior to their anticipated recovery.

A valuation allowance would be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation allowance at December 31, 2023 or 2022, due to management's belief that it is more likely than not that the deferred tax asset is realizable.

The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is presented in the following table:

(In thousands)	2023	2022	2021
Balance at January 1	$ 1,252	$ 1,405	$ 1,231
Changes in unrecognized tax benefits as a result of tax positions taken during a prior year	99	(176)	165
Changes in unrecognized tax benefits as a result of tax position taken during the current year	300	222	239
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(254)	(199)	(230)
Balance at December 31	$ 1,397	$ 1,252	$ 1,405

At December 31, 2023, 2022 and 2021, the balances of the Company's unrecognized tax benefits which would, if recognized, affect the Company's effective tax rate were $1,285,000, $1,129,000 and $1,134,000, respectively. These amounts are net of the offsetting expense from other taxing jurisdictions.

As of December 31, 2023, 2022 and 2021, the Company had $117,000, $84,000 and $85,000, respectively, in accrued interest related to unrecognized tax benefits.

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease by approximately $285,000 over the next 12 months. The reduction primarily relates to the anticipated lapse in the statute of limitations. The unrecognized tax benefits relate primarily to apportionment of taxable income among various state tax jurisdictions.

The Company is subject to income tax in the U.S. federal jurisdiction, numerous state jurisdictions, and a foreign jurisdiction. The Company's federal income tax returns for tax years 2020, 2021 and 2022 remain subject to examination by the Internal Revenue Service. In addition, the Company is subject to state tax examinations for the tax years 2019 through 2022.

Note 14
Disclosures about Fair Value of Financial Instruments

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

	December 31,			
	2023		**2022**	
(In thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Balance sheet assets:				
Cash and cash equivalents	$ 372,468	$ 372,468	$ 200,942	$ 200,942
Investment securities	627,117	627,117	754,468	754,468
Loans, net	1,001,229	962,223	1,069,367	1,004,682
Accrued interest receivable	8,450	8,450	8,297	8,297
Total	$ 2,009,264	$ 1,970,258	$ 2,033,074	$ 1,968,389
Balance sheet liabilities:				
Deposits	$ 1,140,814	$ 1,140,814	$ 1,257,217	$ 1,257,217
Accounts and drafts payable	1,071,369	1,071,369	1,067,600	1,067,600
Accrued interest payable	635	635	66	66
Total	$ 2,212,818	$ 2,212,818	$ 2,324,883	$ 2,324,883

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 Securities The fair value is measured on a recurring basis using Level 2 valuations. Refer to Note 3 - Investment 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 approximates 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 The carrying amount approximates fair value.

Limitations Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets or liabilities that are not considered financial assets or liabilities include premises and equipment and the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market (core deposit intangible). In addition, tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Note 15
Commitments and Contingencies

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. 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. At December 31, 2023, an allowance for unfunded commitments of $132,000 had been recorded, as compared to $232,000 at December 31, 2022. See Note 1 "Summary of Significant Accounting Policies" for information related to CECL.

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 commitments issued by the Company 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. The approximate remaining terms of commercial and standby letters of credit range from less than one to five years. Since these 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 may obtain and liquidate the collateral to recover amounts paid under its guarantees on these financial instruments.

The following table shows commitments to extend credit, standby letters of credit and commercial letters:

	December 31,	
(In thousands)	**2023**	**2022**
Commitments to extend credit	$ 196,064	$ 237,006
Standby letters of credit	13,614	14,494
Commercial letters of credit	353	354

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments and the present credit worthiness of such counterparties. The Company believes such commitments have been made at terms which are competitive in the markets in which it operates; however, no premium or discount is offered thereon.

The Company and its subsidiaries are not involved in any pending proceedings other than ordinary routine litigation incidental to their businesses. Management believes none of these proceedings, if determined adversely, would have a material effect on the business or financial condition of the Company or its subsidiaries.

Note 16
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.

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.

Financial 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. The contracts have no significant impact of variable consideration and no significant financing components.

The following table presents non-interest income, segregated by revenue streams in-scope and out-of-scope for the years ended December 31, 2023, 2022 and 2021.

	For the Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Fee revenue and other income			
In-scope of ASC 606			
Processing fees	$ 79,566	$ 76,470	$ 74,589
Financial fees	45,985	43,757	32,733
Information services payment and processing revenue	125,551	120,227	107,322
Bank service fees	1,063	1,430	1,369
Fee revenue *(in-scope of ASC 606)*	126,614	121,657	108,691
Other income *(out-of-scope of ASC 606)*	3,853	3,325	1,000
Total fee revenue and other income	$ 130,467	$ 124,982	$ 109,691

Note 17
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. In addition, this segment provides church management software and on-line generosity services primarily for faith-based ministries. The Banking Services segment provides banking services primarily to privately held businesses, franchise restaurants and faith-based ministries, 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 Note 1 of this report. Management evaluates segment performance based on 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. Banking Services interest income is determined by actual interest income on loans minus actual interest expense paid on deposits plus/minus an allocation for interest income or expense dependent on the remaining available liquidity of the segment. Information Services interest income is determined by multiplying available liquidity by actual yields on short-term investments and investment securities.

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 for the years ended December 31, 2023, 2022 and 2021 is as follows:

(In thousands)	Information Services	Banking Services	Corporate, Eliminations and Other	Total
2023				
Fee income	$ 126,766	$ 2,713	$ 988	$ 130,467
Interest income	39,899	54,696	(11,835)	82,760
Interest expense	1,191	28,029	(12,954)	16,266
Intersegment income (expense)	(4,270)	4,270	—	—
Pre-tax income	23,662	11,587	2,107	37,356
Goodwill	17,173	136	—	17,309
Other intangible assets, net	3,345	—	—	3,345
Total assets	1,586,388	1,103,173	(210,939)	2,478,622
Average funding sources	$ 1,353,499	$ 810,903	$ —	$ 2,164,402
2022				
Fee income	$ 120,234	$ 3,606	$ 1,142	$ 124,982
Interest income	28,528	40,913	(7,115)	62,326
Interest expense	166	4,143	(827)	3,482
Intersegment income (expense)	(3,350)	3,350	—	—
Pre-tax income	26,478	21,566	(5,144)	42,900
Goodwill	17,173	136	—	17,309
Other intangible assets, net	4,126	—	—	4,126
Total assets	1,595,939	1,182,439	(205,355)	2,573,023
Average funding sources	$ 1,379,355	$ 953,346	$ —	$ 2,332,701
2021				
Fee income	$ 106,678	$ 1,405	$ 1,608	$ 109,691
Interest income	24,332	24,732	(3,567)	45,497
Interest expense	—	1,171	—	1,171
Intersegment income (expense)	(3,222)	3,222	—	—
Pre-tax income	25,446	11,004	(2,629)	33,821
Goodwill	14,126	136	—	14,262
Other intangible assets, net	2,564	—	—	2,564
Total assets	1,450,594	1,090,626	13,681	2,554,901
Average funding sources	$ 1,150,493	$ 876,018	$ —	$ 2,026,511

Note 18
Leases

The Company leases certain premises under operating leases. As of December 31, 2023, the Company had lease liabilities of $8.5 million and right-of-use assets of $8.1 million. Lease liabilities and right-of-use assets are reflected in other liabilities and other assets, respectively. Included in occupancy expense on the consolidated statements of income for 2023 was operating lease cost of $1.4 million, short-term lease cost of $278,000, and there was no variable lease cost. The Company paid cash of $1.3 million for operating lease amounts included in the measurement of lease liabilities for the year ended December 31, 2023. No right-of-use assets were obtained in exchange for lease liabilities during the year ended December 31, 2023.

For the year ended December 31, 2023, the weighted average remaining lease term for the operating leases was 7.3 years and the weighted average discount rate used in the measurement of operating lease liabilities was 3.57%. 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.

A maturity analysis of operating lease liabilities and undiscounted cash flows as of December 31, 2023 is as follows:

(In thousands)	**December 31, 2023**
Lease payments due	
Less than 1 year	$ 1,327
1-2 years	1,345
2-3 years	1,351
3-4 years	1,357
4-5 years	1,315
Over 5 years	2,904
Total undiscounted cash flows	9,599
Discount on cash flows	1,122
Total lease liability	$ 8,477

There were no sale and leaseback transactions, leveraged leases, or lease transactions with related parties during the year ended December 31, 2023. At December 31, 2023, the Company did not have any leases that had not yet commenced.

Note 19
Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events after the consolidated balance sheet date of December 31, 2023, and there were no events identified that would require additional disclosures to prevent the Company's consolidated financial statements from being misleading.

Note 20
Condensed Financial Information of Parent Company

Following are the condensed balance sheets of the Company (parent company only) and the related condensed statements of income and cash flows.

	Condensed Balance Sheets December 31,	
(In thousands)	**2023**	**2022**
Assets		
Cash and due from banks	$ 17,003	$ 5,081
Short-term investments	186,169	26,834
Securities available-for-sale, at fair value	399,339	490,829
Loans, net	70,833	74,810
Payments in advance of funding	198,861	293,775
Investments in subsidiaries	188,304	164,907
Premises and equipment, net	29,765	19,525
Investments in bank-owned life insurance	49,159	47,998
Goodwill	17,172	17,172
Other intangible assets, net	3,346	4,126
Accounts and drafts receivable from customers	110,651	95,779
Other assets	51,180	50,331
Total assets	$ 1,321,782	$ 1,291,167
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts and drafts payable	$ 1,069,338	$ 1,057,463
Other liabilities	22,635	27,379
Total liabilities	1,091,973	1,084,842
Total shareholders' equity	229,809	206,325
Total liabilities and shareholders' equity	$ 1,321,782	$ 1,291,167

	Condensed Statements of Income For the Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Equity in undistributed income of subsidiaries	$ 19,281	$ 10,618	$ 2,252
Dividends received from subsidiaries	7,500	15,000	15,000
Income from subsidiaries – management fees	4,230	4,315	3,115
Processing fees	77,219	74,382	72,579
Financial fees	44,436	42,243	31,847
Other fees	3,804	2,606	970
Net interest income after provision for (release of) credit losses	19,287	13,435	11,316
Total revenue	175,757	162,599	137,079
Expenses:			
Salaries and employee benefits	105,114	94,047	80,434
Other expenses	40,440	32,406	27,406
Total expenses	145,554	126,453	107,840
Income before income tax expense	30,203	36,146	29,239
Income tax expense	144	1,242	635
Net income	$ 30,059	$ 34,904	$ 28,604

	Condensed Statements of Cash Flows For the Years Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Cash flows from operating activities:			
Net income	$ 30,059	$ 34,904	$ 28,604
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(19,281)	(10,618)	(2,252)
Net change in other assets	(4,427)	(4,640)	(212)
Net change in other liabilities	(2,870)	6,462	(9,307)
Stock-based compensation expense	4,139	6,732	2,859
Other, net	10,149	10,412	5,921
Net cash provided by operating activities	17,769	43,252	25,613
Cash flows from investing activities:			
Proceeds from sales of securities available-for-sale	86,722	3,838	63,774
Proceeds from maturities of securities available-for-sale	23,032	44,566	95,787
Purchases of securities available-for-sale	(15,332)	(45,340)	(385,651)
Net decrease (increase) in loans	3,977	(34,295)	8,799
Net decrease (increase) in payments in advance of funding	94,914	(2,347)	(96,864)
Purchase of bank-owned life insurance	—	(4,000)	(25,119)
Purchases of premises and equipment, net	(14,262)	(5,851)	(2,233)
Asset acquisition of TouchPoint	—	(4,814)	—
Net cash provided by (used in) investing activities	179,051	(48,243)	(341,507)
Cash flows from financing activities:			
Net (increase) decrease in accounts and drafts receivable from customers	(14,872)	(90,787)	6
Net increase in accounts and drafts payable	11,875	16,393	208,650
Cash dividends paid	(15,959)	(15,442)	(15,446)
Purchase of common shares for treasury	(5,773)	(5,299)	(30,997)
Other financing activities, net	(834)	(594)	(850)
Net cash (used in) provided by financing activities	(25,563)	(95,729)	161,363
Net increase (decrease) in cash and cash equivalents	171,257	(100,720)	(154,531)
Cash and cash equivalents at beginning of year	31,915	132,635	287,166
Cash and cash equivalents at end of year	$ 203,172	$ 31,915	$ 132,635

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Cass Information Systems, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cass Information Systems, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the qualitative risk factors related to the allowance for credit losses on loans evaluated on a collective basis

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company's allowance for credit losses as of December 31, 2023 was $13.1 million, of which $13.1 million was related to the allowance for credit losses on loans evaluated on a collective basis (the "collective ACL"). The December 31, 2023 collective ACL includes the measure of expected credit losses on a collective (pooled) basis for those loans that share similar risk characteristics. The Company estimated the collective ACL using a weighted-average remaining maturity ("WARM") model that utilizes expected annual remaining loan balance, historical loss rates, a reasonable and supportable forecast, and reversion adjustments. Additionally, the collective ACL includes subjective qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. Given the Company's recent historical loss experience, the impact of the qualitative risk factors related to the collective ACL is a substantial percentage of the overall collective ACL. These qualitative risk

factors may increase or reduce reserve levels and include adjustments for assumptions related to loan concentrations, lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, value of underlying collateral, and loan portfolio growth.

We identified the assessment of the qualitative risk factors related to the collective ACL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the qualitative risk factors related to the collective ACL methodology, including the conceptual soundness and performance of the qualitative framework. The assessment also included the evaluation of qualitative risk factors and the related assumptions. These qualitative risk factors and related assumptions are sensitive to variation, such that minor changes in the assumption can cause significant changes in the estimates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the qualitative risk factors related to the collective ACL estimate, including controls over the:

- development of the collective ACL methodology
- identification and determination of the assumptions used in the qualitative framework
- continued use and appropriateness of changes made to the qualitative framework
- analysis of the collective ACL results, trends, and ratios

We evaluated the Company's process to develop the qualitative risk factors related to the collective ACL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collective ACL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the assessment of the qualitative framework by comparing it to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- evaluating the qualitative framework used to develop the qualitative risk factors and the effect of those factors on the collective ACL compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative models.

/s/ KPMG LLP

We have served as the Company's auditor since 1983.

St. Louis, Missouri
February 28, 2024

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2023. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentations.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

There have not been changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by KPMG LLP, our independent registered public accounting firm. KPMG LLP's report, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2023, is included below.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Cass Information Systems, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Cass Information Systems, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity, for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

St. Louis, Missouri
February 28, 2024

ITEM 9B. OTHER INFORMATION

a. None.

b. During the three months ended December 31, 2023, none of the Company's officers or directors adopted or terminated any "Rule 10b5-1 trading arrangements" or any "non-Rule 10b5-1 trading arrangement," as such terms are defined under Item 408 of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain information required by this Item 10 is incorporated herein by reference to the following sections of the Company's definitive Proxy Statement for its 2024 Annual Meeting of Shareholders (the "2024 Proxy Statement"), a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year: "Election of Directors – Proposal 1," "Executive Compensation and Related Information."

The Company has adopted a Code of Conduct and Business Ethics policy, applicable to all Company directors, executive officers and employees. The policy is publicly available and can be viewed on the Company's website at www.cassinfo.com. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding the amendment to, or a waiver of, a provision of this policy that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K by posting such information on its website.

There were no material changes to the procedures by which shareholders may recommend nominees to the Board during the fourth quarter of fiscal 2023.

ITEM 11. EXECUTIVE COMPENSATION

Certain information required pursuant to this Item 11 is incorporated herein by reference to the sections entitled "Election of Directors – Proposal 1" and "Executive Compensation and Related Information" of the Company's 2024 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required pursuant to this Item 12 is incorporated herein by reference to the section entitled "Beneficial Ownership of Securities" of the Company's 2024 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

Securities Authorized for Issuance under Equity Compensation Plans

The following information is as of December 31, 2023:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders [(1)(2)]	21,207	$ 38.41	978,793
Equity compensation plans not approved by security holders	—	—	—
Total	21,207	$ 38.41	978,793

(1) Amount disclosed relates to awards issued and outstanding under the Amended and Restated Omnibus Stock and Performance Compensation Plan (the "Prior Plan") and the 2023 Omnibus Stock and Performance Compensation Plan (the "2023 Omnibus Plan"). The 2023 Omnibus Plan was approved by the Board of Directors in February 2023 and adopted by the Company's stockholders at the 2023 Annual Meeting of Shareholders.

(2) Includes restricted stock units, restricted stock, SARs, and performance-based stock. Performance-based stock is included assuming 100% attainment of the targets. The actual number of shares of performance-based stock to be

awarded at the end of applicable performance periods ranges from 0% to 150% of the target amount awarded depending on the Company's achievement of pre-established financial goals.

(3) Amount disclosed relates to the shares available for issuance under the 2023 Omnibus Plan. The Prior Plan terminated in accordance with its terms on April 17, 2023, and no shares reserved for issuance under the Prior Plan will be made available for future awards under the 2023 Omnibus Plan.

Refer to Note 11 to the consolidated financial statements for information concerning the Prior Plan and 2023 Omnibus Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item 13 is incorporated herein by reference to the section entitled "Election of Directors – Proposal 1" of the Company's 2024 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning our principal accountant's fees and services is incorporated herein by reference to the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm – Proposal 3" of the Company's 2024 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are incorporated by reference in or filed as an exhibit to this report:

(1) and (2) Financial Statements and Financial Statement Schedules
Included in Item 8 of this report.

(3) Exhibits listed under (b) of this Item 15.

(b) Exhibits

3.1	Restated Articles of Incorporation of Registrant, incorporated by reference to Exhibit 4.1 to Form S-8 Registration Statement No. 333-44499, filed with the SEC on January 20, 1998.
3.2	Amendment to Restated Articles of Incorporation, incorporated by reference to Exhibit 3.1 to the current report on Form 8-K, filed with the SEC on April 19, 2013.
3.3	Articles of Merger of Cass Commercial Corporation, incorporated by reference to Exhibit 3.1 to the quarterly report on Form 10-Q for the quarter ended September 30, 2006.
3.4	Second Amended and Restated Bylaws of Registrant, incorporated by reference to Exhibit 3.1 to the current report on Form 8-K, filed with the SEC on July 21, 2016.
4.1	Description of the Registrant's securities, incorporated by reference to Exhibit 4.1 to the Annual report on Form 10-K filed with the SEC on February 28, 2020.
10.1	Form of Directors' Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended March 31, 2003.*
10.2	Amended and Restated Omnibus Stock and Performance Compensation Plan, incorporated by reference to Exhibit 10.1 to the current report on Form 8-K, filed with the SEC on April 19, 2013.*
10.3	Amendment and Restatement of the Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended September 30, 2007.*
10.4	Form of Stock Appreciation Rights Award Agreement, incorporated by reference to Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended September 30, 2007.*
10.5	Form of Restricted Stock Award Agreement, incorporated by reference to Exhibit 10.8 to the annual report on Form 10-K for the year ended December 31, 2016.*
10.6	Form of Restricted Stock Unit Agreement, incorporated by reference to Exhibit 10.9 to the annual report on Form 10-K for the year ended December 31, 2016.*

10.7	Description of Cass Information Systems, Inc. Profit Sharing Program, incorporated by reference to Exhibit 10.7 to the annual report on Form 10-K for the year ended December 31, 2022*
10.8	Cass Information Systems, Inc. 2023 Omnibus Stock and Performance Compensation Plan, incorporated by reference to Exhibit 10.1 to the current report on Form 8-K, filed with the SEC on April 21, 2023.*
10.9	Form of Restricted Stock Award Agreement for Employees under the Cass Information Systems, Inc. 2023 Omnibus Stock and Performance Compensation Plan, incorporated by reference to Exhibit 10.2 to the current report on Form 8-K, filed with the SEC on April 21, 2023.*
10.10	Form of Restricted Stock Award Agreement for Non-Employee Directors under the Cass Information Systems, Inc. 2023 Omnibus Stock and Performance Compensation Plan, incorporated by reference to Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended March 31, 2023.*
21	Subsidiaries of registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97	Cass Information Systems, Inc. Clawback Policy
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File

*   Management contract or compensatory plan arrangement

(c) None.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

CASS INFORMATION SYSTEMS, INC.

Date: February 28, 2024	By	/s/ Martin H. Resch
		Martin H. Resch President and CEO (Principal Executive Officer)
Date: February 28, 2024	By	/s/ Michael J. Normile
		Michael J. Normile Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the dates indicated by the following persons on behalf of the registrant and in their capacity as a member of the Board of Directors of the Company.

Date: February 28, 2024	By	/s/ Eric H. Brunngraber
		Eric H. Brunngraber
Date: February 28, 2024	By	/s/ Ralph W. Clermont
		Ralph W. Clermont
Date: February 28, 2024	By	/s/ Robert A. Ebel
		Robert A. Ebel
Date: February 28, 2024	By	/s/ Benjamin F. Edwards, IV
		Benjamin F. Edwards, IV
Date: February 28, 2024	By	/s/ Wendy J. Henry
		Wendy J. Henry
Date: February 28, 2024	By	/s/ James J. Lindemann
		James J. Lindemann
Date: February 28, 2024	By	/s/ Ann W. Marr
		Ann W. Marr
Date: February 28, 2024	By	/s/ Martin H. Resch
		Martin H. Resch
Date: February 28, 2024	By	/s/ Sally H. Roth
		Sally H. Roth
Date: February 28, 2024	By	/s/ Joseph D. Rupp
		Joseph D. Rupp
Date: February 28, 2024	By	/s/ Randall L. Schilling
		Randall L. Schilling
Date: February 28, 2024	By	/s/ Franklin D. Wicks, Jr.
		Franklin D. Wicks, Jr.

Shareholder Information

CORPORATE HEADQUARTERS
Cass Information Systems, Inc.
12444 Powerscourt Drive, Suite 550
Saint Louis, Missouri 63131
314-506-5500
cass@cassinfo.com
www.cassinfo.com

COMMON STOCK
The company's common stock trades on the NASDAQ stock market under the symbol CASS.

ANNUAL MEETING
The annual meeting of shareholders will be held April 16, 2024 at 8:30 a.m. at The Bogey Club at 9266 Clayton Road, Saint Louis, Missouri, 63124.

No presentations are planned.

INVESTOR RELATIONS
Security analysts, investment managers and others seeking financial information about the Company should contact:

Investor Relations Department
Cass Information Systems, Inc.
12444 Powerscourt Drive, Suite
550 Saint Louis, Missouri 63131
ir@cassinfo.com

INDEPENDENT AUDITORS
KPMG LLP
10 South Broadway, Suite 900
Saint Louis, Missouri 63102

TRANSFER AGENT
Shareholder correspondence should be mailed to:
Computershare
P.O. Box 43006
Providence, RI 02940-3006

Overnight correspondence should be mailed to:
Computershare
150 Royall Street, Suite 101
Canton, MA 02021

SHAREHOLDER WEBSITE:
www.computershare.com/investor

SHAREHOLDER ONLINE INQUIRIES:
https://www-us.computershare.com/investor/Contact

TOLL-FREE PHONE:
866-323-8170

Board of Directors

Eric H. Brunngraber
Executive Chairman

Ralph W. Clermont
Retired Managing Partner, KPMG LLP, Saint Louis, Missouri

Robert A. Ebel
Retired Chief Executive Officer, Universal Printing Company

Benjamin F. (Tad) Edwards, IV
Chairman, Chief Executive Officer, and President, Benjamin F. Edwards & Company

Wendy J. Henry
Retired Managing Partner, Forvis, LLP

James J. Lindemann
Retired Executive Vice President, Emerson

Ann W. Marr
Retired Executive Vice President of Human Resources, World Wide Technology

Martin H. Resch
President and Chief Executive Officer

Sally H. Roth
Retired Area President — Upper Midwest, Regions Bank

Joseph D. Rupp
Lead Director and Retired Chairman, President, and Chief Executive Officer, Olin Corporation

Randall L. Schilling
Chief Executive Officer, OPO Startups, LLC

Franklin D. Wicks, Jr., Ph.D.
Retired Executive Vice President and President, Applied Markets, Sigma-Aldrich

Leadership Council

Cory J. Bricker
President, CassPay

Mark A. Campbell President, Government Payables

James M. Cavellier
Executive Vice President and Chief Information Officer

Dwight D. Erdbruegger
President, Cass Commercial Bank

Carl N. Friedholm
President, Telecom Expense Management

Nicole M. Jennings
Vice President, Internal Audit and Risk Management

Teresa D. Meares
President, Waste Expense Management

Ross M. Miller
President, TouchPoint

Sean M. Mullins
Vice President, Infrastructure & Chief Information Security Officer

Michael J. Normile
Executive Vice President and Chief Financial Officer

Christi A. Reiter
Senior Vice President, Human Resources

Martin H. Resch
President and Chief Executive Officer

Jeanne M. Scannell
Chief Credit Officer, Cass Commercial Bank

Matthew S. Schuckman
Executive Vice President, General Counsel, and Corporate Secretary

Anthony G. Urban
President, Transportation Information Services

Todd J. Wills
President, Utility Expense Management

12444 Powerscourt Drive, Suite
550 Saint Louis, Missouri 63131
314-506-5500

www.cassinfo.com