

CASS INFORMATION SYSTEMS INC  
Form 10-Q  
November 03, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-20827

CASS INFORMATION SYSTEMS, INC.  
(Exact name of registrant as specified in its charter)

Missouri  
(State or other jurisdiction of incorporation or  
organization)

43-1265338  
(I.R.S. Employer Identification No.)

13001 Hollenberg Drive  
Bridgeton, Missouri  
(Address of principal executive offices)

63044  
(Zip Code)

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

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

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes X No

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



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## Forward-looking Statements - Factors That May Affect Future Results

This report may contain or incorporate by reference forward-looking statements made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and other factors beyond our control, which may cause future performance to be materially different from expected performance summarized in the forward-looking statements. These risks, uncertainties and other factors are discussed in the section Part I, Item 1A, “Risk Factors” of the Company’s 2010 Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”), which may be updated from time to time in our future filings with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, or changes to future results over time.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands except Share and Per Share Data)

	September 30, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Cash and due from banks	\$ 13,781	\$ 12,277
Interest-bearing deposits in other financial institutions	120,229	67,299
Federal funds sold and other short-term investments	200,773	59,353
Cash and cash equivalents	334,783	138,929
Securities available-for-sale, at fair value	274,572	264,569
Loans	692,385	708,633
Less: Allowance for loan losses	13,010	11,891
Loans, net	679,375	696,742
Premises and equipment, net	9,907	9,617
Investment in bank-owned life insurance	14,241	14,191
Payments in excess of funding	63,831	33,609
Goodwill	7,471	7,471
Other intangible assets, net	187	268
Other assets	21,291	22,639
Total assets	\$ 1,405,658	\$ 1,188,035
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Noninterest-bearing	\$ 125,980	\$ 113,097
Interest-bearing	423,812	405,493
Total deposits	549,792	518,590
Accounts and drafts payable	683,239	516,107
Other liabilities	11,894	11,244
Total liabilities	1,244,925	1,045,941
<b>Shareholders' Equity:</b>		
Preferred stock, par value \$.50 per share; 2,000,000 shares authorized and no shares issued	—	—
Common Stock, par value \$.50 per share; 20,000,000 shares authorized and 9,949,324 shares issued at September 30, 2011 and December 31, 2010	4,975	4,975
Additional paid-in capital	47,007	46,653
Retained earnings	120,262	107,263
Common shares in treasury, at cost (533,767 shares at September 30, 2011 and 561,533 shares at December 31, 2010)	(12,995)	(13,549)
Accumulated other comprehensive income (loss)	1,484	(3,248)

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Total shareholders' equity	160,733	142,094
Total liabilities and shareholders' equity	\$ 1,405,658	\$ 1,188,035

See accompanying notes to unaudited consolidated financial statements.

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

(Unaudited)

(Dollars in Thousands except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Fee Revenue and Other Income:</b>				
Information services payment and processing revenue	\$ 15,806	\$ 13,895	\$ 45,372	\$ 40,173
Bank service fees	302	367	1,036	1,006
Gains on sales of securities	—	—	48	—
Other	339	139	606	415
Total fee revenue and other income	16,447	14,401	47,062	41,594
<b>Interest Income:</b>				
Interest and fees on loans	9,827	10,182	30,209	29,480
<b>Interest and dividends on securities:</b>				
Taxable	6	3	24	28
Exempt from federal income taxes	2,475	2,154	7,450	6,403
Interest on federal funds sold and other short-term investments	186	150	510	337
Total interest income	12,494	12,489	38,193	36,248
<b>Interest Expense:</b>				
Interest on deposits	1,060	1,249	3,391	3,624
Net interest income	11,434	11,240	34,802	32,624
Provision for loan losses	550	950	1,850	3,000
Net interest income after provision for loan losses	10,884	10,290	32,952	29,624
Total net revenue	27,331	24,691	80,014	71,218
<b>Operating Expense:</b>				
Salaries and employee benefits	14,425	13,026	42,277	38,199
Occupancy	581	658	1,786	1,841
Equipment	886	887	2,581	2,701
Amortization of intangible assets	26	26	80	80
Other operating	2,995	2,501	8,958	7,324
Total operating expense	18,913	17,098	55,682	50,145
Income before income tax expense	8,418	7,593	24,332	21,073
Income tax expense	2,358	2,013	6,814	5,844
Net Income	\$ 6,060	\$ 5,580	\$ 17,518	\$ 15,229
Basic Earnings Per Share	.65	.60	1.87	1.63
Diluted Earnings Per Share	.64	.59	1.85	1.61

See accompanying notes to unaudited consolidated financial statements.



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

(Unaudited)  
(Dollars in Thousands)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 17,518	\$ 15,229
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,295	3,077
Gains on sales of securities	(48)	—
Provision for loan losses	1,850	3,000
Stock-based compensation expense	1,043	1,133
Increase (decrease) in income tax liability	531	(1,751)
Increase in pension liability	286	640
Other operating activities, net	(1,447)	355
Net cash provided by operating activities	23,028	21,683
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sales of securities available-for-sale	5,405	—
Proceeds from maturities of securities available-for-sale	10,185	2,770
Purchase of securities available-for-sale	(19,974)	(11,548)
Net decrease (increase) in loans	15,517	(48,252)
Increase in payments in excess of funding	(30,222)	(17,474)
Purchases of premises and equipment, net	(1,765)	(890)
Net cash used in investing activities	(20,854)	(75,394)
<b>Cash Flows From Financing Activities:</b>		