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

FORM 10-K

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2003

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

For the fiscal period from __________ to ___________

Commission file number 2-80070

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.)

13001 Hollenberg Drive, Bridgeton, Missouri	63044
(Address of principal executive offices)	(Zip Code)

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

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

Title of each Class	Name of each exchange on which registered
None	None

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

Common Stock par value $.50

(Title of Class)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

As of March 5, 2004, 3,679,452 shares of common stock of the registrant were outstanding; the aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $87,125,000 based upon the Nasdaq Stock Market closing price of $31.84 for March 5, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 19, 2004 are incorporated by reference in Part III hereof.

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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. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and other factors which may cause future performance to vary from expected performance summarized in the future-looking statements, including those set forth in this paragraph. Important factors that could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by those statements include, but are not limited to: the failure to successfully execute our corporate plan, the loss of key personnel or inability to attract additional qualified personnel, the loss of key customers, increased competition, the inability to remain current with rapid technological change, risks related to acquisitions, risks associated with business cycles and fluctuations in interest rates, utility and system interruptions or processing errors, rules and regulations governing financial institutions and changes in such rules and regulations, credit risk related to borrowers' ability to repay loans, concentration of loans to certain segments such as commercial enterprises, churches and borrowers in the St. Louis area which creates risks associated with adverse factors that may affect these groups and volatility of the price of our common stock. 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.

ITEM 1. BUSINESS

Description of Business

Cass Information Systems, Inc. ("Cass" or "the Company") is a leading provider of payment and information processing services to large manufacturing, distribution and retail enterprises across the United States. The Company provides freight invoice rating, payment, audit, cost accounting and transportation information to many of the nation's largest companies. It is also a leading processor and payer of utility invoices in the United States, including electricity, gas, water, telecommunication and refuse collection. In addition, the Company, through its wholly-owned bank subsidiary, Cass Commercial Bank ("the Bank"), provides banking services in the commercial, industrial and residential areas it serves. Its primary focus is to support the Company's payment operations and provide banking services to its target markets, which include privately-owned businesses and churches and church-related ministries. Services include commercial, real estate and personal loans; checking, savings and time deposit accounts and other cash management services. The Company, through its subsidiary, Government e-Management Solutions, Inc. ("GEMS"), also develops, licenses and installs integrated financial, property and human resource management systems to the public sector, primarily cities and counties. The principal offices of the Company are at 13001 Hollenberg Drive, Bridgeton, Missouri, 63044. Other operating locations are in Columbus, Ohio and Boston, Massachusetts. The Bank's headquarters are also located at the Bridgeton location and operates four other branches in the St. Louis metropolitan area. GEMS' offices are located in St. Louis County, Missouri.

Company Strategy and Core Competencies

Cass is an information services company with a primary focus on processing payables and payables-related transactions for large United States corporations. Cass possesses four core competencies that envelop 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 used to integrate into customers' unique financial and accounting systems, eliminating the need for internal accounting processing and to provide 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.

Information delivery - 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. Funds are managed and protected by our top-rated financial institution.

Cass' core competencies allow it to perform the highest levels 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.

Cass' shared business processes - Accounting, Human Resources and Technology - support its core competencies. Cass' accounting function provides the internal control systems to ensure the highest levels of accountability and protection for customers. Cass' human resources provide experienced people dedicated to streamlining business procedures and reducing expenses. Cass' technology is proven and reliable. The need to safeguard data and secure the efficiency, speed and timeliness that governs its business is a priority within the organization. The ability to leverage technology over its strategic units allows Cass the advantage of deploying technology in a proven and reliable manner without endangering clients' strategic business and system requirements.

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 is one of the largest firms in the freight bill payment industry in the United States based on the total dollars of freight bills paid and items processed. Competition consists of two primary competitors and numerous small freight bill audit firms located throughout the United States. While offering freight payment services, few of these audit firms compete on a national basis. These competitors compete mainly on price, functionality and service levels.

The Company 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. Due to the fact that this is a new market, the competitive environment for utility bill processing and payment is difficult to assess and is changing rapidly. Cass is unique among these competitors in that it is not exclusively affiliated with any one energy service provider (ESP). The ESPs market the Company's services adding value with their unique auditing, consulting and technological capabilities. Many of Cass' services are customized with the ESPs, providing a full-featured solution without any development costs to the ESP.

The Bank is organized as a Missouri trust company with banking powers and was founded in 1906. Due to its ownership of a federally insured commercial bank, the Company is a bank holding corporation and was originally organized in 1982 as Cass Commercial Corporation under the laws of Missouri and was approved by the Board of Governors of the Federal Reserve System in February 1983. The Company changed its name to Cass Information Systems, Inc. in January 2001. The Company's bank subsidiary encounters competition from other banks located throughout the St. Louis metropolitan area and other areas in which the Bank competes. Savings banks, credit unions, other financial institutions and non-bank providers of financial services also provide competition. The principal competition however, is represented by large bank holding companies that are able to offer a wide range of banking and related services through extensive branch networks.

The governmental software unit, GEMS, was acquired on January 2, 2001 when the Company's bank subsidiary foreclosed on the operating assets of a software company in order to protect its financial interests. The Bank sold these assets to a wholly owned subsidiary, and invested in and stabilized this business. From the date of foreclosure through December 31, 2002, these assets were accounted for as a foreclosed asset held for sale. On January 1, 2003, the Company reclassified the foreclosed assets relating to its software subsidiary, GEMS, from held for sale to held and used and consolidated its operations into those of the Company. GEMS markets its software applications and services to middle market cities and counties throughout the United States. GEMS competes with several competitors that market similar products to these governmental units. These firms compete on price, functionality and support. No one firm appears to have a dominant position in the marketplace.

The Company holds several trademarks for the payment and rating services it provides. These include: FreightPay(R), Transdata(R), TransInq(R), Ratemaker(R), Rate Advice(R), First Rate(R), Best Rate(R) and Rate Exchange(R). The Company and its subsidiaries are not dependent on any one customer for a significant portion of its business. It has a varied client base with no individual client exceeding 10% of total revenue. The Bank does however, target its services to privately-held businesses located in the St. Louis, Missouri area and church and church-related institutions located in St. Louis, Missouri and other selected cities located throughout the United States.

Employees

The Company and its subsidiaries had 633 full-time and 119 part-time employees as of December 31, 2003. Of these employees, the bank subsidiary had 64 full-time and 7 part-time employees and the bank's software subsidiary had 63 full-time and 3 part-time employees.

Supervision and Regulation

The Company and its bank subsidiary are extensively regulated under federal and state law. These laws and regulations are intended to protect depositors, not shareholders. The Bank is subject to regulation and supervision by the Missouri Division of Finance, the Federal Reserve Bank (the "FRB") and the Federal Deposit Insurance Corporation (the "FDIC"). The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, and as such, it is subject to regulation, supervision and examination by the FRB. The Company is required to file quarterly and annual reports with the FRB and to provide to the FRB such additional information as the FRB may require, and it is subject to regular inspections by the FRB. Bank regulatory agencies use Capital Adequacy Guidelines in their examination and regulation of bank holding companies and banks. If the capital falls below the minimum levels established by these guidelines, the agencies may force certain remedial action to be taken. The Capital Adequacy Guidelines are of several types and include risk-based capital guidelines, which are designed to make capital requirements more sensitive to various risk profiles and account for off-balance sheet exposure; guidelines which 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 guidelines that use a leverage ratio which places a constraint on the maximum degree of risk to which a bank holding company may leverage its equity capital base. For further discussion of the capital adequacy guidelines and ratios, please refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, Note 2 of this report.

The FRB also has extensive enforcement authority over bank holding companies, including, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law or regulations or for unsafe or unsound practices. Both the FRB and Missouri Division of Finance also have restrictions on the amount of dividends that banks and bank holding companies may remit.

As a bank holding company, the Company must obtain prior approval from the FRB before acquiring ownership or control of more than 5% of the voting shares of another bank or bank holding company or acquiring all or substantially all of the assets of such a company. In many cases, prior approval is also required for the Company to engage in similar acquisitions involving a non-bank company or to engage in new non-bank activities. Any change in applicable laws or regulations may have a material effect on the business and prospects of the Company.

Website Availability of SEC Reports

Cass will, as soon as practicable after they are electronically filed with the Securities and Exchange Commission (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 of Form 8-K, all amendments to those reports, and its definitive proxy statements. The address of Cass's website is: www.cassinfo.com. All reports filed with the SEC are available at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 21549 or for more information call the Public Reference Room at 1-800-SEC-0330. The SEC also makes all filed reports available on their website at www.sec.gov.

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

Financial Information about Segments

The revenues from external customers, net income (loss) and total assets by segment, for the three years ended December 31, 2003 are set forth in Item 8, Note 15 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 2. PROPERTIES

The Company's headquarters are located at 13001 Hollenberg Drive, Bridgeton, Missouri. This location is owned by the Company, and includes a building with approximately 61,500 square feet of office space. In March 2001, the Company moved into a newly-owned production facility of approximately 45,500 square feet located at 2675 Corporate Exchange Drive, Columbus, Ohio. The Company operates an additional production facility in Lowell, Massachusetts where approximately 25,800 square feet of office space is leased through October 31, 2005.

Cass Commercial Bank's headquarters are also located at 13001 Hollenberg Drive, Bridgeton, Missouri, 63044. The Bank leases approximately 20,500 square feet of the 61,500 square foot building. In addition, the Bank owns a banking facility near downtown St. Louis that consists of approximately 1,600 square feet with adjoining drive-up facilities. The Bank has additional leased facilities in Maryland Heights, Missouri (2,500 square feet); Fenton, Missouri (1,250 square feet) and Chesterfield, Missouri (2,850 square feet).

Government e-Management Solutions' headquarters are located at 121 Hunter Avenue - - Suite 100, St. Louis, Missouri, 63124. GEMS leases approximately 9,486 square feet.

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 condition of the Company or its subsidiaries.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on The Nasdaq Stock Market(R) under the symbol "CASS". As of March 5, 2004 there were 224 holders of record of the Company's common stock. High and low bid prices, as reported by Nasdaq and restated for stock dividends, for each quarter of 2003 and 2002 were as follows:

	2003		2002	
	High	Low	High	Low
1st Quarter	$25.255	$22.183	$22.727	$20.009
2nd Quarter	30.455	23.364	22.615	20.779
3rd Quarter	30.773	25.782	23.160	19.524
4th Quarter	31.745	26.555	23.409	19.870

Cash dividends paid per share, restated for stock dividends, by the Company during the two most recent fiscal years were as follows:

	2003	2002
March 15	$.191	$.173
June 15	.191	.173
September 15	.191	.173
December 15	.191	.191

Refer to Item 8 Notes 2 and 10 to the consolidated financial statements for additional shareholder information.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial information for each of the five years ended December 31, 2003. The selected financial data should be read in conjunction with the Company's consolidated financial statements and accompanying notes included in Item 8 of this report.

(Dollars in thousands, except per share data)	2003	2002	2001	2000	1999
Fee revenue and other income	$40,067	$28,030	$23,243	$21,114	$21,444
Interest income on loans (1)	25,601	26,197	29,069	27,716	20,371
Interest income on debt and equity securities	2,033	4,733	4,323	5,264	4,722
Other interest income	609	687	2,790	4,085	5,782
Total interest income	28,243	31,617	36,182	37,065	30,875
Interest expense on deposits	1,847	2,240	3,863	5,165	4,357
Interest expense on short-term borrowings	14	33	9	20	9
Total interest expense	1,861	2,273	3,872	5,185	4,366
Net interest income	26,382	29,344	32,310	31,880	26,509
Provision for loan losses	190	500	60	750	--
Net interest income after provision	26,192	28,844	32,250	31,130	26,509
Operating expense	54,904	46,575	44,729	41,236	38,344
Income before income tax expense	11,355	10,299	10,764	11,008	9,609
Income tax expense	3,453	2,987	3,739	3,861	3,411
Net income	$7,902	$7,312	$7,025	$7,147	$6,198
Basic earnings per share (2)	$2.15	$1.98	$1.88	$1.78	$1.42
Diluted earnings per share (2)	2.13	1.96	1.86	1.75	1.39
Dividends per share (2)	.764	.710	.693	.693	.658
Dividend payout ratio	35.61%	35.94%	36.71%	38.95%	46.61%
Average total assets	$620,801	$598,566	$572,724	$515,308	$491,450
Average net loans	438,072	399,018	371,367	323,515	254,353
Average debt and equity securities	57,729	97,668	72,111	84,949	78,903
Average total deposits	249,951	240,640	214,954	186,684	190,661
Average total shareholders' equity	61,346	57,300	54,929	54,308	57,118
Return on average total assets	1.27%	1.22%	1.23%	1.39%	1.26%
Return on average total shareholders' equity	12.88	12.76	12.79	13.16	10.85
Average equity to assets ratio	9.88	9.57	9.59	10.54	11.62
Equity to assets ratio at year-end	10.13	10.67	9.22	9.33	11.29
Net interest margin	4.85	5.60	6.27	6.69	5.87
Allowance for loan losses to loans at year-end	1.17	1.22	1.29	1.32	1.54
Nonperforming assets to loans and foreclosed Assets	1.12	3.50	1.60	.30	.15
Net loan (recoveries) charge-offs to average loans outstanding	(.01)	.03	.01	.04	.06

1. Interest income on loans includes net loan fees.
2. Per share information has been restated to reflect the 10% stock dividend declared in February 2004.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Cass Information Systems, Inc. provides payment and information processing services to national manufacturing, distribution and retail enterprises from its processing centers in St. Louis, Missouri, Columbus, Ohio, and Boston, Massachusetts. The Company's services include freight invoice rating, payment processing, auditing, and the generation of cost accounting and transportation information. Cass also processes and pays utility invoices, including electricity, gas and telecommunications. Cass extracts, stores and presents information from freight and utility invoices, assisting our customers' transportation and energy managers in making decisions that will enable them to improve their operating performance. The Company receives data from multiple sources, electronic and otherwise, and processes the data to accomplish the specific operating requirements of its customers. It then provides the data in a

central repository for access and archiving. The data is finally transformed into information through the Company's databases that allow client interaction as required and provide Internet-based tools for analytical processing. The Company also, through its St Louis, Missouri based bank subsidiary, provides banking services in the St Louis metropolitan area and other selected cities in the United States. In addition to supporting the Company's payment operations, it also provides banking services to its target markets, which include privately owned businesses and churches and church-related ministries. The Company, through the Bank's subsidiary, GEMS, also develops and licenses integrated financial, property and human resource management systems to the public sector.

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

Industry-wide factors that impact the Company include the acceptance by large corporations of the outsourcing of key business functions such as freight and utility payment. 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 and the deregulation of energy costs. 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 our loan portfolio. The general level of interest rates has a significant effect on the revenue of the Company. Finally, the general fiscal condition of the counties and municipalities that can benefit from GEMS' enterprise software can impact licenses sold and related revenue.

Currently, management views Cass' major opportunity and challenge as the continued expansion of its payment and information processing service offerings and customer base. Management intends to accomplish this by maintaining our lead in applied technology, which, when combined with the security and processing controls of the Company's Bank, makes Cass unique in the industry. This trend has been positive over the past years and management anticipates that this should continue in 2004. The low level of interest rates has had a significant negative impact on net income over the past few years. While management doesn't anticipate that these rates will rise in the near term, the Company is well positioned to take advantage of rising rates when they occur. Management is pleased with the growth in software revenue generated by GEMS and is making additional investments to continue this trend. Management intends to continue to refine risk management practices, monitor and manage the quality of the loan portfolio and maintain a strong financial and liquidity position.

Critical Accounting Policies

The Company has prepared all of the consolidated financial information in this report in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing the consolidated financial statements in accordance with U.S. GAAP, 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, they have been consistent and have not required any material changes. There can be no assurances that actual results will not differ from those estimates. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position have been discussed with the Audit Committee of the Board of Directors and are described below.

Allowance for Loan Losses. The Company performs periodic and systematic detailed reviews of its loan portfolio to assess overall collectability. The level of the allowance for loan losses reflects management's estimate of the collectability of the loan portfolio. Although these estimates are based on established methodologies for determining allowance requirements, actual results can differ significantly from estimated results. These policies affect all segments of the Company with the exception of governmental software services. The impact and associated risks related to these policies on our business operations are discussed in the " Allowance and Provision for Loan Losses" section of this report.

Impairment of Assets. Management periodically evaluates certain long-term assets such as intangible assets including goodwill, foreclosed assets, internally developed software and investments in private equity securities for impairment. Generally, these assets are initially recorded at cost, and recognition of impairment is required when events and circumstances indicate that the carrying amounts of these assets will not be recoverable in the future. If impairment occurs, various methods of measuring impairment may be called for depending on the circumstances and type of asset, including quoted market prices, estimates based on similar assets, and estimates based on valuation techniques such as discounted projected cash flows. Assets held for sale are carried at the lower of cost or fair value less costs to sell. These policies affect all segments of the Company and require significant management assumptions and estimates that could result in materially different results if conditions or underlying circumstances change.

Results of Operations

The results of 2003 compared to 2002 include the following significant items:

Payment and processing fees increased $3,818,000 or 16% to $28,440,000 as the number of transactions processed increased 2,993,000 or 12% to 27,977,000. This increase was driven by the expansion of the Company's customer base and number of services provided as well as an increase in national freight activity during the second half of the year.

Net interest income after provision for loan losses decreased $2,652,000 or 9% to $26,192,000 due to the dramatic decline in interest rates during the past few years. This decline occurred despite the fact that total loans, typically our highest-yielding asset for any given maturity, grew $34,343,000 or 8% to $469,032,000 and average earning assets grew $19,060,000 or 4% to $563,071,000. The growth in average earning assets was derived from both increases in deposits and accounts and drafts payable. Gains from the sale of securities were comparable to last year, $1,454,000 in 2003 and $1,477,000 in 2002.

On January 1, 2003, the Company reclassified the foreclosed assets relating to its software subsidiary, GEMS, from held for sale to held and used and consolidated its operations into those of the Bank subsidiary. On January 2, 2001, the Company's bank subsidiary foreclosed on these operating assets in order to protect its financial interests. The Bank sold these assets to a wholly owned subsidiary, and invested in and stabilized this business. From the date of foreclosure through December 31, 2002, these assets were accounted for as a foreclosed asset held for sale. Statement of Financial Accounting Standards (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets", adopted by the Company on January 1, 2002, requires that if certain criteria are not met for long-lived asset (disposal) groups classified as held for sale by the end of the fiscal year in which SFAS 144 is initially applied, the related long-lived assets shall be reclassified as held and used. In 2003 revenues for this segment were $7,696,000 and operating profits were $107,000.

Bank service fees increased $147,000 or 9% to $1,806,000 due primarily to the fact that as the earnings credit rate granted customers on their account balances decreases with the general level of interest rates, the amount of service fees charged increases. Other income increased $399,000 or 147% to $671,000 due mainly to an investment in bank owned life insurance during 2002. Operating expenses, excluding the effects of the GEMS consolidation, increased a modest $996,000 or 2% to $47,571,000 due mainly to increases in salaries and health and worker's compensation insurance expenses.

The results of 2002 compared to 2001 include the following significant items:

Payment and processing fees increased $3,132,000 or 15% to $24,622,000 as the number of transactions processed increased 2,151,000 or 9% to 24,984,000. This increase was driven by the expansion of the Company's customer base and the services provided and offset the negative impact on processing volumes and fees caused by a decrease in national freight activity.

Net interest income after provision for loan losses decreased $3,406,000 or 11% to $28,844,000 due to the dramatic decline in the general level of interest rates. This decline occurred despite the fact that total loans, typically the Company's highest-yielding asset for any given maturity, grew $53,237,000 or 14% to $434,689,000 and average earning assets grew $22,737,000 or 4% to $544,011,000. The growth in average assets was derived from growth in Bank deposits, both interest and noninterest bearing. Gains from the sale of securities were $1,477,000 in 2002, which mitigated some of the impact of the decline in interest rates. No gains were realized in 2001.

Bank service fees increased $137,000 or 9% to $1,659,000 due to fact that as the earnings credit rate granted customers on their account balances decreases with the general level of interest rates, the amount of service fees charged increases. Operating expenses increased $1,846,000 or 4% to $46,575,000 due mainly to increased personnel expenses, equipment expenses and other expenses related to the increased volume and service offerings.

Fee Revenue and Other Income

The Company's fee revenue is derived mainly from freight and utility payment and processing fees. As the Company provides its freight and utility processing and payment services, it is compensated by service fees which are typically calculated on a per-item basis and by the accounts and drafts payable balances generated in the payment process which can be used to generate interest income. Processing volumes related to fees and accounts and drafts payable for the years ended December 31, 2003, 2002 and 2001 are as follows:

	December 31,		
(In thousands)	2003	2002	2001
Transportation Information Services:			
Invoice Transaction Volume	23,359	21,549	20,095
Invoice Dollar Volume	$8,673,993	$7,715,588	$7,294,586
Utility Information Services:			
Transaction Volume	4,618	3,435	2,738
Transaction Dollar Volume	$3,340,375	$2,634,269	$2,481,086

Fee revenue and other income in 2003 compared to 2002 include the following significant pre-tax components:

Freight and utility payment and processing fee revenue increased $3,818,000 or 16% to $28,440,000. Of the total payment and processing revenue, fees related to utility payment and processing increased $2,484,000 or 37% to $9,134,000 and fees relating to freight payment and processing services increased $1,334,000 or 7% to $19,306,000. These increases both relate to new customers and new product offerings. Utility processing volume and revenue, which represents a newer market, had higher percentage increases.

Software revenue in 2003 of $7,696,000 represents the revenue of the Bank's software subsidiary GEMS, which develops and licenses integrated financial, property and human resource management systems to the public sector. Prior to December 31, 2002, GEMS was accounted for as an asset held for sale and its operating results were not consolidated with those of the Company. SFAS 144, adopted by the company in 2002, now requires that GEMS be reclassified as an asset held and used. Consequently, Cass reclassified the entity's net assets and consolidated its operations with the parent company on January 1, 2003. Although unconsolidated in 2002 and 2001, software revenue was $5,526,000 and $4,187,000, respectively.

Bank service fees increased $147,000 or 9% to $1,806,000. This increase was due primarily to the fact that service fees increase as the value of noninterest bearing deposits, used to compensate the Bank for services provided, decrease as the general level of interest rates decreases.

During 2003 the Company recorded net gains of $1,454,000 on the sales of securities with a fair value of $38,454,000. During 2002, net gains of $1,477,000 were recorded on the sales of securities with a fair value of $63,945,000. These sales of securities were transacted to adjust the portfolio to reflect the changes in the interest rate environment, growth in the loan portfolio during the past two years and to offset the loss of interest income due to the dramatic decline in the general level of interest rates.

Other income increased $399,000 or 147% to $671,000. This increase was primarily due to income recognized from the increase in the cash surrender value of bank owned life insurance purchased by the Company in 2002.

Fee revenue and other income in 2002 compared to 2001 include the following significant pre-tax components:

Freight and utility payment and processing fee revenue increased $3,132,000 or 15% to $24,622,000. Of the total payment and processing revenue, fees related to utility payment and processing increased $2,188,000 or 49% to $6,650,000 and fees relating to freight payment and processing services increased $944,000 or 6% to $17,972,000. These increases both relate to new customers and new product offerings. Utility processing volume and revenue, which represents a newer market, had higher

percentage increases. Freight rating services revenue, a component of freight processing revenue, decreased $738,000 or 55% to $610,000. A change in the strategic direction of the Company from selling rating software to a new Internet-based delivery system of carrier rates occurred during 2000 and 2001. After December 31, 2001 the Company ceased support of the old product and therefore no longer recognized maintenance revenue. This new system offers the shipping community an expanded level of features, capabilities and ease of access.

Bank service fees increased $137,000 or 9% to $1,659,000. This increase was due primarily to the fact that service fees increase as the value of noninterest bearing deposits, used to compensate the Bank for services provided, decreases as the general level of interest rates decreases.

During 2002 the Company recorded net gains of $1,477,000 on the sales of securities with a fair value of $63,945,000. There were no gains realized in 2001. The sales of securities were transacted to adjust the portfolio to reflect the changes in the interest rate environment, growth in the loan portfolio and to offset the loss of interest income due to the dramatic decline in the general level of interest rates.

Other miscellaneous income increased $41,000 or 18% to $272,000. This increase was primarily due to income recognized from the increase in the cash surrender value of bank owned life insurance purchased by the Company in 2002.

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.

Net interest income in 2003 compared to 2002:

On a tax-equivalent basis, net interest income for 2003 totaled $27,310,000, a decrease of $3,156,000 or 10% from 2002. The net interest margin for 2003 was 4.85% compared to 5.60% in 2002. The following factors account for this decrease in net interest income and net interest margin:

The dramatic decrease in the general level of interest rates significantly impacted the Company's net interest income and margin. The prime rate decreased from 9.50% at the beginning of 2001 to 4.00% at the end of 2003 and the 5-year Treasury note rate decreased from 4.80% to 3.22% during this same period. The average yield on earning assets decreased to 5.18% in 2003 from 6.02% in 2002. The Company is negatively affected by decreases in the level of interest rates due to the fact that its rate sensitive assets significantly exceed its rate sensitive liabilities. Conversely, the Company is positively affected by increases in the level of interest rates. This is primarily due to the noninterest-bearing liabilities generated by the Company in the form of accounts and drafts payable. Changes in interest rates will affect some earning assets such as federal funds sold and floating rate loans immediately and some earning assets, such as fixed rate loans and municipal bonds, over time. More information is contained in Item 7A of this report.

The Company partially offset the decrease in net interest income through both an increase in earning assets and shift of earning assets to higher yielding asset classes. Total average earning assets increased $19,060,000 or 4% to $563,071,000. This increase was funded by both an increase in accounts and drafts payable due to the increase in payments processed and an increase in bank deposits due to the expansion of the Banks' customer base.

Total average loans increased $39,359,000 or 10% to $443,452,000. This increase was attributable to new business relationships and was funded by the increase in accounts and drafts payable, growth in bank deposits and reallocation of earning assets from the investment portfolio. Although not enough to offset the decline in the level of interest rates, this increase in loans had a positive affect on interest income and the net interest margin due to the fact that loans are one of the Company's highest yielding earning assets for any given maturity.

Total average investment in debt and equity securities decreased $39,939,000 or 41% to $57,729,000. This decrease was used partially to fund the increase in loans and partially shifted into federal funds sold and overnight investments.

Total average federal funds sold and other short-term investments increased $19,640,000 or 46% to $61,890,000. This increase provides additional liquidity and positions the Company to take advantage of higher interest rates should they occur.

Net interest income in 2002 compared to 2001:

On a tax-equivalent basis, net interest income for 2002 totaled $30,466,000, a decrease of $2,194,000 or 7% from 2001. The net interest margin for 2002 was 5.60% compared to 6.27% in 2001. The following factors account for this decrease in net interest income and net interest margin:

The dramatic decrease in the general level of interest rates significantly impacted the Company's net interest income and margin. The prime rate decreased from 9.50% at the beginning of 2001 to 4.25% at the end of 2002 and the 5-year Treasury note rate decreased from 4.80% to 2.89% during this same period. The average yield on earning assets decreased to 6.02% in 2002 from 7.01% in 2001. The Company is negatively affected by decreases in the level of interest rates due to the fact that its rate sensitive assets significantly exceed its rate sensitive liabilities. Conversely, the Company is positively affected by increases in the level of interest rates. This is primarily due to the noninterest-bearing liabilities generated by the Company in the form of accounts and drafts payable. Changes in interest rates will affect some earning assets such as federal funds sold and floating rate loans immediately and some earning assets, such as fixed rate loans and municipal bonds, over time. More information is contained in Item 7A of this report.

The Company partially offset the decrease in net interest income through both an increase in earning assets and shift of investments to higher yielding assets. Total average earning assets increased $22,737,000 or 4% to $544,011,000. This increase was funded by an increase in deposits generated by the Bank. The Bank saw increases in both interest bearing deposits, as a result of increased marketing efforts, and noninterest bearing deposits, mainly from bank customers that maintained higher balances to compensate the Bank for services and to avoid increased service fees in a lower rate environment.

Total average loans increased $27,818,000 or 7% to $404,093,000. This increase was attributable to new business relationships and funded by the increase in deposit liabilities and a reallocation of assets. This increase in loans had a positive effect on interest income and the net interest margin due to the fact that loans are one of the Company's highest yielding earning assets for any given maturity.

Total average investment in debt and equity securities increased $25,557,000 or 35% to $97,668,000. In addition to this increased investment, the Company shifted its purchase of securities from taxable to tax-exempt due to the higher tax-equivalent yield such investments produce. This increase and shift also allowed the Company to partially offset the effect of lower interest rates.

Total average federal funds sold and other short-term investments decreased $30,638,000 or 42% to $42,250,000. These are the lowest yielding earning assets so decreases in these funds have a positive effect on net interest margin. In another attempt to offset the effect of declining interest rates, the Company shifted excess short-term funds to higher yielding investments.

Distribution of Assets, Liabilities and Stockholders' 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.

(Dollars in thousands)	2003 Average Balance	2003 Interest Income/ Expense	2003 Yield/ Rate	2002 Average Balance	2002 Interest Income/ Expense	2002 Yield/ Rate	2001 Average Balance	2001 Interest Income/ Expense	2001 Yield/ Rate
Assets (1)									
Earning assets:									
Loans (2),(3):									
Taxable	$437,807	$25,319	5.78%	$398,060	$25,897	6.51%	$364,792	$28,435	7.79%
Tax-exempt (4)	5,645	427	7.56	6,033	455	7.54	11,483	961	8.37
Debt and equity securities (5):									
Taxable	22,183	499	2.25	55,591	2,839	5.11	71,038	4,276	6.02
Tax-exempt (4)	35,546	2,317	6.52	42,077	2,861	6.80	1,073	70	6.52
Federal funds sold and other short-term investments	61,890	609	.98	42,250	687	1.63	72,888	2,790	3.83
Total earning assets	563,071	29,171	5.18	544,011	32,739	6.02	521,274	36,532	7.01
Nonearning assets:									
Cash and due from banks	19,136			24,324			23,448		
Premises and equipment, net	14,918			16,281			16,542		
Other assets	29,056			19,025			16,368		
Allowance for loan losses	(5,380)			(5,075)			(4,908)		
Total assets	$620,801			$598,566			$572,724		
Liabilities And Shareholders' Equity (1)									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$ 52,630	$ 371	.70%	$ 56,705	$ 632	1.11%	$ 56,124	$ 1,544	2.75%
Savings deposits	36,192	281	.78	41,837	528	1.26	53,757	1,761	3.28
Time deposits of $100 or more	44,793	844	1.88	36,158	902	2.49	8,245	363	4.40
Other time deposits	15,545	351	2.26	5,467	178	3.26	3,986	195	4.89
Total interest-bearing deposits	149,160	1,847	1.24	140,167	2,240	1.60	122,112	3,863	3.16
Short-term borrowings	943	14	1.48	1,485	33	2.22	362	9	2.49
Total interest-bearing liabilities	150,103	1,861	1.24	141,652	2,273	1.60	122,474	3,872	3.16
Noninterest-bearing liabilities:									
Demand deposits	100,791			100,473			92,842		
Accounts and drafts payable	300,577			293,442			294,608		
Other liabilities	7,984			5,699			7,871		
Total liabilities	559,455			541,266			517,795		
Shareholders' equity	61,346			57,300			54,929		
Total liabilities and shareholders' equity	$620,801			$598,566			$572,724		
Net interest income		$27,310			$30,466			$32,660	
Net interest margin			4.85%			5.60%			6.27%
Interest spread			3.94%			4.42%			3.85%

1. Balances shown are daily averages.
2. For purposes of these computations, nonaccrual loans are included in the average loan amounts outstanding. Interest on nonaccrual loans is recorded when received as discussed further in Item 8, Note 1 of this report.
3. Interest income on loans includes net loan fees of $90,000, $441,000 and $301,000 for 2003, 2002 and 2001, respectively.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%. The tax-equivalent adjustment was approximately $928,000, $1,122,000 and $350,000 for 2003, 2002 and 2001, respectively.
5. 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.

(Dollars in thousands)	2003 Over 2002 Volume (1)	2003 Over 2002 Rate (1)	2003 Over 2002 Total	2002 Over 2001 Volume (1)	2002 Over 2001 Rate (1)	2002 Over 2001 Total
Increase (decrease) in interest income:						
Loans (2),(3):						
Taxable	$ 2,450	$(3,028)	$ (578)	$ 2,441	$(4,979)	$(2,538)
Tax-exempt (4)	(29)	1	(28)	(419)	(87)	(506)
Debt and equity securities:						
Taxable	(1,212)	(1,128)	(2,340)	(847)	(590)	(1,437)
Tax-exempt (4)	(430)	(114)	(544)	2,788	3	2,791
Federal funds sold and other short-term investments	251	(329)	(78)	(888)	(1,215)	(2,103)

Total interest income	1,030	(4,598)	(3,568)	3,075	(6,868)	(3,793)
Interest expense on:						
Interest-bearing demand deposits	(43)	(218)	(261)	16	(928)	(912)
Savings deposits	(64)	(183)	(247)	(327)	(906)	(1,233)
Time deposits of $100 or more	189	(247)	(58)	757	(218)	539
Other time deposits	242	(69)	173	60	(77)	(17)
Short-term borrowings	(10)	(9)	(19)	25	(1)	24
Total interest expense	314	(726)	(412)	531	(2,130)	(1,599)
Net interest income	$ 716	$(3,872)	$(3,156)	$ 2,544	$(4,738)	$(2,194)

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. Average balances include nonaccrual loans.
3. Interest income includes net loan fees.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%.

Loan Portfolio

Interest earned on the loan portfolio is a primary source of income for the Company. The loan portfolio was $469,032,000 and represented 73% of the Company's total assets as of December 31, 2003 and generated $25,601,000 in revenue during the year then ended. The following tables shows the composition of the loan portfolio at the end of the periods indicated and remaining maturities for loans as of December 31, 2003.

Loans by Type
(At December 31)

(Dollars in thousands)	2003	2002	2001	2000	1999
Commercial and industrial	$103,638	$101,116	$115,316	$136,482	$106,444
Real estate:					
Mortgage	330,150	282,125	215,504	182,538	129,482
Construction	19,298	39,175	32,715	29,464	29,633
Industrial revenue bonds	5,373	5,773	6,155	15,804	7,265
Installment	1,911	1,918	1,787	2,533	1,541
Other	8,662	4,582	9,975	5,399	3,978
Total loans	$469,032	$434,689	$381,452	$372,220	$278,343

Loans by Maturity
(At December 31, 2003)

		Over One Year Through Five Years		Over Five Years		
(Dollars in thousands)	One Year or less	Fixed Rate	Floating Rate(1)	Fixed Rate	Floating Rate(1)	Total
Commercial and industrial	$ 73,926	$ 18,505	$10,605	$ --	$602	$103,638
Real estate:						
Mortgage	41,542	248,575	38,595	1,123	315	330,150
Construction	17,887	554	857	--	--	19,298
Industrial revenue bonds	1,146	1,247	--	2,980	--	5,373
Installment	1,837	74	--	--	--	1,911
Other	8,610	--	--	52	--	8,662
Total loans	$144,948	$268,955	$50,057	$4,155	$917	$469,032

(1)Loans have been classified as having "floating" interest rates if the rate specified in the loan varies with the prime commercial rate of interest.

The Company has no concentrations of loans exceeding 10% of total loans, which are not otherwise disclosed in the loan portfolio composition table and discussed in Item 8, Note 4 of this report. As can be seen in the loan composition table above and discussed in Item 8, Note 4, the Company's primary market niche for banking services is privately-held commercial companies and churches and church-related ministries.

Loans to the commercial entities are generally secured by the business assets of the company, including accounts receivable, inventory, machinery and equipment, and the real estate from which the company 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 churches 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 $250,000 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 credits. When problems are identified, appraised values are updated on a continual basis, either internally or through an updated external appraisal.

Loan portfolio changes from December 31, 2002 to December 31, 2003:

Total loans increased $34,343,000 or 8% to $469,032,000. This increase was due mainly to the expansion of church and church-related loans in the St. Louis metropolitan area and selected areas across the United States. At year-end, church and church-related real estate and construction credits totaled $162,307,000, which represented a 15% increase over 2002. Additional details regarding the types and maturities of the loan portfolio are contained in the tables above and in Item 8, Note 4.

Loan portfolio changes from December 31, 2001 to December 31, 2002:

Total loans increased $53,237,000 or 14% to $434,689,000. This increase was due mainly to the expansion of church and church-related loans in the St. Louis metropolitan area and selected areas across the United States. At year-end, church and church-related real estate and construction credits totaled $141,532,000, which represented a 37% increase over 2001. Additional details regarding the types and maturities of the loan portfolio are contained in the tables above and in Item 8, Note 4.

Provision and Allowance for Loan Losses

The Company recorded a provision for loan losses of $190,000 in 2003, $500,000 in 2002 and $60,000 in 2001. The provisions were due to the Company's quarterly analysis of the allowance for loan losses in relation to probable losses in the loan portfolio. The larger provisions made in 2002 partially resulted from the increase in average loans outstanding and an increase in nonperforming loans. The amount of the provision will fluctuate as determined by these quarterly analyses. The Company had net loan recoveries of $23,000 for 2003 and net loan charge-offs of $113,000 in 2002 and $51,000 in 2001. The allowance for loan losses was $5,506,000 at December 31, 2003, compared to $5,293,000 at December 31, 2002 and $4,906,000 at December 31, 2001. The year-end 2003 allowance represented 1.17% of outstanding loans, compared to 1.22% at year-end 2002 and 1.29% at year-end 2001. From December 31, 2002 to December 31, 2003 the level of nonperforming loans decreased $4,801,000 from $9,194,000 to $4,393,000, which represents .94% of outstanding loans. Nonperforming loans are more fully explained in the section entitled "Nonperforming Assets" in Item 7 of this report.

The allowance for loan losses has been established and is maintained to absorb losses inherent in the loan portfolio. An ongoing assessment of risk of loss is performed to determine if the current balance of the allowance is adequate to cover probable losses in the portfolio. A charge or credit is made to expense to cover any deficiency or reduce any excess. The current methodology employed to determine the appropriate allowance consists of two components, specific and general. The Company develops specific valuation allowances on commercial, commercial real estate, and construction loans based on individual review of these loans and our estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available to us. The general component relates to all other loans, which are evaluated based on loan grade. The loan grade assigned to each loan is typically evaluated on an annual basis, unless circumstances require interim evaluation. The Company assigns a reserve amount consistent with each loan's rating category. The reserve amount is based on derived loss experience over prescribed periods. In addition to the amounts derived from the loan grades, a portion is added to the general reserve to take into account other factors including national and local economic conditions, downturns in specific industries including loss in collateral value, trends in credit quality at the Company and the banking industry, and trends in risk rating changes. As part of their examination process, federal and state agencies review the Company's methodology for maintaining the allowance for loan losses and the balance in the account. These agencies may require the Company to increase the allowance for loan losses based on their judgments and interpretations about information available to them at the time of their examination.

Summary of Loan Loss Experience

(Dollars in thousands)	2003	2002	2001	2000	1999
	December 31,				
Allowance at beginning of year	$ 5,293	$ 4,906	$ 4,897	$ 4,282	$ 4,428
Loans charged-off:					
Commercial and industrial loans and industrial revenue bonds (IRB's)	--	152	110	183	255
Real estate:					
Mortgage	--	--	--	--	--
Construction	--	--	--	--	--
Installment	--	--	--	--	1
Other	2	--	--	--	--
Total loans charged-off	2	152	110	183	256
Recoveries of loans previously charged-off:					
Commercial, industrial and IRB's	25	39	59	48	109
Real estate:					
Mortgage	--	--	--	--	--
Construction	--	--	--	--	--
Installment	--	--	--	--	1
Total recoveries of loans previously charged-off	25	39	59	48	110
Net loans (recovered) charged-off	(23)	113	51	135	146
Provision charged to expense	190	500	60	750	--
Allowance at end of year	$ 5,506	$ 5,293	$ 4,906	$ 4,897	$ 4,282
Loans outstanding:					
Average	$ 443,452	$ 404,093	$ 376,275	$ 327,962	$ 258,742
December 31	469,032	434,689	381,452	372,220	278,343
Ratio of allowance for loan losses to loans outstanding:					
Average	1.24%	1.31%	1.30%	1.49%	1.65%
December 31	1.17%	1.22%	1.29%	1.32%	1.54%
Ratio of net (recoveries) charge-offs to average loans outstanding	(.01)%	.03%	.01%	.04%	.06%
Allocation of allowance for loan losses(1):					
Commercial, industrial and IRB's	$ 2,575	$ 2,167	$ 2,129	$ 3,159	$ 3,844
Real estate:					
Mortgage	2,761	2,780	2,442	416	19
Construction	152	302	303	1,317	419
Installment	10	10	10	5	--
Other loans	8	34	22	--	--
Total	$ 5,506	$ 5,293	$ 4,906	$ 4,897	$ 4,282
Percent of categories to total loans:					
Commercial and industrial and IRB's	23.2%	24.6%	31.8%	40.9%	40.9%
Real estate:					
Mortgage	70.4	64.9	56.5	49.0	46.5
Construction	4.1	9.0	8.6	7.9	10.6
Installment	.4	.4	.5	.7	.6
Other	1.9	1.1	2.6	1.5	1.4
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

It is the policy of the Company to continually monitor its loan portfolio and to discontinue the accrual of interest on any loan on which payment of principal or interest in a timely manner, in the normal course of business, is doubtful. Subsequent payments received on such loans are applied to principal if there is any doubt as to the collectibility of such principal; otherwise, these receipts

are recorded as interest income. Interest on nonaccrual and renegotiated loans, which would have been recorded under the original terms of the loans, was approximately $272,000 for the year ended December 31, 2003. Of this amount, approximately $164,000 was actually recorded as interest income on such loans.

The total renegotiated loans of $2,721,000 at December 31, 2003 relates to two borrowers, both of which are current under the new terms of the loans. The balance of nonaccrual real-estate mortgage loans of $1,207,000 consists of one loan for $752,000 that is collateralized by real estate and has a SBA guarantee. There has been delinquency in loan payments due to slower than expected lease-up of real estate property. The remaining balance consists of two other loans totaling $455,000 relating to property that is for sale. These loans are collateralized by the property and a specific reserve has been established for the potential shortfall. Nonaccrual commerical loans consist primarily of one loan for $276,000 relating to a business that is no longer operating, although payments are being made as the inventory of the business is being sold and a specific reserve has been established for the potential shortfall.

The total foreclosed assets of $859,000 at December 31, 2003 consist of real estate property that was foreclosed on August 8, 2001. This property is being carried as other real estate owned at what management believes to be fair value less cost to sell the property.

At December 31, 2003, approximately $3,234,000 of loans not included in the table below were identified by management as having potential credit problems. These loans are excluded from the table due to the fact they are current under the original terms of the loans, but circumstances have raised doubts as to the ability of the borrowers to comply with the current loan repayment terms.

The Company does not have any foreign loans. The Company's loan portfolio does not include a significant amount of single family real estate mortgage or installment credits, as the Company does not market its services to retail customers.

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,				
(Dollars in thousands)	2003	2002	2001	2000	1999
Commercial, industrial and IRB's:					
Nonaccrual	$ 318	$ 51	$ 157	$ 84	$ 170
Contractually past due 90 days or more and still accruing	--	--	18	--	167
Renegotiated loans	2,240	--	--	--	70
Real estate-construction on nonaccrual	--	--	265	1,043	--
Real estate-mortgage:					
Nonaccrual	1,207	--	32	--	--
Contractually past due 90 days or more and still accruing	147	3,388	--	--	--
Renegotiated loans	481	4,252	--	--	--
Installment loans contractually past due 90 days or more and still accruing	--	--	--	4	--
Other loans contractually past due 90 days and still accruing	--	1,503	--	--	--
Total nonperforming loans	4,393	9,194	472	1,131	407
Total foreclosed assets	859	6,241	5,710	--	--
Total nonperforming assets	$ 5,252	$15,435	$ 6,182	$ 1,131	$ 407

Operating Expenses

Operating expenses in 2003 compared to 2002 include the following significant pre-tax components:

Salaries and employee benefits expense increased $5,747,000 or 18% to $37,152,000. Of this increase the consolidation of GEMS amounted to $4,139,000. The remaining increase primarily relates to annual salary increases and increases in health and worker's compensation insurance expense.

Occupancy expense increased $282,000 or 19% to $1,782,000. Of this increase $237,000 relates to the consolidation of GEMS. Equipment expense increased $168,000 or 4% to $4,478,000. GEMS contributed $433,000 of equipment expense. Excluding GEMS, equipment expense decreased $265,000 primarily due to decreases in computer equipment maintenance from the consolidation of equipment within the transportation processing division. Other operating expense increased $2,132,000 or 23% to $11,492,000. The consolidation of GEMS contributed $2,524,000 to other operating expense. Excluding GEMS, other operating expenses decreased $392,000 or 4%. More details on the components of other operating expenses are contained in Item 8, Note 11 of this report.

Operating expenses in 2002 compared to 2001 include the following significant pre-tax components:

Salaries and employee benefits expense increased $936,000 or 3% to $31,405,000. This increase primarily relates to increased staff in both the transportation and utility processing divisions to accommodate the increase in production. The Company also experienced an increase in pension and health insurance expense.

Occupancy expense decreased $158,000 or 10% to $1,500,000 primarily due to a decrease in rent expense after moving the Company's Columbus operations from leased space to a newly-acquired building, closing of the Chicago office, which was the facility used to support the rating software business that was discontinued in 2002 and closing one of the two bank subsidiary branches located in downtown St. Louis. Equipment expense increased $479,000 or 13% to $4,310,000 and other operating expense increased $589,000 or 7% to $9,360,000. These increases relate mainly to the expansion of utility payment processing capabilities, increased investment in freight payment processing and Internet capabilities and other normal operating expense fluctuations. More details on the components of other operating expenses are contained in Item 8, Note 11 of this report.

Income Tax Expense

Income tax expense in 2003 totaled $3,453,000 compared to $2,987,000 in 2002 and $3,739,000 in 2001. When measured as a percent of income before income taxes, the Company's effective tax rate was 30% in 2003, 29% in 2002 and 35% in 2001. The primary reason for the decline in the effective rate in 2002 was the Company's investment in tax-exempt municipal bonds and bank owned life insurance.

Investment Portfolio

Investment portfolio changes from December 31, 2002 to December 31, 2003:

U.S. Government Treasury securities increased from $0 to $17,103,000. This increase occurred due to a decision to decrease holdings in U.S. Government corporations and agencies given changes in the relative yields of these securities.

U.S. Government corporation and agency securities decreased $22,557,000 or 83% to $4,690,000. This decrease was due to a decision to reinvest in U.S. Government Treasury securities given the small differential in yields between these types of securities in 2003.

State and political subdivision securities increased $5,854,000 or 14% to $46,777,000. This was the result of a decision to invest in longer-term, higher-yielding investments.

Investment portfolio changes from December 31, 2001 to December 31, 2002:

The balance of $12,284,000 invested in U.S. Government Treasury securities at December 31, 2001 matured during 2002 and these funds were invested in higher-yielding securities and used to fund loan growth.

U.S. Government corporation and agency securities decreased $50,066,000 or 65% to $27,249,000. The decrease was primarily from the sales of these securities, which were transacted to adjust the portfolio to reflect the changes in the interest rate environment, accommodate growth in the loan portfolio and to recognize gains to offset the loss in interest income due to the dramatic decline in the general level of interest rates.

State and political subdivision securities increased $38,824,000 to $40,923,000. This increase was due to the decision to invest in longer-term, higher-yielding investments.

There was no single issuer of securities in the investment portfolio at December 31, 2003, other than U.S. Government corporations and agencies, for which the aggregate amortized cost exceeded ten percent of total shareholders' equity.

Investment by Type

(Dollars in thousands)	December 31, 2003	2002	2001
U.S. Treasury securities	$17,103	$ --	$12,284
U.S. Government corporations and agencies	4,690	27,247	77,313
State and political subdivisions	46,777	40,923	2,099
Stock of the Federal Home Loan Bank	376	1,000	433
Stock of the Federal Reserve Bank	201	201	201
Total investments	$69,147	$69,371	$92,330

Investment in Debt Securities by Maturity
(At December 31, 2003)

(Dollars in thousands)	Within 1 Year	Over 1 to 5 Years	Over 5 to 10 Years	Over 10 Years	Yield
U.S. Treasury securities	$14,104	$ 2,999	$ --	$ --	1.24%
U.S. Government corporations and agencies	--	4,690	--	--	3.04%
State and political subdivisions(1)	--	1,087	14,427	31,263	6.31%
Total investment in debt securities	$14,104	$ 8,776	$14,427	$31,263	4.79%
Weighted average yield	1.05%	2.88%	6.50%	6.29%	

1. Weighted average yield is presented on a tax-equivalent basis assuming a tax rate of 34%.

Equity Investment

During 2003, the Company converted its $2,000,000 investment in a private imaging company from a convertible debenture into common stock. As part of the conversion, the Company committed to invest an additional $1,100,000 if certain conditions were met. As of December 31, 2003, the total investment of the Company in this entity was $2,908,000 and is included in other assets in the accompanying consolidated balance sheets. The Company now has an effective 19.93% ownership interest in this entity and the Chairman and CEO of the Company is a member of the entity's Board of Directors. No business has been transacted between the companies during the year.

The Company made its initial investment in this entity in 2001 through a convertible debenture. The business has since performed poorly and during 2003 received a commitment of an additional $3,000,000 from a new non-affiliated majority owner, in addition to the Company's additional commitment. The new majority owner is currently in the process of stabilizing the business and improving its financial performance. The primary condition for any additional investment by the Company is the amount of the new majority owner's actual financial investment. Should this business fail to meet its objectives, the Company's investment could be subject to future impairment.

The Company accounts for this investment, along with its other non-marketable equity investments, under the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, distributions of earnings and additional investments. The Company periodically evaluates whether any declines in fair value of its investments are other than temporary. In performing this evaluation, the Company considers various factors including any decline in market price, where available, the investee's financial condition, results of operations, operating trends and other financial ratios.

Deposits and Accounts and Drafts Payable

Noninterest-bearing demand deposits increased $5,282,000 or 5% from December 31, 2002 to $114,634,000 at December 31, 2003. The average balances remained level from 2002 to 2003, recording a slight $318,000 or less than 1% increase to $100,791,000. The increase in ending balances relates to normal daily fluctuations in these accounts.

Interest-bearing deposits increased $23,628,000 or 18% from December 31, 2002 to $157,794,000 at December 31, 2003. The average balances of these deposits increased $8,993,000 or 6% from 2002 to $149,160,000 in 2003. These increases relate mainly to the Bank's increased marketing efforts to attract more deposits.

Accounts and drafts payable generated by the Company in its payment processing operations increased $70,148,000 or 31% from December 31, 2002 to $293,769,000 at December 31, 2003. The average balances of these funds increased $7,135,000 or 2% from 2002 to $300,577,000 in 2003. These increases relate to the increase in dollars processed. 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.

The composition of average deposits and the average rates paid on those deposits is represented in the table entitled "Distribution of Assets, Liabilities and Stockholders' 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 Deposits of $100,000 or More
(At December 31, 2003)

(Dollars in thousands)	
Three months or less	$18,779
Three to six months	4,945
Six to twelve months	5,562
Over twelve months	13,990
Total	$43,276

Short-term Borrowings

Short-term borrowings decreased $37,315,000 or 99.7% from December 31, 2002 to $123,000 at December 31, 2003. Average balances of these funds decreased $542,000 or 36% from 2002 to $943,000 during 2003. These funds consist primarily of federal funds purchased and can also include tax deposits of the United States Treasury. The borrowings at December 31, 2002 were used to fund a decrease in accounts and drafts payable due to a combination of special year-end funding arrangements with large customers, seasonality and the last day of the year being the low point of the weekly payment cycle. These balances can vary significantly from day to day due to the Company's payment cycle and therefore balances on any particular day are not necessarily reflective of balances throughout the year. For more information on borrowings please refer to Item 8, Note 9 of this report.

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 the freight and utility invoices processed as they become due, 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 the 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 transactions in its evaluation of liquidity.

The balances of liquid assets consists of cash and cash equivalents, which include cash and due from banks, federal funds sold, and money market funds, and were $62,367,000 at December 31, 2003, an increase of $32,361,000 or 108% from December 31, 2002. At December 31, 2003 these assets represented 10% of total assets. These funds are the Company's and its subsidiaries' primary source of liquidity to meet future expected and unexpected loan demand, depositor withdrawals or reductions in accounts and drafts payable.

Secondary sources of liquidity include the investment portfolio and borrowing lines. Total investment in debt and equity securities was $69,147,000 at December 31, 2003, a slight decrease of $224,000 from December 31, 2002. These assets represented 11% of total assets at December 31, 2003. Of this total, 67% were state and political subdivision securities, 25% were U.S. Treasury securities, 7% were U.S. government agencies and 1% were other securities. Of the total portfolio, 20% mature in one year, 13% matures in one to five years, and 67% matures in five or more years. During the year the Company sold securities with a market value of $38,454,000 and a portion of these funds were reinvested in state and political subdivision securities and the loan portfolio.

The Bank has unsecured lines at correspondent banks to purchase federal funds up to a maximum of $33,000,000. Additionally, the Bank maintains a line of credit at an unaffiliated financial institution in the maximum amount of $79,661,000 collateralized by securities sold under repurchase agreements.

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 has also historically been a stable source of funds.

Net cash flows provided by operating activities for the years 2003, 2002 and 2001 were $12,131,000, $8,978,000 and $7,792,000 respectively. Net income plus the adjustment for depreciation and amortization accounts for most of the operating cash provided and has grown consistently over the past three years. 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, the analysis of changes in average balances, also discussed earlier in this report, can be more indicative of underlying activity than the period-end balances used in the statements of cash flows. Management anticipates that cash and cash equivalents, maturing investments and cash from operations will continue to be sufficient to fund the Company's operations and capital expenditures in 2004.

Other Off-Balance Sheet Activities

In the normal course of business, the Company is party to activities that contain 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 and commitments under operating leases.

The Company provides customers with off-balance sheet credit support through unused loan commitments to extend credit, standby letters of credit and commercial letters of credit. Summarized credit-related financial instruments, including both commitments to extend credit and letters of credit and operating lease commitments at December 31, 2003 are as follows:

	Amount of Commitment Expiration per Period			
(Dollars in thousands at December 31, 2003)	Total	Less than 1 year	1-3 Years	3-5 Years
Unused loan commitments	$20,941	$12,422	$ 8,519	$ --
Standby letters of credit	4,516	3,759	694	63
Commercial letters of credit	347	347	--	--
Operating lease commitments	736	461	268	7

Since many of the unused credit-related commitments are expected to expire or be only partially used, the total amount of these commitments in the preceding table does not necessarily represent future cash requirements.

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, 2003 as shown in Item 8, Note 2 of this report.

In 2003, cash dividends paid were $.764 per share for a total of $2,814,000, a 7% increase over the prior year, which is attributable to an increase in the per share amount paid and additional shares outstanding. On February 17, 2004 the Company declared a 10% stock dividend payable to holders of record on March 5, 2004. All per share cash dividend amounts have been restated to reflect this stock dividend.

Shareholders' equity was $64,792,000, or 10% of total assets, at December 31, 2003, an increase of $3,746,000 over the balance at December 31, 2002. This increase resulted from net income of $7,902,000, proceeds from the exercise of stock options of $260,000 and other items of $233,000, which was partially offset by cash dividends paid of $2,814,000, repurchases of stock of $1,764,000 and a decrease in other comprehensive income of $71,000.

Dividends from the bank subsidiary are a significant 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 and prudent and sound banking principles. As of December 31, 2003, unappropriated retained earnings of $8,922,000 were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities.

Effect of Recent and Prospective Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligation under guarantees issued. The interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and did not have a material effect on the Company's consolidated financial statements. The disclosure requirements are effective for financial statements of periods ending after December 15, 2002 and are included in "Other Off-Balance Sheet Activities" in this section of the report.

In December 2002, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends SFAS 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both the annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in Item 8, Note 1 of this report.

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46R), which addresses how a business enterprise should evaluate whether it has controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FIN 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," issued in January 2003. Companies are required to apply FIN 46R to variable interest entities (VIEs) created after December 31, 2003. For variable interest in VIEs created before January 1, 2004, FIN 46R will be applied beginning on January 1, 2005. The Company is currently not a primary beneficiary of a VIE and therefore adoption of FIN 46R is not expected to have a material impact on the consolidated financial statements.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133 for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of derivative. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The provisions of SFAS 149 did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity," which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of nonpublic companies. The Company currently does not have any instruments that fall within the scope of SFAS 150 and therefore the adoption of SFAS 150 did not have a material impact on its consolidated financial statements.

In November 2003, the Emerging Issues Task Force (EITF) reached a consensus on certain disclosure requirements under EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The new disclosure requirements apply to investments in debt and marketable equity securities that are accounted under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," and SFAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Effective for fiscal years ending after December 15, 2003 companies are required to disclosure information about debt or marketable equity securities with market values below carrying values. The Company has adopted the disclosure requirements of EITF Issue No. 03-1 and they are included in Item 8, Note 3 of this report.

In December 2003, the FASB issued SFAS 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," which increases the disclosure requirements of the original statement by requiring more details about pension plan assets, benefit obligations, cash flows, benefit costs and related information and also requires companies to disclose various elements of pension and postretirement benefit costs in interim-period financial statements for quarters beginning after December 15, 2003. Additional disclosures pertaining to benefit payments are required for fiscal years ending after June 30, 2004. The disclosure requirements of SFAS 132 (Revised 2003) that is required for fiscal years ending after December 15, 2003 are included in Item 8, Note 10 of this report.

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 and its fair market value of equity are affected by changes in market interest rates. The asset/liability management discipline as applied at the Company seeks to limit the volatility, to the extent possible, of both net interest income and the fair market value of equity that can result from changes in market interest rates. This is accomplished by limiting the 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, as discussed below, the Company's asset/liability position differs significantly from most other bank holding companies with significant positive cumulative "gaps" shown for each time horizon presented. This asset sensitive position is caused primarily by the operations of the Company, which generates large balances of accounts and drafts payable. These balances, which are noninterest bearing, contribute to the Company's historical high net interest margin but cause the Company to become susceptible to changes in interest rates, with a decreasing net interest margin and fair market value of equity in periods of declining interest rates and an increasing net interest margin and fair market value of equity in periods of rising interest rates.

The Company's Asset/Liability Management Committee (ALCO) measures the Company's interest rate risk sensitivity on a quarterly basis to monitor and manage the variability of earnings and fair market value of equity 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 and value or whether the Company can safely increase risk to enhance returns. The ALCO uses gap reports, twelve-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 repricing points of the Company's rate sensitive assets and liabilities in certain time horizons. A negative gap indicates that more liabilities reprice in that particular time frame and, if rates rise, these liabilities will reprice faster than the assets. A positive gap would indicate the opposite. Gap reports can be misleading in that they capture only the repricing 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 twelve months under different interest rate scenarios in order to quantify potential changes in short term accounting income. 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, 2003 from an immediate and sustained parallel change in interest rates is shown below.

While net interest income simulations do a good job of capturing interest rate risk to short term earnings, they do not capture risk within the current balance sheet beyond twelve 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 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 contains the analysis, which illustrates the effects of an immediate and sustained parallel change in interest rates as of December 31, 2003:

Change in Interest Rates	% Change in Net Interest Income	% Change in Fair Market Value of Equity
+200 basis points	10%	10%
+100 basis points	5%	5%
Stable Rates	0%	0%
-100 basis points	(7%)	(7%)
-200 basis points	(13%)	(14%)

Interest Rate Sensitive Position

The following table presents the Company's gap or interest rate risk position at December 31, 2003 for the various time periods indicated.

(Dollars in thousands)	Variable Rate	0-90 days	91-180 days	181-364 days	1-5 years	Over 5 Years	Total
Earning assets:							
Loans:							
Taxable	$ 180,237	$ 5,029	$ 1,914	$ 7,596	$ 267,708	$ 1,175	$ 463,659
Tax-exempt	--	--	--	1,146	1,247	2,980	5,373
Debt and equity securities(1):							
Taxable	--	3,003	6,065	5,036	7,689	--	21,793
Tax-exempt	--	--	--	--	1,086	45,691	46,777
Other	577	--	--	--	--	--	577
Federal funds sold and other short term investments	44,613	--	--	--	--	--	44,613
Total earning assets	225,427	8,032	7,979	13,778	277,730	49,846	582,792
Interest-sensitive liabilities:							
Money market accounts	40,653	--	--	--	--	--	40,653
Now accounts	13,330	--	--	--	--	--	13,330
Savings deposits	32,626	--	--	--	--	--	32,626
Time deposits:							
$100 and more	--	18,779	4,945	5,562	13,990	--	43,276
Less than $100	--	2,183	13,222	6,300	6,204	--	27,909
Federal funds purchased and other short term borrowing	123	--	--	--	--	--	123
Total interest-bearing liabilities	$ 86,732	$ 20,962	$ 18,167	$ 11,862	$ 20,194	$ --	$ 157,917
Interest sensitivity gap:							
Periodic	$ 138,695	$ (12,930)	$ (10,188)	$ 1,916	$ 257,536	$ 49,846	$ 424,875
Cumulative	138,695	125,765	115,577	117,493	375,029	424,875	424,875
Ratio of interest-bearing assets to interest-bearing liabilities:							
Periodic	2.60x	.38x	.44x	1.16x	13.75x	--	3.69x
Cumulative	2.60x	2.17x	1.92x	1.85x	3.37x	3.69x	3.69x

(1) Balances shown reflect earliest repricing date.

PART II.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CASS INFORMATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 31, 2003	December 31, 2002
Assets		
Cash and due from banks	$ 17,754	$ 24,279
Federal funds sold and other short-term investments	44,613	5,727
Cash and cash equivalents	62,367	30,006
Investment in debt and equity securities, available-for-sale, at fair value	69,147	69,371
Loans	469,032	434,689
Less: Allowance for loan losses	5,506	5,293
Loans, net	463,526	429,396
Premises and equipment, net	13,538	15,359
Investment in bank owned life insurance	10,709	10,178
Goodwill	3,150	223
Other intangible assets	1,940	379
Other assets	15,319	17,321
Total assets	$ 639,696	$ 572,233
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 114,634	$ 109,352
Interest-bearing	157,794	134,166
Total deposits	272,428	243,518
Accounts and drafts payable	293,769	223,621
Short-term borrowings	123	37,438
Other liabilities	8,584	6,610
Total liabilities	574,904	511,187
Shareholders' Equity:		
Preferred stock, par value $.50 per share; 2,000,000 shares authorized and no shares issued	--	--
Common stock, par value $.50 per share; 20,000,000 shares authorized and 4,160,110 shares issued at December 31, 2003 and 2002	2,080	2,080
Additional paid-in capital	8,466	8,466
Retained earnings	69,695	64,607
Common shares in treasury, at cost (824,598 and 796,278 shares at December 31, 2003 and 2002, respectively)	(16,442)	(15,275)
Unamortized stock bonus awards	(129)	(25)
Accumulated other comprehensive income	1,122	1,193
Total shareholders' equity	64,792	61,046
Total liabilities and shareholders' equity	$ 639,696	$ 572,233

See accompanying notes to consolidated financial statements.

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

(In thousands, except share and per share data)	December 31, 2003	2002	2001
Fee Revenue and Other Income:			
Freight and utility payment and processing revenue	$ 28,440	$ 24,622	$ 21,490
Software revenue	7,696	--	--
Bank service fees	1,806	1,659	1,522
Gains on sales of investment securities	1,454	1,477	--
Other	671	272	231
Total fee revenue and other income	40,067	28,030	23,243
Interest Income:			
Interest and fees on loans	25,601	26,197	29,069
Interest and dividends on debt and equity securities:			
Taxable	499	2,839	4,276
Exempt from federal income taxes	1,534	1,894	47
Interest on federal funds sold and other short-term investments	609	687	2,790
Total interest income	28,243	31,617	36,182
Interest Expense:			
Interest on deposits	1,847	2,240	3,863
Interest on short-term borrowings	14	33	9
Total interest expense	1,861	2,273	3,872
Net interest income	26,382	29,344	32,310
Provision for loan losses	190	500	60
Net interest income after provision for loan losses	26,192	28,844	32,250
Operating Expense:			
Salaries and employee benefits	37,152	31,405	30,469
Occupancy	1,782	1,500	1,658
Equipment	4,478	4,310	3,831
Other operating	11,492	9,360	8,771
Total operating expense	54,904	46,575	44,729
Income before income tax expense	11,355	10,299	10,764
Income tax expense	3,453	2,987	3,739
Net income	$ 7,902	$ 7,312	$ 7,025
Earnings per share*:			
Basic	$ 2.15	$ 1.98	$ 1.88
Diluted	$ 2.13	$ 1.96	$ 1.86
Weighted average shares outstanding*:			
Basic	3,677,314	3,697,788	3,729,039
Dilutive effect of stock options and awards	37,239	23,502	48,236
Diluted	3,714,553	3,721,290	3,777,275

*Earnings per share and weighted average shares outstanding have been restated to reflect the 10% stock dividend declared in February 2004.

See accompanying notes to consolidated financial statements.

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

	December 31,		
(Dollars in thousands)	2003	2002	2001
Cash Flows From Operating Activities:			
Net income	$ 7,902	$ 7,312	$ 7,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,580	3,978	3,276
Gains on sales of investment securities	(1,454)	(1,477)	--
Amortization of stock bonus awards	57	22	80
Tax benefit from exercise of stock options and bonuses	176	186	29
Provision for loan losses	190	500	60
Increase in accounts receivable	(1,462)	(400)	(260)
Deferred income tax (benefit) expense	(599)	(315)	761
Increase (decrease) in income tax liability	1,115	164	(845)
Decrease in accrued interest receivable	308	88	901
Increase (decrease) in pension liability	335	(53)	292
Change in other assets	542	(1,521)	(3,213)
Change in other liabilities	428	665	616
Other operating activities, net	13	(171)	(930)
Net cash provided by operating activities	12,131	8,978	7,792
Cash Flows From Investing Activities:			
Proceeds from sales of investment securities available-for-sale	38,454	63,945	--
Proceeds from maturities of debt and equity securities available-for-sale	15,522	40,878	38,993
Purchase of debt and equity securities available-for-sale	(52,970)	(79,761)	(61,497)
Net increase in loans	(36,320)	(53,613)	(14,088)
Purchases of premises and equipment, net	(1,881)	(2,216)	(5,944)
Purchase of bank owned life insurance	--	(10,000)	--
Net cash used in investing activities	(37,195)	(40,767)	(42,536)
Cash Flows From Financing Activities:			
Net increase (decrease) in noninterest-bearing deposits	5,282	(7,999)	17,410
Net increase (decrease) in interest-bearing demand and savings deposits	342	(18,079)	(1,307)
Net increase in time deposits	23,286	21,618	19,209
Net increase (decrease) in accounts and drafts payable	70,148	(68,173)	(11,046)
Net (decrease) increase in short-term borrowings	(37,315)	37,238	200
Cash proceeds from exercise of stock options	260	348	60
Cash paid for stock dividend for fractional shares	--	(2)	--
Cash dividends paid	(2,814)	(2,628)	(2,579)
Purchase of common shares for treasury	(1,764)	(383)	(3,279)
Net cash provided by (used in) financing activities	57,425	(38,060)	18,668
Net increase (decrease) in cash and cash equivalents	32,361	(69,849)	(16,076)
Cash and cash equivalents at beginning of year	30,006	99,855	115,931
Cash and cash equivalents at end of year	$ 62,367	$ 30,006	$ 99,855
Supplemental information:			
Cash paid for interest	$ 1,802	$ 2,270	$ 3,877
Cash paid for income taxes	2,513	3,155	3,352
Noncash transactions:			
Transfer of loans to other equity investments	$ 2,000	$ --	$ --
Foreclosed assets transferred from loans	--	--	4,205
Other real estate transferred from loans	--	263	600
Transfer of securities from held-to-maturity to available-for-sale	--	--	6,682

See accompanying notes to consolidated financial statements.

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

(In thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unamortized Stock Bonus Awards	Accumulated Other Comprehensive Income (Loss)	Total	Comp-rehensive Income
Balance, December 31, 2000	$ 2,000	$ 5,059	$ 59,177	$(12,480)	$ (94)	$ 159	$ 53,821	
Net income			7,025				7,025	$ 7,025
Cash dividends ($.693 per share)*			(2,579)				(2,579)	
Purchase of 161,700 common shares for treasury				(3,279)			(3,279)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						397	397	397
Minimum pension liability adjustment, net of tax						(34)	(34)	(34)
Issuance of 693 common shares pursuant to Stock Bonus Plan*				11	(11)			
Amortization of Stock Bonus Plan awards					80		80	
Exercise of stock options		(91)		151			60	
Tax benefit on stock awards		29					29	
Balance, December 31, 2001	2,000	4,997	63,623	(15,597)	(25)	522	55,520	
Comprehensive income for 2001								$ 7,388
Net income			7,312				7,312	7,312
Cash dividends ($.710 per share)*			(2,628)				(2,628)	
Purchase of 15,664 common shares for treasury				(383)			(383)	
5% stock dividend, net	80	3,618	(3,700)				(2)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						1,612	1,612	1,612
Reclassification adjustment for gains on sales of investment securities, available-for-sale, net of tax						(975)	(975)	(975)
Minimum pension liability adjustment, net of tax						34	34	34
Issuance of 1,040 common shares pursuant to Stock Bonus Plan*		5		17	(22)		--	
Amortization of Stock Bonus Plan awards					22		22	
Exercise of stock options		(340)		688			348	
Tax benefit on stock awards		186					186	
Balance, December 31, 2002	2,080	8,466	64,607	(15,275)	(25)	1,193	61,046	
Comprehensive income for 2002								$ 7,983
Net income			7,902				7,902	7,902
Cash dividends ($.764 per share)*			(2,814)				(2,814)	
Purchase of 59,237 common shares for treasury				(1,764)			(1,764)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						899	899	899
Reclassification adjustment for gains on sales of investment securities, available-for-sale, net of tax						(960)	(960)	(960)
Minimum pension liability adjustment, net of tax						(10)	(10)	(10)
Issuance of 6,501 common shares pursuant to Stock Bonus Plan*		47		114	(161)		--	
Amortization of Stock Bonus Plan awards					57		57	
Exercise of stock options		(223)		483			260	
Tax benefit on stock awards		176					176	
Balance, December 31, 2003	$ 2,080	$ 8,466	$ 69,695	$(16,442)	$ (129)	$1,122	$ 64,792	
Comprehensive income for 2003								$ 7,831

*Share and per share data has been restated to reflect the 10% stock dividend declared in February 2004.

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 freight and utility invoices, preparation of transportation management reports, auditing of freight charges and rating of freight shipments. The consolidated balance sheet caption, "Accounts and Drafts Payable," consists of obligations 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 its wholly-owned bank subsidiary and enterprise software solutions to governmental entities through its software subsidiary.

On January 9, 2001 the Company's subsidiary, Cass Information Systems, Inc. was merged into the parent company, Cass Commercial Corporation, and the parent's name was subsequently changed to Cass Information Systems, Inc.

Basis of Presentation The accounting and reporting policies of the Company and its subsidiaries conform to accounting policies generally accepted in the United States of America. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of intercompany transactions. Certain amounts in the 2002 and 2001 consolidated financial statements have been reclassified to conform to the 2003 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. A significant estimate, which is particularly susceptible to change in a short period of time, is the determination of the allowance for loan losses.

Investment in Debt and Equity Securities The Company classifies its debt and marketable equity 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. A decline in the fair value of any available-for-sale security below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. To determine whether an impairment is other than temporary, the Company considers whether it has the ability and intent to hold the investment until a market place recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in value subsequent to year-end and forecasted performance of the investee. Premiums and discounts are amortized or accreted to interest income over the estimated lives of the securities. Interest income is recognized when earned. Gains and losses are calculated using the specific identification method. Investments in equity securities without readily determinable fair values are stated at cost.

Non-marketable Equity Investments The Company accounts for non-marketable equity investments under the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other than temporary declines in fair value, distributions of earnings and additional investments. The Company periodically evaluates whether any declines in fair value of its investments are other than temporary. In performing this evaluation, the Company considers various factors including any decline in market price, where available, 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.

Interest on 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 collectibility of principal or interest. Subsequent payments received on such loans are applied to principal if there is any doubt as to the collectibility 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.

Impairment of Loans A loan is considered impaired when it is probable a creditor will be unable to collect all amounts due, both principal and interest, according to the contractual terms of the loan agreement. When measuring impairment, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment could be measured by reference to an observable market price, 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 impairment based on the fair value of the collateral when the Company determines foreclosure is probable. Additionally, impairment of a restructured loan is measured by discounting the total expected future cash flows at the loan's effective rate of interest as stated in the original loan agreement. The Company uses its nonaccrual methods as discussed above for recognizing interest on impaired loans.

Allowance for Loan Losses The allowance for loan losses is increased by provisions charged to expense and reduced by net charge-offs. The provisions charged to expense are based on economic conditions, past losses, collection experience, risk characteristics of the portfolio and such other factors which, in management's judgment, deserve current recognition.

Management believes the allowance for loan losses is adequate to absorb losses in the loan portfolio. While management uses all available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to increase the allowance for loan losses based on their judgments and interpretations about information available to them at the time of their examination.

Information Services Revenue Revenue from freight and utility payment related services is recognized when earned and fees are billed to customers, generally monthly.

Software Revenue Software revenue consists of license fees, hardware sales, maintenance fees and other service fees. License fees and hardware sales are recognized in accordance with Statement of Financial Position (SOP) 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" and therefore revenue is deferred until the following criteria are met: (a) persuasive evidence of an arrangement exists, (b) delivery has occurred, (c) the fee is fixed and determinable and (d) collection is probable. Maintenance fees are normally paid in advance and cover a period of one year and therefore fees are recognized ratably over the maintenance term and the unamortized balance is carried as deferred income and included in other liabilities. Other services are provided on an as needed basis and revenue is recognized once the service has been completed and the customer is billed.

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, 10 years 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.

Foreclosed assets On January 2, 2001, the Bank subsidiary foreclosed on certain operating assets of one borrower in order to protect the financial interest in that borrower. The Bank sold these assets to a wholly-owned subsidiary and invested in and stabilized this business. From the date of foreclosure through December 31, 2002, these assets had been accounted for as a foreclosed asset that is held for sale. At December 31, 2002 other assets includes $7,108,000 and other liabilities includes $1,810,000 related to this business.

The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", effective January 1, 2002. SFAS 144 requires that if certain criteria are not met for long-lived asset (disposal) groups classified as held for sale by the end of the fiscal year in which SFAS 144 is initially applied, the related long-lived assets shall be reclassified as held and used. Therefore, as of January 1, 2003, the Company reclassified these foreclosed assets as held and used and consolidated its operations into those of the Company.

Other real estate, included in other assets in the accompanying consolidated balance sheets, is recorded at fair value less estimated selling costs. If the fair value of other real estate declines subsequent to foreclosure, the difference is recorded as a valuation allowance through a charge to expense. Subsequent increases in fair value are recorded through reversal of the valuation allowance. Expenses incurred in maintaining the properties are charged to expense.

Intangible Assets Cost in excess of fair value of net assets acquired and fair value in excess of cost of net assets acquired have resulted from business acquisitions which were accounted for using the purchase method. The Company adopted the provisions of SFAS 142, "Goodwill and Other Intangible Assets", effective January 1, 2002 which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS 144. Prior to the adoption of SFAS 142, goodwill was amortized on a straight-line basis over 15 years. The disclosure requirements of SFAS 142 are included in Item 8, Note 7 of this report.

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.

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 bases. 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. 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.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Company considers cash and due from banks, federal funds sold and other short-term investments as segregated in the accompanying consolidated balance sheets to be cash equivalents.

Earnings Per Share Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares adjusted for the dilutive effect of outstanding stock options and awards. All per share data has been restated to reflect the 10% stock dividend declared in February 2004.

Stock Options The Company accounts for stock-based compensation under the stock option plan in accordance with APB 25, "Accounting for Stock Issued to Employees," and accordingly the Company recognizes no compensation expense as the price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. The Company elected not to adopt the recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148. An entity that continues to apply APB 25 shall disclose certain pro forma information as if the fair value-based accounting method in SFAS 123 had been used to account for stock-based compensation costs. The Company uses the Black-Scholes option-pricing model to determine the fair value of the stock options at the date of grant. There were 15,543 options granted in 2003, 6,930 options granted in 2002 and no options were granted in 2001. The required disclosure provisions of SFAS 123, as amended by SFAS 148, are provided in the table below.

(In thousands, except per share data)	2003	2002	2001
Net income:			
As reported	$ 7,902	$ 7,312	$ 7,025
Add: Stock based compensation expense included in reported net income, net of tax	38	15	53
Less: Stock based compensation expense determined under the fair value based method for all awards, net of tax	(81)	(60)	(126)
Pro forma net income	$ 7,859	$ 7,267	$ 6,952
Net income per common share*:			
Basic, as reported	$ 2.15	$ 1.98	$ 1.88
Basic, proforma	2.14	1.97	1.86
Diluted, as reported	2.13	1.96	1.86
Diluted, proforma	2.12	1.95	1.84
Weighted average assumptions:			
Risk-free interest rate	3.22%	3.54%	N/A
Expected life	7 yrs	7 yrs	N/A
Expected volatility	15%	15%	N/A
Expected dividend yield	3.32%	3.52%	N/A

*All share and per share amounts in this section have been adjusted to reflect the 10% stock dividend declared in February 2004.

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

Recent and Prospective Accounting Pronouncements In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligation under guarantees issued. The

interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and did not have a material effect on the Company's consolidated financial statements. The disclosure requirements are effective for financial statements of periods ending after December 15, 2002 and are included in Item 7 and Item 8, Note 14 of this report.

In December 2002, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends SFAS 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both the annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included above.

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46R), which addresses how a business enterprise should evaluate whether it has controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FIN 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," issued in January 2003. Companies are required to apply FIN 46R to variable interest entities (VIEs) created after December 31, 2003. For variable interest in VIEs created before January 1, 2004, FIN 46R will be applied beginning on January 1, 2005. The Company is currently not a primary beneficiary of a VIE and therefore adoption of FIN 46R is not expected to have a material impact on the consolidated financial statements.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133 for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of derivative. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The provisions of SFAS 149 did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity," which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of nonpublic companies. The Company currently does not have any instruments that fall within the scope of SFAS 150 and therefore the adoption of SFAS 150 did not have a material impact on its consolidated financial statements.

In November 2003, the Emerging Issues Task Force (EITF) reached a consensus on certain disclosure requirements under EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The new disclosure requirements apply to investments in debt and marketable equity securities that are accounted under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," and SFAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Effective for fiscal years ending after December 15, 2003 companies are required to disclosure information about debt or marketable equity securities with market values below carrying values. The Company has adopted the disclosure requirements of EITF Issue No. 03-1 and they are included in Item 8, Note 3 of this report.

In December 2003, the FASB issued SFAS 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," which increases the disclosure requirements of the original statement by requiring more details about pension plan assets, benefit obligations, cash flows, benefit costs and related information and also requires companies to disclose various elements of pension and postretirement benefit costs in interim-period financial statements for quarters beginning after December 15, 2003. Additional disclosures pertaining to benefit payments are required for fiscal years ending after June 30, 2004. The disclosure requirement of SFAS 132 (Revised 2003) that is required for fiscal years ending after December 15, 2003 are included in Item 8, Note 10 of this report.

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 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 to risk-weighted assets, and of Tier I capital to average assets. Management believes as of December 31, 2003 and 2002, 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, 2003 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, 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.

Subsidiary dividends are a significant source of funds for payment of dividends by the Company to its shareholders. At December 31, 2003, unappropriated retained earnings of $8,922,000 were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities. However, dividends paid by the Bank to the Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Restricted funds on deposit used to meet regulatory reserve requirements amounted to approximately $663,000 and $707,000 at December 31, 2003 and 2002, respectively.

The Company and the Bank's actual and required capital amounts and ratios as of December 31, 2003 and 2002 are as follows:

	Actual		Capital requirements		Requirement to be well capitalized under prompt corrective action provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
At December 31, 2003						
Total capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$64,480	12.07%	$42,748	8.00%	$ N/A	N/A%
Cass Commercial Bank	31,741	11.17	22,722	8.00	28,403	10.00
Tier I capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$58,974	11.04%	$21,374	4.00%	$ N/A	N/A%
Cass Commercial Bank	28,190	9.92	11,361	4.00	17,042	6.00
Tier I capital (to average assets):						
Cass Information Systems, Inc.	$58,974	9.57%	$18,483	3.00%	$ N/A	N/A%
Cass Commercial Bank	28,190	9.49	8,908	3.00	14,846	5.00
At December 31, 2002						
Total capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$59,625	12.07%	$39,513	8.00%	$ N/A	N/A%
Cass Commercial Bank	27,425	10.94	20,052	8.00	25,064	10.00
Tier I capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$54,332	11.00%	$19,756	4.00%	$ N/A	N/A%
Cass Commercial Bank	24,412	9.74	10,026	4.00	15,039	6.00
Tier I capital (to average assets):						
Cass Information Systems, Inc.	$54,332	9.16%	$17,791	3.00%	$ N/A	N/A%
Cass Commercial Bank	24,412	8.98	8,157	3.00	13,595	5.00

Note 3
Investment in Debt and Equity Securities

Debt and marketable equity securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost, gross unrealized gains, gross unrealized losses and fair value of debt and equity securities at December 31, 2003 and 2002, are summarized as follows:

(In thousands)	2003 Amortized Cost	2003 Gross Unrealized Gains	2003 Gross Unrealized Losses	2003 Fair Value
U.S. Government treasuries	$17,089	$ 15	$ 1	$17,103
Obligations of U.S. Government corporations and agencies	4,606	95	11	4,690
State and political subdivisions	45,160	1,619	2	46,777
Total debt securities	66,855	1,729	14	68,570
Stock in Federal Reserve Bank and Federal Home Loan Bank	577	--	--	577
Total	$67,432	$ 1,729	$ 14	$69,147

(In thousands)	2002 Amortized Cost	2002 Gross Unrealized Gains	2002 Gross Unrealized Losses	2002 Fair Value
Obligations of U.S. Government corporations and agencies	$26,791	$ 456	$ --	$27,247
State and political subdivisions	39,571	1,352	--	40,923
Total debt securities	66,362	1,808	--	68,170
Stock in Federal Reserve Bank and Federal Home Loan Bank	1,201	--	--	1,201
Total	$67,563	$ 1,808	$ --	$69,371

The fair value of securities with unrealized losses at December 31, 2003 are as follows:

(In thousands)	Fair Value	Unrealized Losses
U. S. Government treasuries	$4,009	$ 1
Obligations of U.S. Government Corporations and agencies	1,994	11
State and political subdivisions	150	2
Total	$6,153	$ 14

All the unrealized losses included in the table above have been in an unrealized loss position for less than one year. All unrealized losses are reviewed to determine whether the losses are other than temporary. Management believes that all unrealized losses are temporary since they are market driven and the Company has the ability to hold these securities until maturity.

The amortized cost and fair value of debt and equity securities at December 31, 2003, 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)	2003 Amortized Cost	2003 Fair Value
Due in 1 year or less	$14,097	$14,104
Due after 1 year through 5 years	8,656	8,776
Due after 5 years through 10 years	13,805	14,427
Due after 10 years	30,297	31,263
No stated maturity	577	577
Total	$67,432	$69,147

The amortized cost of debt securities pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes at December 31, 2003 were $3,599,000 and there were no securities pledged at December 31, 2002.

Proceeds from sales of debt securities classified as available-for-sale were $38,454,000 and $63,945,000 for 2003 and 2002, respectively and there were no sales of debt and equity securities in 2001. Gross gains realized on the sales in 2003 were $1,454,000 and in 2002 gross realized gains were $1,501,000 and gross losses realized were $24,000.

Note 4
Loans

A summary of loan categories at December 31, 2003 and 2002, is as follows:

(In thousands)	2003	2002
Commercial and industrial	$103,638	$101,116
Real estate:		
Mortgage	184,221	176,667
Mortgage - Church & related	145,929	105,458
Construction	2,920	3,101
Construction - Church & related	16,378	36,074
Industrial revenue bonds	5,373	5,773
Installment	1,911	1,918
Other	8,662	4,582
Total	$469,032	$434,689

The Company originates commercial, industrial, real estate and installment loans to businesses, churches and consumers throughout the metropolitan St. Louis area. The Company also originates church and church-related loans outside the metropolitan St. Louis area. 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 are extended to privately held commercial companies in this market area, and are generally secured by the assets of the business. The Company also has a substantial portion of real estate loans that are extended to churches, in this market area and selected cities throughout the United States, which are secured by mortgages.

Loan transactions involving executive officers and directors of the Company and its subsidiaries and loans to affiliates of executive officers and directors for the year ended December 31, 2003, are summarized below. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility.

(In thousands)	
Aggregate balance, January 1, 2003	$3,374
New loans	--
Payments	89
Aggregate balance, December 31, 2003	$3,285

A summary of the activity in the allowance for loan losses for 2003, 2002 and 2001 is as follows:

(In thousands)	2003	2002	2001
Balance, January 1	$ 5,293	$ 4,906	$ 4,897
Provision charged to expense	190	500	60
Loans charged off	(2)	(152)	(110)
Recoveries of loans previously charged off	25	39	59
Net loan recoveries (charge-offs)	23	(113)	(51)
Balance, December 31	$ 5,506	$ 5,293	$ 4,906

The following is a summary of information pertaining to impaired loans at December 31, 2003 and 2002:

(In thousands)	2003	2002
Impaired loans without a valuation allowance	$ --	$ --
Impaired loans with a valuation allowance	4,393	10,369
Allowance for loan losses related to impaired loans	627	431

Impaired loans consist primarily of renegotiated loans, nonaccrual loans and loans 90 days past due and still accruing interest. Impaired loans continuing to accrue interest were $2,868,000 and $10,319,000 at December 31, 2003 and 2002, respectively. Of these, loans delinquent 90 days or more and still accruing interest at December 31, 2003 and 2002 totaled $147,000 and $4,891,000, respectively. The average balance of impaired loans during 2003 and 2002 was $5,736,000 and $6,626,000, respectively. Income that would have been recognized on non-accrual and renegotiated loans under the original terms of the contract was $272,000, $346,000 and $65,000 for 2003, 2002 and 2001, respectively. Income that was recognized on non-accrual and renegotiated loans was $164,000, $328,000 and $9,000 for 2003, 2002 and 2001, respectively.

Note 5
Premises and Equipment

A summary of premises and equipment at December 31, 2003 and 2002, is as follows:

(In thousands)	2003	2002
Land	$ 873	$ 873
Buildings	10,374	10,288
Leasehold improvements	968	968
Furniture, fixtures and equipment	18,125	16,799
Purchased software	3,383	3,105
Internally developed software	4,474	4,130
	38,197	36,163
Less accumulated depreciation and amortization	24,659	20,804
Total	$13,538	$15,359

Depreciation and amortization charged to expense in 2003, 2002 and 2001 amounted to $3,689,000, $3,638,000 and $3,085,000, respectively.

The Company and its subsidiaries lease various premises and equipment under operating lease agreements, which expire at various dates through 2007. The following is a schedule, by year, of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2003:

(In thousands)	
2004	$461
2005	226
2006	42
2007	7
Total	$736

Rental expense for 2003, 2002 and 2001 was $686,000, $604,000 and $761,000, respectively.

Note 6
Equity Investments in Non-Marketable Securities

During 2003, the Company converted its $2,000,000 investment in a private imaging company from a convertible debenture into common stock. As part of the conversion, the Company committed to invest an additional $1,100,000 if certain conditions were met. As of December 31, 2003, the total investment of the Company in this entity was $2,908,000 and is included in other assets in the accompanying consolidated balance sheets. At December 31, 2003 the Company had an effective 19.93% ownership interest in this entity and the Chairman and CEO of the Company was a member of the entity's Board of Directors. No business has been transacted between the companies during the year.

The Company made its initial investment in this entity in 2001 through a convertible debenture. The business has since performed poorly and during 2003 received a commitment of an additional $3,000,000 from a new non-affiliated majority owner, in addition to the Company's additional commitment. The new majority owner is currently in the process of stabilizing the business and improving its financial performance. The primary condition for any additional investment by the Company is the amount of the new majority owner's actual financial investment. Should this business fail to meet its objectives, the Company's investment could be subject to future impairment.

This investment, along with $368,000 of other investments in non-marketable securities, is included in other assets on the Company's consolidated balance sheets.

Note 7
Acquired Intangible Assets

The Company accounts for intangible assets in accordance with SFAS 142, "Goodwill and Other Intangible Assets," which requires that intangibles with indefinite useful lives be tested annually for impairment and those with finite useful lives be amortized over their useful lives. Details of the Company's intangible assets as of December 31, 2003 are as follows:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:			
Customer list	$ 823	$ (55)	$ 768
Software	1,024	(256)	768
Total amortized intangible assets	1,847	(311)	1,536
Unamortized intangible assets:			
Goodwill	3,377	(227)*	3,150
Minimum pension liability	404	--	404
Total unamortized intangible assets	3,781	(227)	3,554
Total intangible assets	$5,628	$ (538)	$5,090

*Amortization through December 31, 2001 prior to adoption of SFAS 142.

On January 1, 2003 the Company acquired $2,927,000 of goodwill, $823,000 of customer list and $1,024,000 in software related to the consolidation of GEMS, which is further discussed in Item 1 and 7 of this report. The customer list and software are amortized over 15 years and 4 years, respectively. The minimum pension liability was recorded in accordance with SFAS 87, "Employers' Accounting for Pensions", which requires the Company to record an additional minimum pension liability by the amount that the accumulated benefit obligation exceeds the sum of the fair value of plan assets and accrued amount previously recorded and offset this liability by an intangible asset to the extent of previously unrecognized prior service costs. The liability and corresponding intangible asset are adjusted annually.

Amortization of intangible assets amounted to $311,000 and $91,000 for the years ended December 31, 2003 and 2001, respectively. There was no amortization of intangibles for the year ended December 31, 2002. Estimated amortization of intangibles over the next five years is as follows: $311,000 in 2004, 2005 and 2006 and $55,000 in 2007 and 2008.

Note 8
Interest-Bearing Deposits

Interest-bearing deposits consist of the following at December 31, 2003 and 2002:

(In thousands)	2003	2002
NOW and Money Market Deposit Accounts	$ 53,983	$ 53,543
Savings deposits	32,626	32,724
Time deposits:		
Less than $100	27,909	5,611
$100 or more	43,276	42,288
Total	$157,794	$134,166

Interest on deposits consist of the following for 2003, 2002 and 2001:

(In thousands)	2003	2002	2001
NOW and Money Market Deposit Accounts	$ 371	$ 632	$1,544
Savings deposits	281	528	1,761
Time deposits:			
Less than $100	351	178	195
$100 or more	844	902	363
Total	$1,847	$2,240	$3,863

The scheduled maturities of certificates of deposit at December 31, 2003 and 2002, are summarized as follows:

	2003		2002	
(In thousands)	Amount	Percent of Total	Amount	Percent of Total
Due within:				
One year	$50,991	71.6%	$42,678	89.1%
Two years	8,826	12.4	3,066	6.4
Three years	276	.4	920	1.9
Four years	1,265	1.8	10	--
Five years	9,827	13.8	1,225	2.6
Total	$71,185	100.0%	$47,899	100.0%

Note 9
Short-Term Borrowings

Company short-term borrowings consist mainly of federal funds purchased and tax deposits of the United States Treasury. At December 31, 2003 the bank subsidiary had short-term borrowings of $123,000 that consisted of borrowings from the Treasury related to tax deposits received from customers not yet drawn upon by the Treasury. These borrowings are secured by U.S. Treasury and Agency securities. The average amount of all borrowings for 2003 was $943,000 at an average rate of 1.48% and the maximum amount outstanding at the end of any month during the year was $21,523,000. At December 31, 2002 the bank subsidiary borrowed $37,438,000 in federal funds at a year-end weighted average rate of 1.56%. Of this amount, $17,438,000 were unsecured borrowings and $20,000,000 were borrowings from the Federal Home Loan Bank secured by commercial and residential mortgage loans. Average borrowings for 2002 were $1,485,000 with an average rate of 2.22%. The borrowings for the month ended December 31, 2002 was the maximum amount that was outstanding at the end of any month during the year.

Note 10
Employee Benefits

The Company has a noncontributory defined benefit pension plan, which covers most of its employees. The Company accrues and makes contributions designed to fund normal service costs on a current basis using the projected unit credit with service proration method to amortize prior service costs arising from improvements in pension benefits and qualifying service prior to the establishment of the plan over a period of approximately 30 years. Disclosure information is based on a measurement date of December 31 of the corresponding year.

A summary of the activity in the defined benefit pension plan's benefit obligation, assets, funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 2003 and 2002, is as follows:

(In thousands)	2003	2002
Benefit obligation:		
Balance, January 1	$ 16,461	$ 14,166
Service cost	979	952
Interest cost	1,105	1,012
Actuarial loss	1,718	551
Benefits paid	(237)	(220)
Balance, December 31	$ 20,026	$ 16,461
Plan assets:		
Fair value, January 1	$ 12,797	$ 12,640
Actual return	1,622	(524)
Employer contribution	903	901
Benefits paid	(237)	(220)
Fair value, December 31	$ 15,085	$ 12,797
Funded status:		
Unfunded projected benefits obligation	$ (4,941)	$ (3,664)
Unrecognized prior service cost	90	103
Unrecognized net loss	2,614	1,463
Accrued pension cost	$ (2,237)	$ (2,098)

The accumulated benefit obligation was $15,970,000 and $12,826,000 for the periods ended December 31, 2003 and 2002, respectively. The Company expects to contribute approximately $975,000 to the plan in 2004.

The following represent the major assumptions used to determine the benefit obligation of the plan:

	2003	2002	2001
Weighted average discount rate	6.25%	7.00%	7.25%
Rate of increase in compensation levels	4.00%	4.00%	4.00%

The pension cost for 2003, 2002 and 2001 was $1,042,000, $948,000 and $700,000, respectively, and included the following components:

(In thousands)	2003	2002	2001
Service cost - benefits earned during the year	$ 979	$ 952	$ 824
Interest cost on projected benefit obligations	1,105	1,012	898
Expected return on plan assets	(1,055)	(1,031)	(960)
Net amortization and deferral	13	15	(62)
Net periodic pension cost	$ 1,042	$ 948	$ 700

The following represent the major assumptions used to determine the net benefit cost of the plan:

	2003	2002	2001
Weighted average discount rate	7.00%	7.25%	7.50%
Rate of increase in compensation levels	4.00%	4.00%	4.00%
Expected long-term rate of return on assets	8.00%	8.00%	8.00%

The asset allocation for the defined benefit pension plan as of the measurement date, by asset category, is as follows:

	Percentage of Plan Assets	
Asset Class	2003	2002
Equity securities	34.6%	25.6%
Debt securities	65.1%	73.7%
Cash and cash equivalents	.3%	.7%
Total	100.0%	100.0%

The investment objective for the defined benefit pension plan is to maximize total return with a tolerance for average risk. Asset allocation strongly favors fixed income investments, with a target allocation of approximately 67% fixed income, 33% equities, and 0% cash. 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 component is invested in pooled large cap stocks. More aggressive or volatile sectors, although currently not employed, can be represented in the asset mix to pursue higher returns with proper diversification. The assumed long-term rate of return on assets is 8.0% as derived below:

Asset Class	Expected Long-Term Return on Class	X	Allocation	=	Contribution to Assumption
Equity securities	9 - 11%		33.3%		3.0% - 3.67%
Fixed income	6 - 7%		66.7%		4.0% - 4.67%
					7.0% - 8.34%

The 8% assumption falls within the expected range.

In addition to the above funded benefit plan, the Company has an unfunded supplemental executive retirement plan which covers key executives of the Company. This is a noncontributory plan in which the Company's subsidiaries make accruals designed to fund normal service costs on a current basis using the same method and criteria as its defined benefit plan.

The pension cost for 2003, 2002 and 2001 for the supplemental executive retirement plan was $145,000, $177,000 and $220,000 respectively, and included the following components:

(In thousands)	2003	2002	2001
Service cost - benefits earned during the year	$ (24)	$ (13)	$ 11
Interest cost on projected benefit obligations	107	124	120
Net amortization and deferral	62	66	89
Net periodic pension cost	$ 145	$ 177	$ 220

A summary of the activity in the supplemental executive retirement plan's benefit obligation, funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 2003 and 2002, is as follows:

(In thousands)	2003	2002
Benefit obligation:		
Balance, January 1	$ 1,878	$ 1,787
Service cost	(24)	(13)
Interest cost	107	124
Actuarial gain	(266)	(20)
Balance, December 31	$ 1,695	$ 1,878
Funded status:		
Unfunded projected benefits obligation	$(1,695)	$(1,878)
Unrecognized prior service cost	404	454
Unrecognized actuarial loss	105	383
Accrued pension cost	(1,186)	(1,041)
Minimum liability adjustment	(419)	(379)
Accrued pension cost	$(1,605)	$(1,420)

The accumulated benefit obligation was $1,605,000 and $1,420,000 for the periods ended December 31, 2003 and 2002, respectively. Since this is an unfunded plan there are no plan assets. The major assumptions used to determine the projected benefit obligation and net benefit cost are the same as those in the defined plan explained above.

The provisions of SFAS 87, "Employers' Accounting for Pensions", required the Company to record an additional minimum liability of $419,000 and $379,000 at December 31, 2003 and 2002, respectively. This liability represents the amount by which the accumulated benefit obligation exceeds the sum of the fair value of plan assets and accrued amounts previously recorded. The additional liability is offset by an intangible asset to the extent of previously unrecognized prior service cost. The intangible assets of $404,000 and $379,000 at December 31, 2003 and 2002, respectively, are included in other intangible assets on the accompanying consolidated balance sheets. The remaining amount at December 31, 2003 of $15,000 is recorded, net of tax, as an accumulated other comprehensive loss.

The Company maintains a noncontributory profit sharing plan, 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 the consolidated statements of income in 2003, 2002 and 2001 was $1,755,000, $1,632,000 and $1,588,000, respectively.

The Company sponsors a defined contribution 401(k) plan to provide additional retirement benefits to substantially all employees. Contributions under the 401(k) plan for 2003, 2002 and 2001 were $333,000, $277,000 and $260,000, respectively.

Stock Option and Bonus Plans*

The Company maintains a restricted stock bonus plan which provides for the issuance of up to 115,500 shares of common stock, the purpose of which is to permit grants of shares, subject to restrictions, to key employees and non-employee directors of the Company as a means of retaining and rewarding them for long-term performance. During 2003, 2002 and 2001, 6,501 shares, 1,040 shares and 693 shares, respectively, were granted with weighted average per share market prices of $24.74 in 2003, $21.21 in 2002 and $16.97 in 2001. The fair value of such shares, which is based on the market price on the date of

grant, has been recorded in the consolidated financial statements through the establishment of a contra shareholders' equity account which is amortized to expense over the three-year vesting period. Amortization of the restricted stock bonus awards totaled $57,000 for 2003, $22,000 for 2002 and $80,000 for 2001. At December 31, 2003 the weighted-average grant date fair value and weighted average contractual life for outstanding shares of restricted stock was $24.16 and 2.04 years, respectively.

A summary of restricted stock bonus share activity follows:

	2003	2002	2001
Awards available for grant beginning of year	65,142	66,182	66,875
Restricted shares awarded	(6,501)	(1,040)	(693)
Awards available for grant end of year	58,641	65,142	66,182

The Company also maintains a performance-based stock option plan, which provides for the granting of options to acquire up to 462,000 shares of Company common stock. Options vest over a period not to exceed seven years.

The following table summarizes stock options outstanding as of December 31, 2003:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life
$ 8.94	8,428	1.00 years
17.63	6,930	1.88
19.91	4,042	2.00
21.33	2,310	2.00
21.86	65,084	2.00
22.04	8,731	1.11
22.50	12,000	6.00
24.75	3,543	6.00

Changes in options outstanding were as follows:

	Shares	Weighted Average Exercise Price
Balance at December 31, 2000	186,439	$15.25
Exercised	(12,017)	8.94
Forfeited	(2,497)	17.91
Balance at December 31, 2001	171,925	15.65
Granted	6,930	19.92
Exercised	(44,850)	8.94
Forfeited	(4,042)	21.86
Balance at December 31, 2002	129,963	18.01
Granted	15,543	23.01
Exercised	(27,508)	10.81
Forfeited	(6,930)	19.92
Balance at December 31, 2003	111,068	$20.37

At December 31, 2003, 19,647 shares were exercisable with a weighted average exercise price of $15.40.

*All share and per share amounts in this section have been restated to reflect a 10% stock dividend declared in February 2004.

Note 11
Other Operating Expense

Details of other operating expense for 2003, 2002 and 2001 are as follows:

(In thousands)	2003	2002	2001
Postage, printing and supplies	$ 2,886	$ 2,906	$ 2,662
Advertising and business development	1,929	1,382	1,280
Professional fees	2,268	1,964	1,740
Outside service fees	1,316	1,175	1,006
Data processing services	207	231	416
Telecommunications	561	510	605
Other	2,325	1,192	1,062
Total other operating expense	$11,492	$ 9,360	$ 8,771

Note 12
Income Taxes

The components of income tax expense for 2003, 2002 and 2001 are as follows:

(In thousands)	2003	2002	2001
Current:			
Federal	$ 3,571	$ 2,883	$ 2,571
State	481	419	407
Deferred	(599)	(315)	761
Total income tax expense	$ 3,453	$ 2,987	$ 3,739

A reconciliation of expected income tax expense, computed by applying the effective federal statutory rate of 34% for 2003, 2002 and 2001 to income before income tax expense, to reported income tax expense is as follows:

(In thousands)	2003	2002	2001
Expected income tax expense	$ 3,861	$ 3,502	$ 3,660
(Reductions) increases resulting from:			
Tax-exempt interest	(793)	(800)	(229)
State taxes, net of federal benefit	317	277	269
Other, net	68	8	39
Total income tax expense	$ 3,453	$ 2,987	$ 3,739

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002, are presented below:

(In thousands)	2003	2002
Deferred tax assets:		
Allowance for loan losses	$ 1,952	$ 1,452
Accrued pension cost	783	724
Deferred revenue	626	--
Other	491	459
Total deferred tax assets	3,852	2,635
Deferred tax liabilities:		
Unrealized gain on investment in debt and equity securities available-for-sale	(583)	(615)
Premises and equipment	(641)	(724)
Intangibles	(532)	--
Other	(179)	(237)
Total deferred tax liabilities	(1,935)	(1,576)
Net deferred tax assets	$ 1,917	$ 1,059

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, 2003 or 2002, due to management's belief that all criteria for recognition have been met, including the existence of a history of taxes paid sufficient to support the realization of deferred tax assets.

Note 13
Contingencies

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

Note 14
Disclosures About Financial Instruments

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, 2003, no amounts have been accrued for any estimated losses for these instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commercial and standby letters of credit are conditional commitments issued by the Company 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 term of commercial and standby letters of credit range from less than 1 to 5 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 conditional commitments to extend credit, standby letters of credit and commercial letters at December 31, 2003 and 2002:

(In thousands)	2003	2002
Conditional commitments to extend credit	$20,941	$29,463
Standby letters of credit	4,516	5,663
Commercial letters of credit	347	100

Following is a summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2003 and 2002:

	2003		2002	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Balance sheet assets:				
Cash and cash equivalents	$ 62,367	$ 62,367	$ 30,006	$ 30,006
Investment in debt and equity securities	69,147	69,147	69,371	69,371
Loans, net	463,526	464,502	429,396	434,208
Accrued interest receivable	2,231	2,231	2,539	2,539
Total	$597,271	$598,247	$531,312	$536,124
Balance sheet liabilities:				
Deposits	$272,428	$273,235	$243,518	$243,871
Accounts and drafts payable	293,769	293,769	223,621	223,621
Short-term borrowings	123	123	37,438	37,438
Accrued interest payable	150	150	91	91
Total	$566,470	$567,277	$504,668	$505,021

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

Cash and Other Short-term Instruments For cash and cash equivalents, accrued interest receivable, accounts and drafts payable, short-term borrowings and accrued interest payable, the carrying amount is a reasonable estimate of fair value because of the demand nature or short maturities of these instruments.

Investment in Debt and Equity Securities Fair values are based on quoted market prices or dealer quotes.

Loans The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

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. 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 nor the benefit derived from the customer relationship inherent in existing deposits.

Commitments to Extend Credit and Standby Letters of Credit The fair value of commitments to extend credit and standby letters of credit are 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.

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.

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on management's judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Note 15
Industry Segment Information

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

The Transportation Information Services segment provides freight invoice rating, payment, auditing, cost accounting and transportation information services to large corporate shippers. The Utility Information Services segment processes and pays utility invoices, including electricity, gas, water and telecommunications, for large corporate entities that have many locations or are heavy users of energy. The Banking Services segment provides banking services primarily to privately-held businesses and churches. The Government Software Services segment provides the public sector with integrated financial, property and human resource management systems through the Bank's wholly-owned subsidiary, Government e-Management Solutions, Inc. (GEMS).

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 net income after allocations for corporate expenses and income taxes. Transactions between segments are accounted for at what management believes to be market value.

All three segments market their services within the United States and no revenue from any customer of any segment exceeds 10% of the Company's consolidated revenue.

Summarized information about the Company's operations in each industry segment for the periods ended December 31, 2003, 2002 and 2001, is as follows:

(In thousands)	Transportation Information Services	Utility Information Services	Banking Services	Government Software Services	Corporate and Eliminations	Total
2003						
Fee revenue and other income:						
Income from customers	$ 20,922	$ 9,532	$ 1,917	$ 7,696	$ --	$ 40,067
Intersegment income	--	--	1,512	--	(1,512)	--
Net interest income (expense) after provision for loan losses:						
Interest from customers	11,888	3,151	11,153	--	--	26,192
Intersegment interest	123	32	(155)	--	--	--
Depreciation and amortization	2,415	1,013	491	590	71	4,580
Income taxes	207	946	2,232	68	--	3,453
Net income	2,237	1,853	3,705	107	--	7,902
Goodwill	223	--	--	2,927	--	3,150
Other intangible assets, net	--	--	--	1,536	404	1,940
Total assets	260,490	69,245	328,412	7,488	(25,939)	639,696
2002						
Fee revenue and other income:						
Income from customers	$ 19,275	$ 6,920	$ 1,835	N/A	$ --	$ 28,030
Intersegment income	--	--	1,511	N/A	(1,511)	--
Net interest income (expense) after provision for loan losses:						
Interest from customers	14,117	3,127	11,600	N/A	--	28,844
Intersegment interest	(87)	(19)	106	N/A	--	--
Depreciation and amortization	2,544	916	453	N/A	65	3,978
Income taxes	185	368	2,434	N/A	--	2,987
Net income	2,130	1,090	4,092	N/A	--	7,312
Goodwill	223	--	--	N/A	--	223
Other intangible assets, net	--	--	--	N/A	379	379
Total assets	240,611	52,817	315,294	N/A	(36,489)	572,233
2001						
Fee income and other revenue:						
Income from customers	$ 17,262	$ 4,450	$ 1,531	N/A	$ --	$ 23,243
Intersegment income	--	--	1,412	N/A	(1,412)	--
Net interest income (expense) after provision for loan losses:						
Interest from customers	16,867	3,271	12,112	N/A	--	32,250
Intersegment interest	127	24	(151)	N/A	--	--
Depreciation and amortization	2,300	516	425	N/A	35	3,276
Income taxes	1,319	25	2,419	N/A	(24)	3,739
Net income	2,945	34	4,095	N/A	(49)	7,025
Goodwill	223	--	--	N/A	--	223
Other intangible assets, net	--	--	--	N/A	587	587
Total assets	262,707	58,844	288,887	N/A	(8,061)	602,377

Note 16
Condensed Financial Information of Parent Company

Following are the condensed balance sheets of the Company (parent company only) as of December 31, 2003 and 2002, and the related condensed statements of income and cash flows for each of the years in the three-year period ended December 31, 2003.

(In thousands)	Condensed Balance Sheets December 31 2003	2002
Assets:		
Cash and due from banks	$ 346	$ 2,599
Short-term investments	26,666	--
Investment in debt and equity securities, available-for-sale	63,679	54,854
Loans, net	207,134	205,240
Investment in subsidiary	32,709	29,910
Premises and equipment, net	11,879	14,354
Other assets	21,536	17,538
Total assets	$363,949	$324,495
Liabilities and Shareholders' Equity:		
Accounts and drafts payable	$293,769	$223,621
Borrowings from subsidiary	--	35,861
Other liabilities	5,388	3,967
Total liabilities	299,157	263,449
Total shareholders' equity	64,792	61,046
Total liabilities and shareholders' equity	$363,949	$324,495

(In thousands)	Condensed Statements of Income December 31 2003	2002	2001
Income from subsidiary:			
Dividends	$ 870	$ 2,100	$ --
Interest	163	41	253
Management fees	870	776	827
Income from subsidiary	1,903	2,917	1,080
Information services revenue	28,440	24,622	21,490
Net interest income after provision	13,973	16,119	19,055
Gains on sales of investment securities	1,415	1,313	--
Other income	599	259	222
Total income	46,330	45,230	41,847
Expenses:			
Salaries and employee benefits	28,397	26,884	26,080
Other expenses	11,820	12,474	11,517
Total expenses	40,217	39,358	37,597
Income before income tax and equity in undistributed income of subsidiary	6,113	5,872	4,250
Income tax expense	1,153	552	1,320
Income before undistributed income of subsidiary	4,960	5,320	2,930
Equity in undistributed income of subsidiary	2,942	1,992	4,095
Net income	$ 7,902	$ 7,312	$ 7,025

Condensed Statements of Cash Flows
December 31

(In thousands)	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 7,902	$ 7,312	$ 7,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiary	(2,942)	(1,992)	(4,095)
Net change in other assets	(3,998)	3,249	3,452
Net change in other liabilities	1,421	(322)	(2,234)
Amortization of stock bonus awards	57	22	80
Other, net	3,223	709	375
Net cash provided by operating activities	5,663	8,978	4,603
Cash flows from investing activities:			
Net (increase) decrease in securities	(8,825)	22,797	(25,603)
Net (increase) decrease in loans	(1,894)	(26,893)	7,629
Purchase of bank owned life insurance	--	(10,000)	--
Purchases of premises and equipment, net	(605)	(1,990)	(5,625)
Net cash used in investing activities	(11,324)	(16,086)	(23,599)
Cash flows from financing activities:			
Net increase (decrease) in accounts and drafts payable	70,148	(68,173)	(11,046)
Advances from subsidiary	(35,861)	35,861	--
Cash dividends paid	(2,814)	(2,628)	(2,579)
Purchases of common shares for treasury	(1,764)	(383)	(3,279)
Other financing activities	365	368	60
Net cash provided by (used in) financing activities	30,074	(34,955)	(16,844)
Net increase (decrease) in cash and cash equivalents	24,413	(42,063)	(35,840)
Cash and cash equivalents at beginning of year	2,599	44,662	80,502
Cash and cash equivalents at end of year	$ 27,012	$ 2,599	$ 44,662

Note 17
SUPPLEMENTARY FINANCIAL INFORMATION
(Unaudited)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	YTD
2003					
Fee revenue and other income	$ 9,321	$10,686	$10,300	$ 9,760	$40,067
Interest income	7,139	6,929	6,963	7,212	28,243
Interest expense	460	444	449	508	1,861
Net interest income	6,679	6,485	6,514	6,704	26,382
Provision for loan losses	90	--	--	100	190
Operating expense	13,796	13,895	13,857	13,356	54,904
Income tax expense	596	1,037	935	885	3,453
Net income	$ 1,518	$ 2,239	$ 2,022	$ 2,123	$ 7,902
Net income per share:					
Basic earnings per share*	$ .41	$ .61	$ .56	$ .57	$ 2.15
Diluted earnings per share*	.41	.60	.55	.57	2.13
2002					
Fee revenue and other income	$ 6,004	$ 7,502	$ 6,756	$ 7,768	$28,030
Interest income	7,919	8,199	7,863	7,636	31,617
Interest expense	551	585	579	558	2,273
Net interest income	7,368	7,614	7,284	7,078	29,344
Provision for loan losses	90	180	90	140	500
Operating expense	11,324	11,713	11,493	12,045	46,575
Income tax expense	612	992	683	700	2,987
Net income	$ 1,346	$ 2,231	$ 1,774	$ 1,961	$ 7,312
Net income per share:					
Basic earnings per share*	$ .36	$ .61	$ .48	$ .53	$ 1.98
Diluted earnings per share*	.36	.60	.47	.53	1.96

*Basic and diluted earnings per share have been adjusted to reflect the 10% stock dividend declared in February 2004.

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Cass Information Systems, Inc. and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of income, cash flows, and shareholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2003. 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cass Information Systems, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

St. Louis, Missouri
February 27, 2004

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

NONE

ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that the information it is required to disclose in the reports it files with the SEC is recorded, processed, summarized and reported to management, including the Chief Executive Officer and Chief Financial Officer within the time periods specified in the rules of the SEC. The Company's Chief Executive and Chief Financial Officers have reviewed and evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2003 and based on their evaluation believe that these procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

There were no changes in the fourth quarter of 2003 in the Company's internal controls identified by the Chief Executive and Chief Financial Officers in connection with their evaluation that materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning directors and executive officers of the Registrant is incorporated herein by reference from the Company's definitive Proxy Statement for its 2004 Annual Meeting of Shareholders, a copy of which will be filed with the Securities and Exchange Commission (SEC) no later than 120 days after the close of the fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated herein by reference from the Company's definitive Proxy Statement for its 2004 Annual Meeting of Shareholders, 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 concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the Company's definitive Proxy Statement for its 2004 Annual Meeting of Shareholders, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and transactions is incorporated herein by reference from the Company's definitive Proxy Statement for its 2004 Annual Meeting of Shareholders, 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 fees billed by the Company's principal accountant for services is incorporated herein by reference from the Company's definitive Proxy Statement for its 2004 Annual Meeting of Shareholders, 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, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(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

Submitted as a separate section of this report.

(3) 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	Bylaws of Registrant, incorporated by reference to Exhibit 4.2 to Form S-8 Registration Statement No. 333-44499, filed with the SEC on January 20, 1998
10.1	1995 Restricted Stock Bonus Plan, as amended to January 19, 1999, including form of Restriction Agreement, incorporated by reference to Exhibit 4.3 to Post-Effective Amendment No. 2 to Form S-8 Registration Statement No. 33-91456, filed with the SEC on February 16, 1999
10.2	1995 Performance-Based Stock Option Plan, as amended to January 19, 1999, including forms of Option Agreements, incorporated by reference to Exhibit 4.3 to Post-Effective Amendment No. 2 to Form S-8 Registration Statement No. 33-91568, filed with the SEC on February 16, 1999
21	Subsidiaries of registrant
23	Consent of KPMG LLP
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	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K under Items 7 and 9 dated October 23, 2003, reporting the announcement of the Company's earnings for the third quarter of 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CASS INFORMATION SYSTEMS, INC.

Date: March 8, 2004 By /s/ Lawrence A. Collett

Lawrence A. Collett
Chairman and Chief Executive Officer

Date: March 8, 2004 By /s/ Eric H. Brunngraber

Eric H. Brunngraber
Vice President-Secretary
(Chief 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 Company and in their capacity as a member of the Board of Directors of the Company.

Date: March 8, 2004 By /s/ Robert J. Bodine

Robert J. Bodine

Date: March 8, 2004 By /s/ Eric H. Brunngraber

Eric H. Brunngraber

Date: March 8, 2004 By /s/ Bryan S. Chapell

Bryan S. Chapell

Date: March 8, 2004 By /s/ Lawrence A. Collett

Lawrence A. Collett

Date: March 8, 2004 By /s/ Thomas J. Fucoloro

Thomas J. Fucoloro

Date: March 8, 2004 By /s/ Wayne J. Grace

Wayne J. Grace

Date: March 8, 2004 By /s/ Harry J. Krieg

Harry J. Krieg

Date: March 8, 2004 By /s/ Howard A. Kuehner

Howard A. Kuehner

Date: March 8, 2004 By /s/ Jake Nania

Jake Nania

Date: March 8, 2004 By /s/ Irving A. Shepard

Irving A. Shepard

Date: March 8, 2004 By /s/ A. J. Signorelli

A. J. Signorelli

Date: March 8, 2004 By /s/ Bruce E. Woodruff

Bruce E. Woodruff

Exhibit 21

SUBSIDIARIES OF CASS INFORMATION SYSTEMS, INC.
(f/k/a Cass Commercial Corporation(1))

Name & Address	State of Incorporation
Cass Commercial Bank 13001 Hollenberg Drive Bridgeton, Missouri 63044	Missouri
Cass Information Systems, Inc. 13001 Hollenberg Drive Bridgeton, Missouri 63044	Missouri
Government e-Management Solutions, Inc. 121 Hunter Avenue Suite 100 St. Louis, MO 63124	Missouri

Independent Auditors' Consent

The Board of Directors
Cass Information Systems, Inc.:

We consent to the incorporation by reference in the registration statements No. 33-91456, No. 33-91568, and No. 333-44499 on Form S-8 of Cass Information Systems, Inc. (Cass) of our report dated February 27, 2004, relating to the consolidated balance sheets of Cass Information Systems, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, cash flows, and shareholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2003, which report appears in the December 31, 2003 annual report on Form 10-K of Cass.

/s/ KPMG LLP

St. Louis, Missouri
March 8, 2004

Exhibit 31.1

CERTIFICATION

I, Lawrence A. Collett, Chairman and Chief Executive Officer of Cass Information Systems, Inc., certify that:

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

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

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

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

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

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

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

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

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

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

/s/ Lawrence A. Collett
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Lawrence A. Collett
Chairman and Chief Executive Officer
March 8, 2004

Exhibit 31.2

CERTIFICATION

I, Eric H. Brunngraber, Chief Financial and Accounting Officer of Cass Information Systems, Inc., certify that:

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

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

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

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

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

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

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

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

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

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

/s/ Eric H. Brunngraber
- -----------------------
Eric H. Brunngraber
Vice President - Secretary
(Chief Financial and Accounting Officer)
March 8, 2004

Exhibit 32

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

In connection with the Annual Report of Cass Information Systems, Inc. ("the Company") on Form 10-K for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Lawrence A. Collett and Eric H. Brunngraber, Chairman and Chief Executive Officer and Chief Financial and Accounting Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Lawrence A. Collett

Lawrence A. Collett
Chairman and Chief Executive Officer
March 8, 2004

/s/ Eric H. Brunngraber

Eric H. Brunngraber
Vice President - Secretary
(Chief Financial and Accounting Officer)
March 8, 2004

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