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, 2004

|_| 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 |X| No |_|

As of March 7, 2004, 3,675,757 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 $111,636,000 based upon the Nasdaq Stock Market closing price of $40.86 for March 7, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 18, 2005 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, and refuse collection. The Company also processes, audits and pays telecommunication invoices and expanded its capabilities in this market with the purchase of PROFITLAB, Inc. in August, 2004. In addition, the Company, through its wholly-owned bank subsidiary, Cass Commercial Bank ("the Bank"), provides commercial banking services. 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, Boston, Massachusetts and Greenville, South Carolina. The Bank's headquarters are also located at the Bridgeton location and operates five other branches, four in the St. Louis metropolitan area and one in southern California. GEMS' offices are located in Ladue, 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 corporations located in the United States. Cass possesses four core competencies that encompass most of its processing services.

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

Data management - Once data is assembled, Cass is able to utilize the power from derived information to produce significant savings and benefits for its clients. This information is integrated into customers' unique financial and accounting systems, eliminating the need for internal accounting processing and 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 processing and 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. 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. There are also many competitors that process, audit and pay telecommunication invoices located throughout the United States.

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. It 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 numerous banks and financial institutions located throughout the St. Louis metropolitan area and other areas in which the Bank competes. 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 their businesses. The Company and its subsidiaries have 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 638 full-time and 162 part-time employees as of December 31, 2004. Of these employees, the bank subsidiary had 64 full-time and 7 part-time employees and the bank's software subsidiary had 65 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 3 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 pay.

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, 2004 are set forth in Item 8, Note 19 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. The Company also owns a production facility of approximately 45,500 square feet located at 2675 Corporate Exchange Drive, Columbus, Ohio. The Company operates a production facility in Lowell, Massachusetts where approximately 25,800 square feet of office space is leased through October 31, 2005. Through the acquisition of PROFITLAB, Inc. in

August, 2004 the Company now operates a production facility in Greenville, South Carolina where approximately 5,800 square feet of office space is leased through December 31, 2005.

The Bank's headquarters are also located at 13001 Hollenberg Drive, Bridgeton, Missouri, 63044. The Bank occupies 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), Chesterfield, Missouri (2,850 square feet) and Santa Ana, California (3,584 square feet).

GEMS' 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 businesses or financial conditions 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 2004.

PART II.

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

The Company's Common Stock trades on The Nasdaq Stock Market(R) under the symbol "CASS". As of March 7, 2005 there were 240 holders of record of the Company's Common Stock. High and low bid prices, as reported by Nasdaq, for each quarter of 2004 and 2003 were as follows:

	2004		2003	
	High	Low	High	Low
1st Quarter	$ 35.000	$ 29.182	$ 25.255	$ 22.183
2nd Quarter	40.700	34.000	30.455	23.364
3rd Quarter	42.000	37.000	30.773	25.782
4th Quarter	38.500	34.950	31.745	26.555

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

	2004	2003
March 15	$.191	$.191
June 15	.210	.191
September 15	.210	.191
December 15	.210	.191

The Company also maintains a treasury stock buyback program pursuant to which the Board of Directors has authorized the repurchase of up to 100,000 shares of the Company's Common Stock. The Company did not repurchase any shares during 2004 and repurchased 59,237 shares for $1,764,000 in 2003. As of December 31, 2004, 40,763 shares remained available for repurchase under the program. Repurchases are made in the open market or through negotiated transactions from time to time depending on market conditions.

Refer to Item 8 Notes 3, 12 and 14 to the consolidated financial statements for additional shareholder information, including information concerning stock options and bonus plans.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial information for each of the five years ended December 31, 2004. 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)	2004	2003	2002	2001	2000
Fee revenue and other income	$ 39,204	$ 40,067	$ 28,030	$ 23,243	$ 21,114
Interest income on loans(1)	27,055	25,601	26,197	29,069	27,716
Interest income on debt and equity securities	2,558	2,033	4,733	4,323	5,264
Other interest income	1,120	609	687	2,790	4,085
Total interest income	30,733	28,243	31,617	36,182	37,065
Interest expense on deposits	3,024	1,847	2,240	3,863	5,165
Interest expense on short-term borrowings	1	14	33	9	20
Interest on subordinated convertible debentures	70	--	--	--	--
Total interest expense	3,095	1,861	2,273	3,872	5,185
Net interest income	27,638	26,382	29,344	32,310	31,880
Provision for loan losses	550	190	500	60	750
Net interest income after provision	27,088	26,192	28,844	32,250	31,130
Operating expense	55,025	54,904	46,575	44,729	41,236
Income before income tax expense	11,267	11,355	10,299	10,764	11,008
Income tax expense	3,262	3,453	2,987	3,739	3,861
Net income	$ 8,005	$ 7,902	$ 7,312	$ 7,025	$ 7,147
Basic earnings per share	$ 2.18	$ 2.15	$ 1.98	$ 1.88	$ 1.78
Diluted earnings per share	2.15	2.13	1.96	1.86	1.75
Dividends per share	.821	.764	.710	.693	.693
Dividend payout ratio	37.79%	35.61%	35.94%	36.71%	38.95%
Average total assets	$ 709,518	$ 626,451	$ 602,446	$ 572,724	$ 515,308
Average net loans	471,412	438,072	399,018	371,367	323,515
Average debt and equity securities	78,745	57,729	97,668	72,111	84,949
Average total deposits	292,379	249,951	240,640	214,954	186,684
Average subordinated convertible debentures	1,314	--	--	--	--
Average total shareholders' equity	65,804	61,346	57,300	54,929	54,308
Return on average total assets	1.13%	1.26%	1.21%	1.23%	1.39%
Return on average total shareholders' equity	12.16	12.88	12.76	12.79	13.16
Average equity to assets ratio	9.27	9.79	9.51	9.59	10.54
Equity to assets ratio at year-end	9.71	10.03	10.59	9.22	9.33
Net interest margin	4.48	4.85	5.60	6.27	6.69
Allowance for loan losses to loans at year-end	1.21	1.17	1.22	1.29	1.32
Nonperforming assets to loans and foreclosed assets	.18	1.12	3.50	1.60	.30
Net loan (recoveries) charge-offs to average loans outstanding	--	(.01)	.03	.01	.04

1. Interest income on loans includes net loan fees.

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, Boston, Massachusetts and Greenville, South Carolina. 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. The Company significantly enhanced its telecommunication processing and audit capabilities with the acquisition of PROFITLAB, Inc. located in Greenville, South Carolina during 2004. Cass extracts, stores and presents information from freight, utility and telecommunication invoices, assisting our customers' transportation, energy and information technology managers in making decisions that will enable them to improve 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. The Company acquired Franklin Bancorp located in Orange County, California in November 2004 and merged its subsidiary bank, Franklin Bank of California into the Bank. This acquisition will allow the company to establish branches in California to better serve existing customers and expand the Bank's customer base. In addition to supporting the Company's payment operations, the Bank 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 also influence revenue and profitability, 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, utility and telecommunication payment and audit. The benefits that can be achieved by outsourcing transaction processing and the management information generated by Cass' systems can be influenced by factors such as the competitive pressures within industries to improve profitability, the general level of transportation costs, deregulation of energy costs and consolidation of telecommunication providers. Economic factors that impact the Company include the general level of economic activity that can affect the volume and size of invoices processed, the ability to hire and retain qualified staff and the growth and quality of 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 the Company's lead in applied technology, which, when combined with the security and processing controls of the Bank, makes Cass unique in the industry. This trend has been positive over the past years and management anticipates that this should continue in 2005. The low level of interest rates has had a significant negative impact on net income over the past few years. The general level of interest rates, particularly short term interest rates, began to increase during 2004 and had a positive effect on the Company's net interest income during the latter part of the year. If these rates continue to rise, this positive impact on net interest income and net earnings should continue. Management had been pleased over the past few years with the growth in revenue generated by GEMS. However, during 2004, the sales of new systems declined sharply due mainly to a sluggish marketplace. Despite the decline, the Company continues to invest in system improvements and product enhancements and anticipates that 2005 should reflect improved results. 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 U.S. generally accepted accounting principles ("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 2004 compared to 2003 include the following significant items:

Information services payment and processing revenues increased $2,255,000 or 8% to $30,695,000 as the number of transactions processed increased 747,000 or 3% to 28,724,000. This increase was driven by the expansion of the Company's customer base and number of services offered.

Net interest income after provision for loan losses increased $896,000 or 3% to $27,088,000 due primarily to the increase in average earning assets of $80,776,000 or 14% to $643,847,000. This increase included an increase in total average loans of $33,782,000 or 8% to $477,234,000, an increase in average investments of $21,016,000 or 36% to $78,745,000 and an increase in average federal funds sold and other short-term investments of $25,978,000 or 42% to $87,868,000. The growth in average earning assets was derived from both increases in deposits and accounts and drafts payable. Interest income, derived from the increase in earning assets, was partially offset by an increase in interest paid on deposit liabilities, due to both an increase in balances and an increase in rates paid. Gains from the sale of securities decreased $409,000 compared to last year, $1,045,000 in 2004 and $1,454,000 in 2003.

Revenue generated from the Company's software subsidiary declined $2,539,000 or 33% to $5,157,000 due primarily to a decrease in license fees generated from new customers as the market for governmental software appears to have softened from the previous year.

Bank service fees decreased $87,000 or 5% to $1,719,000 due primarily to the fact that as the earnings credit rate granted customers on their account balances increases with the general level of interest rates, the amount of service fees charged decreases. Other income decreased $83,000 or 12% to $588,000 due mainly to a decrease in revenue generated from the investment in bank owned life insurance during 2004. Operating expenses increased a modest $121,000 or less than 1% to $55,025,000 despite the additional expenses generated from the acquisition of PROFITLAB, Inc.

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

Information services payment and processing revenue 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 average loans, typically the Company's highest-yielding asset for any given maturity, grew $39,359,000 or 10%

to $443,452,000 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.

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 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, 2004, 2003 and 2002 are as follows:

	December 31,			% Change	
(In thousands)	2004	2003	2002	2004 v 2003	2003 v 2002
Freight Invoice Transaction Volume	23,526	23,359	21,549	.7%	8.4%
Freight Invoice Dollar Volume	$9,752,203	$8,673,993	$7,715,588	12.4%	12.4%
Utility Transaction Volume	5,198	4,618	3,435	12.6%	34.4%
Utility Transaction Dollar Volume	$3,700,665	$3,340,375	$2,634,269	10.8%	26.8%
Payment and processing revenue	$30,695	$28,440	$24,622	7.9%	15.5%

Fee revenue and other income in 2004 compared to 2003 include the following significant pre-tax components:

Transaction volume from the Transportation Information Services increased slightly due mainly to increased activity from existing clients. There was also a change in mix from lower priced, simple transactions to higher priced, complex transactions. Total dollar volume processed from this division increased during this period due to increased activity from existing clients and larger average freight charges. Fees for the period grew due to the increased volume and additional services provided. The increase in volume and fees from the Utility Information Services division increased primarily due to new customers as the growth of this segment continues. The acquisition of PROFITLAB, Inc. contributed $538,000 of payment and processing fees for 2004.

Software revenue decreased $2,539,000 or 33% to $5,157,000. This decrease was primarily due to the decrease in license fee revenue generated from new customer sales. Although revenue generated by GEMS increased in each of the past three years, sales were off significantly in 2004 as the market for governmental software appears to have decreased from the prior years.

Bank service fees decreased $87,000 or 5% to $1,719,000. This decrease was due primarily to the fact that service fees decrease as the credit allowance for noninterest bearing deposits increases, due to the general level of interest rate increases.

During 2004 the Company recorded net gains of $1,045,000 on the sales of securities with a fair value of $27,195,000. During 2003, net gains of $1,454,000 were recorded on the sales of securities with a fair value of $38,454,000. These sales of securities were made 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 decreased $83,000 or 12% to $588,000. This decrease was primarily due to a decrease in 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 2003 compared to 2002 include the following significant pre-tax components:

Information services payment and processing fee revenue increased $3,818,000 or 16% to $28,440,000. 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 credit allowance for noninterest bearing deposits decreases, due to the general level of interest rate 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 made 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.

Net Interest Income

Net interest income is the difference between interest earned on loans, investments, and other earning assets and interest expense on deposits and other interest-bearing liabilities. Net interest income is a significant source of the Company's revenues. The following table summarizes the changes in net interest income and related factors for the three periods ended December 31, 2004, 2003 and 2002:

(Dollars In Thousands)	2004	2003	2002	% Change 2004 v. 2003	% Change 2003 v. 2002
Average earning assets	$643,847	$563,071	$544,011	14.3%	3.5%
Net interest income	28,838	27,310	30,466	5.6%	(10.4%)
Net interest margin	4.48%	4.85%	5.60%	(7.6%)	(13.4%)
Yield on earning assets	4.96%	5.18%	6.02%	(4.2%)	(14.0%)
Rate on interest bearing liabilities	1.64%	1.24%	1.60%	32.3%	(22.5%)

Net interest income in 2004 compared to 2003:

The increase in net interest income was caused by the significant increase in earning assets that exceeded the decline in net interest margin. This increase in earning assets was funded by both an increase in accounts and drafts payable due to the increased dollars processed and an increase in bank deposits due to the expansion of the Banks' customer base. 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. Despite the slight increase in interest rates during the second half of 2004 the net interest margin was lower than in 2003 due to the decreases over the past few years and the fact that changes in interest rates 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. This decrease in net interest margin was also negatively impacted by an increase in rates paid on deposits. More information is contained in the tables below and in Item 7A of this report.

Total average loans increased $33,782,000 or 8% to $477,234,000. This increase was attributable to new business relationships. Loans have 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 $21,016,000 or 36% to $78,745,000 as the Company invested part of the increase in deposits and payables. Total average federal funds sold and other short-term investments increased $25,978,000 or 42% to $87,868,000. This increase was also funded by the increase in accounts and drafts payable and growth in bank deposits and provides the Company with additional liquidity to take advantage of higher interest rates.

The increase in both interest-bearing liabilities and rates paid on deposits partially offsets the increases achieved by an increase in earning assets. Interest-bearing deposits increased $38,638,000 or 25.9% due to the Bank's marketing efforts to increase its customer base. Rates paid on the deposits increased 29.8% from 1.24% to 1.61%. This resulted in an increase of $1,177,000 or 63.7% in interest paid on deposits.

Net interest income in 2003 compared to 2002:

The decrease in net interest income and margin was primarily due to the dramatic decrease in the general level of interest rates over the past few years. 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 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 the tables below and 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 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 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.

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:

	2004			2003			2002		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets(1)									
Earning assets:									
Loans(2),(3):									
Taxable	$471,995	$26,807	5.68%	$437,807	$25,319	5.78%	$398,060	$25,897	6.51%
Tax-exempt(4)	5,239	376	7.18	5,645	427	7.56	6,033	455	7.54
Debt and equity securities(5):									
Taxable	26,603	476	1.79	22,183	499	2.25	55,591	2,839	5.11
Tax-exempt(4)	52,142	3,154	6.05	35,546	2,317	6.52	42,077	2,861	6.80
Federal funds sold and other short-term investments	87,868	1,120	1.27	61,890	609	.98	42,250	687	1.63
Total earning assets	643,847	31,933	4.96	563,071	29,171	5.18	544,011	32,739	6.02
Nonearning assets:									
Cash and due from banks	23,035			19,136			24,324		
Premises and equipment, net	12,878			14,918			16,281		
Bank owned life insurance	10,874			10,419			4,033		
Goodwill and other intangibles, net	6,700			5,232			809		
Other assets	18,006			19,055			18,063		
Allowance for loan losses	(5,822)			(5,380)			(5,075)		
Total assets	$709,518			$626,451			$602,446		
Liabilities And Shareholders' Equity(1)									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$ 73,792	$ 845	1.15%	$ 52,630	$ 371	.70%	$ 56,705	$ 632	1.11%
Savings deposits	29,712	293	.99	36,192	281	.78	41,837	528	1.26
Time deposits of $100 or more	49,540	1,160	2.34	44,793	844	1.88	36,158	902	2.49
Other time deposits	34,754	726	2.09	15,545	351	2.26	5,467	178	3.26
Total interest-bearing deposits	187,798	3,024	1.61	149,160	1,847	1.24	140,167	2,240	1.60
Short-term borrowings	91	1	1.10	943	14	1.48	1,485	33	2.22
Subordinated convertible debentures	1,314	70	5.33	--	--	--	--	--	--
Total interest-bearing liabilities	189,203	3,095	1.64	150,103	1,861	1.24	141,652	2,273	1.60
Noninterest-bearing liabilities:									
Demand deposits	104,581			100,791			100,473		
Accounts and drafts payable	341,247			306,227			297,322		
Other liabilities	8,683			7,984			5,699		
Total liabilities	643,714			565,105			545,146		
Shareholders' equity	65,804			61,346			57,300		
Total liabilities and shareholders' equity	$709,518			$626,451			$602,446		
Net interest income		$28,838			$27,310			$30,466	
Net interest margin			4.48%			4.85%			5.60%
Interest spread			3.32%			3.94%			4.42%

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 $178,000, $90,000 and $441,000 for 2004, 2003 and 2002, respectively.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%. The tax-equivalent adjustment was approximately $1,200,000, $928,000 and $1,122,000 for 2004, 2003 and 2002, 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)	2004 Over 2003			2003 Over 2002		
	Volume(1)	Rate(1)	Total	Volume(1)	Rate(1)	Total
Increase (decrease) in interest income:						
Loans(2),(3):						
Taxable	$ 1,950	$ (462)	$ 1,488	$ 2,450	$(3,028)	$ (578)
Tax-exempt(4)	(30)	(21)	(51)	(29)	1	(28)
Debt and equity securities:						
Taxable	90	(113)	(23)	(1,212)	(1,128)	(2,340)
Tax-exempt(4)	1,015	(178)	837	(430)	(114)	(544)
Federal funds sold and other short-term investments	300	211	511	251	(329)	(78)
Total interest income	3,325	(563)	2,762	1,030	(4,598)	(3,568)
Interest expense on:						
Interest-bearing demand deposits	186	288	474	(43)	(218)	(261)
Savings deposits	(56)	68	12	(64)	(183)	(247)
Time deposits of $100 or more	96	220	316	189	(247)	(58)
Other time deposits	403	(28)	375	242	(69)	173
Short-term borrowings	(10)	(3)	(13)	(10)	(9)	(19)
Subordinated convertible debenture	35	35	70	--	--	--
Total interest expense	654	580	1,234	314	(726)	(412)
Net interest income	$ 2,671	$(1,143)	$ 1,528	$ 716	$(3,872)	$(3,156)

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 $500,448,000 and represented 70% of the Company's total assets as of December 31, 2004 and generated $27,055,000 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, 2004.

Loans by Type
(At December 31)

(Dollars in thousands)	2004	2003	2002	2001	2000
Commercial and industrial	$117,777	$103,638	$101,116	$115,316	$136,482
Real estate:					
Mortgage	346,711	330,150	282,125	215,504	182,538
Construction	25,838	19,298	39,175	32,715	29,464
Industrial revenue bonds	4,955	5,373	5,773	6,155	15,804
Installment	1,741	1,911	1,918	1,787	2,533
Other	3,426	8,662	4,582	9,975	5,399
Total loans	$500,448	$469,032	$434,689	$381,452	$372,220

Loans by Maturity
(At December 31, 2004)

(Dollars in thousands)	One Year or less	Over 1 Year Through 5 Years Fixed Rate	Over 1 Year Through 5 Years Floating Rate(1)	Over 5 Years Fixed Rate	Over 5 Years Floating Rate(1)	Total
Commercial and industrial	$ 87,359	$ 17,323	$ 12,911	$ 74	$ 110	$117,777
Real estate:						
Mortgage	38,311	257,143	50,636	621	--	346,711
Construction	23,664	739	1,435	--	--	25,838
Industrial revenue bonds	--	2,210	--	2,745	--	4,955
Installment	1,142	599	--	--	--	1,741
Other	3,426	--	--	--	--	3,426
Total loans	$153,902	$278,014	$ 64,982	$ 3,440	$ 110	$500,448

(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 5 of this report. As can be seen in the loan composition table above and discussed in Item 8, Note 5, the Company's primary market niche for banking services is privately-held businesses and churches and church-related ministries.

Loans to 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, 2003 to December 31, 2004:

Total loans increased $31,416,000 or 7% to $500,448,000. This increase was due to both the expansion of church and church-related loans located throughout the country and commercial and construction loans in the St. Louis metropolitan area. At year-end, church and church-related real estate and construction credits totaled $173,379,000, which represents a 7% increase over 2003. Additional details regarding the types and maturities of loans in the loan portfolio are contained in the tables above and in Item 8, Note 5.

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 5.

Provision and Allowance for Loan Losses

The Company recorded a provision for loan losses of $550,000 in 2004, $190,000 in 2003 and $500,000 in 2002. The amount of the provisions were derived from the Company's quarterly analysis of the allowance for loan losses in relation to probable losses in the loan portfolio. The larger provision made in 2004 was primarily the result of the risks inherent in an expanding loan portfolio and reserves made for specific problem loans. The larger provision made in 2002 partially resulted from risks inherent with 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 charge-offs of $19,000 in 2004, net loan recoveries of $23,000 in 2003 and net loan charge-offs of $113,000 in 2002. The allowance for loan losses was $6,037,000 at December 31, 2004, compared to

$5,506,000 at December 31, 2003 and $5,293,000 at December 31, 2002. The year-end 2004 allowance represented 1.21% of outstanding loans, compared to 1.17% at year-end 2004 and 1.22% at year-end 2002. From December 31, 2003 to December 31, 2004 the level of nonperforming loans decreased $3,855,000 from $4,393,000 to $538,000, which represents .11% of outstanding loans. Nonperforming loans are more fully explained in the section entitled "Nonperforming Assets".

The allowance for loan losses has been established and is maintained to absorb probable losses 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

	December 31,				
(Dollars in thousands)	2004	2003	2002	2001	2000
Allowance at beginning of year	$ 5,506	$ 5,293	$ 4,906	$ 4,897	$ 4,282
Loans charged-off:					
Commercial and industrial loans and industrial revenue bonds (IRB's)	--	--	152	110	183
Real estate:					
Mortgage	48	--	--	--	--
Construction	--	--	--	--	--
Installment	--	--	--	--	--
Other	--	2	--	--	--
Total loans charged-off	48	2	152	110	183
Recoveries of loans previously charged-off:					
Commercial, industrial and IRB's	29	25	39	59	48
Real estate:					
Mortgage	--	--	--	--	--
Construction	--	--	--	--	--
Installment	--	--	--	--	--
Total recoveries of loans previously charged-off	29	25	39	59	48
Net loans charged-off (recovered)	19	(23)	113	51	135
Provision charged to expense	550	190	500	60	750
Allowance at end of year	$ 6,037	$ 5,506	$ 5,293	$ 4,906	$ 4,897
Loans outstanding:					
Average	$ 477,234	$ 443,452	$ 404,093	$ 376,275	$ 327,962
December 31	500,448	469,032	434,689	381,452	372,220
Ratio of allowance for loan losses to loans outstanding:					
Average	1.26%	1.24%	1.31%	1.30%	1.49%
December 31	1.21%	1.17%	1.22%	1.29%	1.32%
Ratio of net charge-offs (recoveries) to average loans outstanding	--	(.01)%	.03%	.01%	.04%.
Allocation of allowance for loan losses(1):					
Commercial, industrial and IRB's	$ 3,066	$ 2,575	$ 2,167	$ 2,129	$ 3,159
Real estate:					
Mortgage	2,742	2,761	2,780	2,442	416
Construction	207	152	302	303	1,317
Installment	9	10	10	10	5
Other loans	13	8	34	22	--
Total	$ 6,037	$ 5,506	$ 5,293	$ 4,906	$ 4,897
Percent of categories to total loans:					
Commercial and industrial and IRB's	24.5%	23.2%	24.6%	31.8%	40.9%
Real estate:					
Mortgage	69.3	70.4	64.9	56.5	49.0
Construction	5.2	4.1	9.0	8.6	7.9
Installment	.3	.4	.4	.5	.7
Other	.7	1.9	1.1	2.6	1.5

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 $38,000 for the year ended December 31, 2004. Of this amount, approximately $15,000 was actually recorded as interest income on such loans.

The total renegotiated loans of $168,000 at December 31, 2004 relates to one borrower that is current under the new terms of the loan. Total nonaccrual commercial loans consists primarily of one loan for $259,000 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. Total nonaccrual real-estate mortgage loans of $69,000 and the remaining balance of nonaccrual commercial loans of $38,000 relate to one borrower. The collateral on these loans was sold during the first quarter of 2005 and the remaining balance of $21,000 was charged-off against the allowance for loan losses.

Total foreclosed assets of $375,000 at December 31, 2004 consisted of real estate that was foreclosed on March 2, 2004 and was sold during the first quarter of 2005 for a net gain of $38,000. The total foreclosed assets of $859,000 at December 31, 2003 consisted of real estate property that was foreclosed on August 8, 2001. This property was sold in the fourth quarter of 2004 and the Company recorded a net loss of $59,000. Foreclosed assets classified as other real estate owned are recorded at what management estimates to be fair value less cost to sell the property.

At December 31, 2004, approximately $5,008,000 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, however circumstances have raised doubts as to the ability of the borrowers to comply with the current loan repayment terms. Included in this balance is $3,805,000 related to one borrower that was renegotiated in 2003 and although current under the new terms of the contract management believes, due to the financial condition of the company, there still remains risk as to the collectability of all amounts under the loan agreement.

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

(Dollars in thousands)	December 31, 2004	2003	2002	2001	2000
Commercial, industrial and IRB's:					
Nonaccrual	$ 297	$ 318	$ 51	$ 157	$ 84
Contractually past due 90 days or more and still accruing	--	--	--	18	--
Renegotiated loans	--	2,240	--	--	--
Real estate-construction on nonaccrual	--	--	--	265	1,043
Real estate-mortgage:					
Nonaccrual	69	1,207	--	32	--
Contractually past due 90 days or more and still accruing	4	147	3,388	--	--
Renegotiated loans	168	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	538	4,393	9,194	472	1,131
Total foreclosed assets	375	859	6,241	5,710	--
Total nonperforming assets	$ 913	$ 5,252	$15,435	$ 6,182	$ 1,131

Operating Expenses

Operating expenses in 2004 compared to 2003 include the following significant pre-tax components:

Salaries and employee benefits expense increased $1,046,000 or 3% to $38,198,000. Of this increase, $616,000 was related to the acquisition of PROFITLAB, Inc. The remaining increase primarily relates to annual salary increases and increases in pension and worker's compensation insurance expense.

Occupancy expense increased $58,000 or 3% to $1,840,000. Of this increase $28,000 relates to the acquisition of PROFITLAB, Inc. and the remaining increase is primarily due to an increase in rent expense on leased office space. Equipment expense decreased $786,000 or 18% to $3,692,000. This decrease is primarily due to software that was capitalized in 2000 and 2001 that is now fully amortized. Amortization of intangibles increased $57,000 or 18% to $368,000 due to the software acquired in the acquisition of PROFITLAB, Inc. Other operating expenses decreased $254,000 or 2% to $10,927,000. This decrease related to many factors including a decrease of $544,000 in postage and supply expense related to the increase in electronic processing in the Information Services Division and a decrease of $310,000 related to costs associated with the decline in software sales. These decreases were partially offset by expenses related to the acquisition of PROFITLAB, Inc. of $171,000 and an increase of $465,000 in outside service and professional fees, which includes fees of $225,000 related to the additional procedures required under Section 404 of the Sarbanes-Oxley Act and an increase of $183,000 in outside imaging expenses. More details on the components of other operating expenses are contained in Item 8, Note 15 of this report.

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 $1,821,000 or 19% to $11,181,000. The consolidation of GEMS contributed $2,213,000 to other operating expense. More details on the components of other operating expenses are contained in Item 8, Note 15 of this report.

Income Tax Expense

Income tax expense in 2004 totaled $3,262,000 compared to $3,453,000 in 2003 and $2,987,000 in 2002. When measured as a percent of income before income taxes, the Company's effective tax rate was 29% in 2004, 30% in 2003 and 29% in 2002. The primary reason for the lower effective tax rates in 2004 and 2002 was the Company's investment in tax-exempt municipal bonds and income recognized on bank owned life insurance.

Investment Portfolio

Investment portfolio changes from December 31, 2003 to December 31, 2004:

U.S. Treasury securities increased $4,796,000 or 28% to $21,899,000. U.S. government corporation and agency securities increased $1,404,000 or 30% to $6,094,000. State and political subdivision securities increased $1,756,000 or 4% to $48,533,000. The investment portfolio provides the Company with a significant source of earnings, secondary source of liquidity, and mechanisms to manage the effects of changes in interest rates. Therefore, the size, asset allocation and maturity distribution of the investment portfolio will vary over time depending on management's assessment of current and future interest rates, changes in loan demand, changes in the Company's sources of funds and the economic outlook. During this period the size of the investment portfolio increased as the Company employed a portion of the increase in deposits and accounts and drafts payable. The minor changes in asset mix reflects the relative interest rates of the alternative investments and management's liquidity and interest rate forecasts at the time funds became available for investment.

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

U.S. Treasury securities increased from $0 to $17,103,000. U.S. government corporation and agency securities decreased $22,557,000 or 83% to $4,690,000. State and political subdivision securities increased $5,854,000 or 14% to $46,777,000. During this period, the size of the investment portfolio remained fairly constant as the Company redeployed funds from maturing securities and security sales back into the investment portfolio. The increase in U.S. Treasury securities and decrease in U. S. government agencies and corporations reflect the relative yields of these securities at the time of investment.

There was no single issuer of securities in the investment portfolio at December 31, 2004, other than U.S. government corporations and agencies, for which the aggregate amortized cost exceeded 10% of total shareholders' equity.

Investment by Type

	December 31,		
(Dollars in thousands)	2004	2003	2002
U.S. Treasury securities	$ 21,899	$ 17,103	$ --
U.S. government corporations and agencies	6,094	4,690	27,247
State and political subdivisions	48,533	46,777	40,923
Stock of the Federal Home Loan Bank	403	376	1,000
Stock of the Federal Reserve Bank	201	201	201
Total investments	$ 77,130	$ 69,147	$ 69,371

Investment in Debt Securities by Maturity
(At December 31, 2004)

(Dollars in thousands)	Within 1 Year	Over 1 to 5 Years	Over 5 to 10 Years	Over 10 Years	Yield
U.S. Treasury securities	$18,934	$2,965	$ --	$ --	1.91%
U.S. government corporations and agencies	996	5,098	--	--	3.27%
State and political subdivisions(1)	149	10,587	25,044	12,753	5.84%
Total investment in debt securities	20,079	18,650	25,044	12,753	4.49%
Weighted average yield	1.92%	3.93%	6.10%	6.34%	

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

Equity Investments

During 2003, the Company converted a $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 investing an additional $1,100,000 when certain conditions were met. This additional commitment has funded and the total investment of the Company in this entity was $3,100,000 at December 31, 2004 and $2,908,000 at December 31, 2003. At December 31, 2004 the Company had a 19.99% ownership interest in this entity and the Chairman and CEO of the Company was a member of the entity's Board of Directors. In addition, the Company has extended a $2,400,000 line of credit for working capital purposes to this entity, with a 50% interest sold to a new non-affiliated majority owner. As of December 31, 2004 the Company's interest in this line amounted to $1,200,000 and all payments are current.

This business has performed poorly during the past few years and the new majority owner is currently in the process of stabilizing the business and improving its financial performance. However, 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 decreased $18,272,000 or 16% from December 31, 2003 to $96,362,000 at December 31, 2004. The average balances of these deposits increased $3,790,000 or 4% from December 31, 2003 to $104,581,000 at December 31, 2004. The decrease in ending balances relates to normal daily fluctuations in these accounts.

Interest-bearing deposits increased $21,473,000 or 14% from December 31, 2003 to $179,267,000 at December 31, 2004. The average balances of these deposits increased $38,638,000 or 26% from 2003 to $187,798,000 in 2004. 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 $58,484,000 or 20% from December 31, 2003 to $358,473,000 at December 31, 2004. The average balances of these funds increased $35,020,000 or 11% from 2003 to $341,247,000 in 2004. 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, 2004)

(Dollars in thousands)

Three months or less	$16,296
Three to six months	8,962
Six to twelve months	5,480
Over twelve months	15,379
Total	$46,117

Short-term Borrowings

Short-term borrowings increased $4,000 or 3% from December 31, 2003 to $127,000 at December 31, 2004. Average balances of these funds decreased $852,000 or 90% from 2003 to $91,000 during 2004. These funds consist primarily of federal funds purchased and can also include tax deposits of the U.S. Treasury. 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 10 of this report.

Subordinated Convertible Debentures

Total subordinated convertible debentures at December 31, 2004 were $3,700,000 and average balances of these funds were $1,314,000 for the year. The debentures were issued on August 24, 2004 as part of the Company purchase of PROFITLAB, Inc. The Company had no outstanding debentures in 2003. For more information on these debentures please refer to Item 8, Note 11 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 items 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 $87,543,000 at December 31, 2004, an increase of $25,176,000 or 40% from December 31, 2003. At December 31, 2004 these assets represented 12% 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 $77,130,000 at December 31, 2004, an increase of $7,983,000 or 12% from December 31, 2003. These assets represented 11% of total assets at December 31, 2004. Of this total, 63% were state and political subdivision securities, 28% were U.S. Treasury securities, 8% were U.S. government agencies and 1% were other securities. Of the total portfolio, 26% mature in one year, 24% matures in one to five years, and 50% matures in five or more years. During the year the Company sold securities with a market value of $27,195,000 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 $29,000,000. Additionally, the Bank maintains lines of credit at unaffiliated financial institutions in the maximum amount of $78,150,000 collateralized by U.S. Treasury and agency securities and commercial and residential mortgage loans.

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.

The Company also maintains a treasury stock buyback program pursuant to which the Board of Directors has authorized the repurchase of up to 100,000 shares of the Company's Common Stock. The Company did not repurchase any shares during 2004 and repurchased 59,237 shares for $1,764,000 in 2003. As of December 31, 2004, 40,763 shares remained available for repurchase under the program. Repurchases are made in the open market or through negotiated transactions from time to time depending on market conditions.

Net cash flows provided by operating activities for the years 2004, 2003 and 2002 were $10,030,000, $10,181,000 and $8,978,000 respectively. Net income plus the adjustment for depreciation and amortization accounts for most of the operating cash provided. Net cash flows from investing and financing activities fluctuate greatly as the Company actively manages its investment and loan portfolios and customer activity influences changes in deposit and accounts and drafts payable balances. Further analysis of the changes in these account balances is discussed earlier in this report. Due to the daily fluctuations in these account balances, 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 2005.

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, 2004 as shown in Item 8, Note 3 of this report.

In 2004, cash dividends paid were $.821 per share for a total of $3,025,000, 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.

Shareholders' equity was $69,589,000, or 10% of total assets, at December 31, 2004, an increase of $4,797,000 over the balance at December 31, 2003. This increase resulted from net income of $8,005,000, proceeds from the exercise of stock options of $190,000 and other items of $210,000, which was partially offset by cash dividends paid of $3,025,000, a decrease in other comprehensive income of $579,000 and payment of $4,000 related to the stock dividend.

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, 2004, unappropriated retained earnings of $6,714,000 were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities.

Commitments, Contractual Obligations and Off-Balance Sheet Arrangements

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 and capital leases. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. The Company's maximum potential exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, commercial letters of credit and standby letters of credit is represented by the contractual amounts of those instruments. At December 31, 2004, 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 or its subsidiaries to guarantee the performance of a customer to a third party. These off-balance sheet financial instruments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2004 the balance of loan commitments, commercial and standby letters of credit were $20,524,000, $6,097,000 and $1,091,000, respectively. Since some of the financial instruments may expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. Commitments to extend credit and letters of credit are subject to the same underwriting standards as those financial instruments included on the consolidated balance sheets. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of the credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally accounts receivable, inventory, residential or income-producing commercial property or equipment. In the event of nonperformance, the Company or its subsidiaries may obtain and liquidate the collateral to recover amounts paid under its guarantees on these financial instruments.

On August 24, 2004 the Company issued $3,700,000 in subordinated convertible debentures as part of the Company's acquisition of PROFITLAB, Inc. Interest, at a rate of 5.33%, is payable annually on the anniversary date of the acquisition. The holders of the debentures can convert the principal amount into fully paid and non-assessable shares of the Common Stock of the Company at a rate per share of $48.20 at various amounts over a 10-year period, at which time the securities mature. The debentures may be called by the Company without penalty after August 24, 2010. For more information on the acquisition please refer to Item 8, Notes 2 and 11 of this report.

The following table summarizes contractual cash obligations of the Company related to operating and capital lease commitments and convertible subordinated debentures at December 31, 2004:

		Amount of Commitment Expiration per Period			
(Dollars in thousands at December 31, 2004)	Total	Less than 1 year	1-3 Years	3-5 Years	Over 5 Years
Operating lease commitments	$2,645	$ 625	$ 357	$ 306	$1,357
Capital lease commitments	25	17	8	--	--
Convertible subordinated debentures*	3,700	--	--	--	3,700
Total	$6,370	$ 642	$ 365	$ 206	$5,057

* Includes principal payments only.

During 2004, the Company contributed $1,083,000 to its noncontributory defined benefit pension plan. The contribution had no significant effect on the Company's overall liquidity. In determining pension expense, the Company makes several assumptions, including the discount rate and long-term rate of return on assets. These assumptions are determined at the beginning of the plan year based on interest rate levels and financial market performance. For 2004 these assumptions were as follows:

Weighted average discount rate	6.25%
Rate of increase in compensation levels	4.00%
Expected long-term rate of return on assets	8.00%

Effect of Recent and Prospective Accounting Pronouncements

In 2003, the Emerging Issues Task Force ("EITF") reached a consensus on, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"), which provides guidance to assess whether there have been any events or economic circumstances to indicate that a security is impaired on an other-than-temporary basis. Factors to consider include the length of time the security has had a market value less than the cost basis, the intent and ability of the company to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry and for debt securities, external credit rating and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss. In December 2004, the Financial Accounting Standards Board ("FASB") announced that it will reconsider in its entirety all guidance on disclosing, measuring and recognizing other-than-temporary impairments of debt and equity securities. Until new guidance is issued, companies must continue to comply with the disclosure requirements of EITF 03-1 and all relevant measurement and recognition requirements in other accounting literature. The disclosure requirements required under EITF 03-1 are included in Item 8, Note 4 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 replaced, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51," ("FIN 46") 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 the adoption of FIN 46R did not have a material impact on its consolidated financial statements.

In December 2003, the FASB issued Statement of Financial Accounting Standard 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132 (revised 2003)"), 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) are included in Item 8, Note 13 of this report.

In December 2004, the FASB issued SFAS 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaced, "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of income. The accounting provisions of SFAS 123R are effective for reporting periods beginning after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 will no longer will be an alternative to financial statement recognition. See the section entitled "Stock Options" of this Item 8, Note 1 for the pro forma net income and net income per share amounts, for fiscal 2002 through fiscal 2004, as if we had used a fair-value-based method similar to the methods required under SFAS 123R to measure compensation expense for employee stock incentive awards. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and do not expect the adoption to have a significant adverse impact on our consolidated statements of income and net income per share.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 by 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 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, 2004 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, 2004:

Change in Interest Rates	% Change in Net Interest Income	% Change in Fair Market Value of Equity
+200 basis points	11%	12%
+100 basis points	6%	6%
Stable Rates	0%	0%
-100 basis points	(6%)	(8%)
-200 basis points	(15%)	(17%)

Interest Rate Sensitive Position

The following table presents the Company's gap or interest rate risk position at December 31, 2004 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	$ 198,983	$ 9,693	$ 1,446	$ 8,872	$ 275,804	$ 695	$ 495,493
Tax-exempt	--	--	--	--	2,210	2,745	4,955
Debt and equity securities(1):							
Taxable	--	18,934	--	996	8,063	--	27,993
Tax-exempt	--	--	--	149	10,063	38,321	48,533
Other	604	--	--	--	--	--	604
Federal funds sold and other short term investments	64,412	--	--	--	--	--	64,412
Total earning assets	263,999	28,627	1,446	10,017	296,140	41,761	641,990
Interest-sensitive liabilities:							
Money market accounts	63,250	--	--	--	--	--	63,250
Now accounts	17,225	--	--	--	--	--	17,225
Savings deposits	23,161	--	--	--	--	--	23,161
Time deposits:							
$100 and more	--	16,296	8,962	5,480	15,379	--	46,117
Less than $100	--	8,939	11,279	6,649	2,647	--	29,514
Federal funds purchased and other short term borrowing	127	--	--	--	--	--	127
Subordinated convertible debentures	--	--	--	--	--	3,700	3,700
Total interest-bearing liabilities	$ 103,763	$ 25,235	$ 20,241	$ 12,129	$ 18,026	$ 3,700	$ 183,094
Interest sensitivity gap:							
Periodic	$ 160,236	$ 3,392	$ (18,795)	$ (2,112)	$ 278,114	$ 38,061	$ 458,896
Cumulative	160,236	163,628	144,833	142,721	420,835	458,896	458,896
Ratio of interest-bearing assets to interest-bearing liabilities:							
Periodic	2.54x	1.13x	.07x	.83x	16.43x	11.29x	3.51x
Cumulative	2.54x	2.27x	1.97x	1.88x	3.35x	3.51x	3.51x

(1) Balances shown reflect earliest repricing date.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 31, 2004	December 31, 2003
Assets		
Cash and due from banks	$ 23,131	$ 17,754
Federal funds sold and other short-term investments	64,412	44,613
Cash and cash equivalents	87,543	62,367
Investment in debt and equity securities, available-for-sale, at fair value	77,130	69,147
Loans	500,448	469,032
Less: Allowance for loan losses	6,037	5,506
Loans, net	494,411	463,526
Premises and equipment, net	12,187	13,538
Investment in bank owned life insurance	11,090	10,709
Payments in excess of funding	6,998	6,220
Goodwill 7,360	3,150	
Other intangible assets, net	2,383	1,940
Other assets	17,419	15,319
Total assets	$ 716,521	$ 645,916
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 96,362	$ 114,634
Interest-bearing	179,267	157,794
Total deposits	275,629	272,428
Accounts and drafts payable	358,473	299,989
Short-term borrowings	127	123
Subordinated convertible debentures	3,700	--
Other liabilities	9,003	8,584
Total liabilities	646,932	581,124
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; 4,494,510 and 4,160,110 shares issued at December 31, 2004 and 2003, respectively	2,247	2,080
Additional paid-in capital	18,370	8,466
Retained earnings	64,685	69,695
Common shares in treasury, at cost (807,262 and 824,598 shares at December 31, 2004 and 2003, respectively)	(16,096)	(16,442)
Unamortized stock bonus awards	(160)	(129)
Accumulated other comprehensive income	543	1,122
Total shareholders' equity	69,589	64,792
Total liabilities and shareholders' equity	$ 716,521	$ 645,916

See accompanying notes to consolidated financial statements.

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

	December 31,		
(In thousands, except share and per share data)	2004	2003	2002
Fee Revenue and Other Income:			
Information services payment and processing revenue	$ 30,695	$ 28,440	$ 24,622
Software revenue	5,157	7,696	--
Bank service fees	1,719	1,806	1,659
Gains on sales of investment securities	1,045	1,454	1,477
Other	588	671	272
Total fee revenue and other income	39,204	40,067	28,030
Interest Income:			
Interest and fees on loans	27,055	25,601	26,197
Interest and dividends on debt and equity securities:			
Taxable	476	499	2,839
Exempt from federal income taxes	2,082	1,534	1,894
Interest on federal funds sold and other short-term investments	1,120	609	687
Total interest income	30,733	28,243	31,617
Interest Expense:			
Interest on deposits	3,024	1,847	2,240
Interest on short-term borrowings	1	14	33
Interest on subordinated convertible debentures	70	--	--
Total interest expense	3,095	1,861	2,273
Net interest income	27,638	26,382	29,344
Provision for loan losses	550	190	500
Net interest income after provision for loan losses	27,088	26,192	28,844
Operating Expense:			
Salaries and employee benefits	38,198	37,152	31,405
Occupancy	1,840	1,782	1,500
Equipment	3,692	4,478	4,310
Amortization of intangible assets	368	311	--
Other operating	10,927	11,181	9,360
Total operating expense	55,025	54,904	46,575
Income before income tax expense	11,267	11,355	10,299
Income tax expense	3,262	3,453	2,987
Net income	$ 8,005	$ 7,902	$ 7,312
Earnings per share:			
Basic	$ 2.18	$ 2.15	$ 1.98
Diluted	$ 2.15	$ 2.13	$ 1.96
Weighted average shares outstanding:			
Basic	3,674,767	3,677,314	3,697,788
Diluted	3,747,748	3,714,553	3,721,290

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	December 31, 2004	2003	2002
Cash Flows From Operating Activities:			
Net income	$ 8,005	$ 7,902	$ 7,312
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,880	4,580	3,978
Gains on sales of investment securities	(1,045)	(1,454)	(1,477)
Amortization of stock bonus awards	96	57	22
Tax benefit from exercise of stock options and bonuses	114	176	186
Provision for loan losses	550	190	500
Deferred income tax benefit	(590)	(599)	(315)
(Decrease) increase in income tax liability	(1,518)	1,115	164
Other operating activities, net	538	(1,786)	(1,392)
Net cash provided by operating activities	10,030	10,181	8,978
Cash Flows From Investing Activities:			
Proceeds from sales of investment securities available-for-sale	27,195	38,454	63,945
Proceeds from maturities of debt and equity securities available-for-sale	31,200	15,522	40,878
Purchase of debt and equity securities available-for-sale	(66,525)	(52,970)	(79,761)
Net increase in loans	(31,810)	(36,320)	(53,613)
Purchases of premises and equipment, net	(1,592)	(1,881)	(2,216)
Payment for business acquisitions, net of cash acquired	(2,092)	--	--
Purchase of bank owned life insurance	--	--	(10,000)
Net cash used in investing activities	(43,624)	(37,195)	(40,767)
Cash Flows From Financing Activities:			
Net (decrease) increase in noninterest-bearing deposits	(18,272)	5,282	(7,999)
Net increase (decrease) in interest-bearing demand and savings deposits	16,947	342	(18,079)
Net increase in time deposits	4,446	23,286	21,618
Net increase (decrease) in accounts and drafts payable	58,484	72,098	(68,173)
Net increase (decrease) in short-term borrowings	4	(37,315)	37,238
Cash proceeds from exercise of stock options	190	260	348
Cash paid for stock dividend fractional shares	(4)	--	(2)
Cash dividends paid	(3,025)	(2,814)	(2,628)
Purchase of common shares for treasury	--	(1,764)	(383)
Net cash provided by (used in) financing activities	58,770	59,375	(38,060)
Net increase (decrease) in cash and cash equivalents	25,176	32,361	(69,849)
Cash and cash equivalents at beginning of year	62,367	30,006	99,855
Cash and cash equivalents at end of year	$ 87,543	$ 62,367	$ 30,006
Supplemental information:			
Cash paid for interest	$ 3,019	$ 1,802	$ 2,270
Cash paid for income taxes	4,339	2,513	3,155
Noncash transactions:			
Transfer of loans to other equity investments	$ --	$ 2,000	$ --
Other real estate transferred from loans	375	--	263
Issuance of subordinated convertible debentures	3,700	--	--

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, 2001	$ 2,000	$ 4,997	$ 63,623	$ (15,597)	$ (25)	$ 522	$ 55,520	
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
Net income			8,005				8,005	8,005
Cash dividends ($.821 per share)			(3,025)				(3,025)	
10% Stock Dividend	167	9,819	(9,990)				(4)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						261	261	261
Reclassification adjustment for gains on sales of investment securities, available-for-sale, net of tax						(690)	(690)	(690)
Minimum pension liability adjustment, net of tax						(150)	(150)	(150)
Issuance of 3,886 common shares pursuant to Stock Bonus Plan		53		74	(127)		--	
Amortization of Stock Bonus Plan awards					96		96	
Exercise of stock options		(82)		272			190	
Tax benefit on stock awards		114					114	
Balance, December 31, 2004	$ 2,247	$ 18,370	$ 64,685	$ (16,096)	$ (160)	$ 543	$ 69,589	
Comprehensive income for 2004								$ 7,426

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, utility and telecommunications invoices. These services include the acquisition and management of data, information delivery and financial exchange. The consolidated balance sheet captions, "Accounts and drafts payable" and "Payments in excess of funding," consist 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.

Basis of Presentation The accounting and reporting policies of the Company and its subsidiaries conform to U.S. generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of intercompany transactions. Certain amounts in the 2003 and 2002 consolidated financial statements have been reclassified to conform to the 2004 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.

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.

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.

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.

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

Intangible Assets Cost in excess of fair value of net assets acquired 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 Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets" (SFAS 142), 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. The disclosure requirements of SFAS 142 are included in Item 8, Note 8 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.

Non-marketable Equity Investments The Company accounts for non-marketable equity investments, in which it holds less than a 20% ownership in, 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.

Foreclosed assets 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.

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

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

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 that 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.

Information Services Revenue Revenue from freight, utility and telecommunication 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.

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.

Earnings Per Share Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income, adjusted for the net income effect of the interest expense on the outstanding convertible debentures, by the sum of the weighted-average number of common shares outstanding and the weighted-average number of potential common shares outstanding.

Stock Options The Company accounts for stock-based compensation under the stock option plan in accordance with Accounting Principles Board ("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 Statement of Financial Accounting Standard ("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 10,130 options granted in 2004, 15,543 options granted in 2003 and 6,930 options were granted in 2002. The required disclosure provisions of SFAS 123, as amended by SFAS 148, are provided in the table below.

(In thousands, except per share data)	2004	2003	2002
Net income:			
As reported	$ 8,005	$ 7,902	$ 7,312
Add: Stock based compensation expense included in reported net income, net of tax	63	38	15
Less: Stock based compensation expense determined under the fair value based method for all awards, net of tax	(109)	(81)	(60)
Pro forma net income	$ 7,959	$ 7,859	$ 7,267
Net income effect of subordinated convertible debentures	39	--	--
Proforma net income assuming dilution	$ 7,998	$ 7,859	$ 7,267
Net income per common share:			
Basic, as reported	$ 2.18	$ 2.15	$ 1.98
Basic, proforma	2.18	2.14	1.97
Diluted, as reported	2.15	2.13	1.96
Diluted, proforma	2.13	2.12	1.95
Weighted average assumptions:			
Risk-free interest rate	3.61%	3.22%	3.54%
Expected life	7 yrs.	7 yrs	7 yrs
Expected volatility	15%	15%	15%
Expected dividend yield	2.42%	3.32%	3.52%

Recent and Prospective Accounting Pronouncements In 2003, the Emerging Issues Task Force ("EITF") reached a consensus on, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"), which provides guidance to assess whether there have been any events or economic circumstances to indicate that a security is impaired on an other-than-temporary basis. Factors to consider include the length of time the security has had a market value less than the cost basis, the intent and ability of the company to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry and for debt securities, external credit rating and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss. In December 2004, the Financial Accounting Standards Board ("FASB") announced that it will reconsider in its entirety all guidance on disclosing, measuring and recognizing other-than-temporary impairments of debt and equity securities. Until new guidance is issued, companies must continue to comply with the disclosure requirements of EITF 03-1 and all relevant measurement and recognition requirements in other accounting literature. The disclosure requirements required under EITF 03-1 are included in Note 4 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 replaced, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51," ("FIN 46") 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 the adoption of FIN 46R did not have a material impact on its consolidated financial statements.

In December 2003, the FASB issued Statement of Financial Accounting Standard 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132 (revised 2003)"), 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) are included in Item 8, Note 13 of this report.

In December 2004, the FASB issued SFAS 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaced, "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of income. The accounting provisions of SFAS 123R are effective for reporting periods beginning after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 will no longer will be an alternative to financial statement recognition. See the section entitled "Stock Options" of this note for the pro forma net income and net income per share amounts, for fiscal 2002 through fiscal 2004, as if we had used a fair-value-based method similar to the methods required under SFAS 123R to measure compensation expense for employee stock incentive awards. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and do not expect the adoption to have a significant adverse impact on our consolidated statements of income and net income per share.

Note 2
Acquisitions

On August 24, 2004 the Company acquired substantially all of the operating assets of PROFITLAB, Inc., a provider of telecom auditing and application services based in Greenville, South Carolina. Consideration for the acquisition included cash in the amount of $1,098,000 and the issuance of $3,700,000 of 5.33% subordinated convertible debentures. The debentures are convertible, per a schedule, into approximately 76,763 shares of the Company's Common Stock at a price of $48.20 per share. The securities mature 10 years after the date of issuance. The debentures may be called by the Company without penalty after August 24, 2010. Total cost of the acquisition was approximately $4,977,000 which included $862,000 in acquired software, which is being amortized on a straight-line basis over 5 years and $4,039,000 in goodwill based on the Company's purchase price allocation. All acquired intangible assets are deductible for tax purposes.

On November 24, 2004 the Company acquired Franklin Bancorp, Orange, California and merged its subsidiary bank, Franklin Bank of California into the Bank. The purpose of the acquisition and merger is to establish a branch in California to serve existing customers and prospects. Total cost of the acquisition was $2,707,000 which included $171,000 of goodwill based on the Company's purchase price allocation. The acquired goodwill is not deductible for tax purposes.

The above mentioned acquisitions of PROFITLAB, Inc. and Franklin Bancorp were accounted for using the purchase method of accounting and, accordingly, the consolidated financial statements include the financial position and results of operations for the periods subsequent to the respective acquisition dates, and the assets acquired and liabilities assumed were recorded at their estimated fair value as of the acquisition dates. These fair value adjustments represent current estimates and are subject to further adjustments as the valuation data, including the receipt of certain third party valuation data, is finalized.

Note 3
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 that as of December 31, 2004 and 2003, 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, 2004 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, 2004, unappropriated retained earnings of $6,714,000 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 $766,000 and $663,000 at December 31, 2004 and 2003, respectively.

The Company and the Bank's actual and required capital amounts and ratios as of December 31, 2004 and 2003 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, 2004						
Total capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$69,238	11.86%	$46,691	8.00%	$ N/A	N/A%
Cass Commercial Bank	36,634	12.01	24,392	8.00	30,490	10.00
Tier I capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$59,501	10.19%	$23,345	4.00%	$ N/A	N/A%
Cass Commercial Bank	32,817	10.76	12,196	4.00	18,294	6.00
Tier I capital (to average assets):						
Cass Information Systems, Inc.	$59,501	7.91%	$22,563	3.00%	$ N/A	N/A%
Cass Commercial Bank	32,817	9.46	10,408	3.00	17,346	5.00
At December 31, 2003						
Total capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$64,480	11.93%	$43,246	8.00%	$ N/A	N/A%
Cass Commercial Bank	31,741	11.18	22,722	8.00	28,403	10.00
Tier I capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$58,974	10.91%	$21,623	4.00%	$ N/A	N/A%
Cass Commercial Bank	28,190	9.93	11,361	4.00	17,042	6.00
Tier I capital (to average assets):						
Cass Information Systems, Inc.	$58,974	8.59%	$20,586	3.00%	$ N/A	N/A%
Cass Commercial Bank	28,190	9.34	9,056	3.00	15,316	5.00

Note 4
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, 2004 and 2003, are summarized as follows:

	2004			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 21,939	$ --	$ 40	$ 21,899
Obligations of U.S. government corporations and agencies	6,077	51	34	6,094
State and political subdivisions	47,445	1,172	84	48,533
Total debt securities	75,461	1,223	158	76,526
Stock in Federal Reserve Bank and Federal Home Loan Bank	604	--	--	604
Total	$ 76,065	$ 1,223	$ 158	$ 77,130

	2003			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 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

The fair value of securities with unrealized losses at December 31, 2004 are as follows:

(In thousands)	Fair Value	Unrealized Losses
U. S. Treasury securities	$ 21,899	$ 40
Obligations of U.S. government corporations and agencies	2,970	34
State and political subdivisions	5,380	84
Total	$ 30,249	$ 158

There are 18 securities in an unrealized loss position included in the table above and all 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, 2004, 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.

	2004	
(In thousands)	Amortized Cost	Fair Value
Due in 1 year or less	$ 20,097	$ 20,078
Due after 1 year through 5 years	18,617	18,651
Due after 5 years through 10 years	24,348	25,044
Due after 10 years	12,399	12,753
No stated maturity	604	604
Total	$ 76,065	$ 77,130

The amortized cost of debt securities pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes at December 31, 2004 and 2003 were $13,074,000 and $3,599,000, respectively.

Proceeds from sales of debt securities classified as available-for-sale were $27,195,000, $38,454,000 and $63,945,000 for 2004, 2003 and 2002, respectively. Gross gains realized on the sales in 2004 were $1,048,000 and gross realized losses were $3,000, in 2003 gross realized gains were $1,454,000 and in 2002 gross realized gains were $1,501,000 and gross losses realized were $24,000.

Note 5
Loans

A summary of loan categories at December 31, 2004 and 2003, is as follows:

(In thousands)	2004	2003
Commercial and industrial	$ 117,777	$ 103,638
Real estate:		
Mortgage	182,476	184,221
Mortgage - Church & related	164,235	145,929
Construction	16,694	2,920
Construction - Church & related	9,144	16,378
Industrial revenue bonds	4,955	5,373
Installment	1,741	1,911
Other	3,426	8,662
Total	$ 500,448	$ 469,032

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, 2004, 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, 2004	$ 3,285
New loans	1,000
Payments	134
Aggregate balance, December 31, 2004	$ 4,151

A summary of the activity in the allowance for loan losses for 2004, 2003 and 2002 is as follows:

(In thousands)	2004	2003	2002
Balance, January 1	$ 5,506	$ 5,293	$ 4,906
Provision charged to expense	550	190	500
Loans charged off	(48)	(2)	(152)
Recoveries of loans previously charged off	29	25	39
Net loan (charge-offs) recoveries	(19)	23	(113)
Balance, December 31	$ 6,037	$ 5,506	$ 5,293

The following is a summary of information pertaining to impaired loans at December 31, 2004 and 2003:

(In thousands)	2004	2003
Impaired loans without a valuation allowance	$ --	$ --
Impaired loans with a valuation allowance	2,718	4,393
Allowance for loan losses related to impaired loans	1,023	627

Impaired loans consist primarily of renegotiated loans, nonaccrual loans and loans 90 days past due and still accruing interest. In 2004, impaired loans also included a loan for $2,180,000 related to one borrower that although current, management has doubt as to the collectability of all amounts under the agreement. Impaired loans continuing to accrue interest were $2,352,000 and $2,868,000 at December 31, 2004 and 2003, respectively. Of these, loans delinquent 90 days or more and still accruing interest at December 31, 2004 and 2003 totaled $4,000 and $147,000, respectively. The average balance of impaired loans during 2004 and 2003 was $3,395,000 and $5,736,000, respectively. Income that would have been recognized on non-accrual and renegotiated loans under the original terms of the contract was $38,000, $272,000 and $346,000 for 2004, 2003 and 2002, respectively. Income that was recognized on non-accrual and renegotiated loans was $15,000, $164,000 and $328,000 for 2004, 2003 and 2002, respectively. Foreclosed loans, which have been reclassified and held as other real estate owned were $375,000 and $859,000 at December 31, 2004 and 2003, respectively and are included in other assets on the consolidated balance sheets.

Note 6
Premises and Equipment

A summary of premises and equipment at December 31, 2004 and 2003, is as follows:

(In thousands)	2004	2003
Land	$ 873	$ 873
Buildings	10,459	10,374
Leasehold improvements	1,023	968
Furniture, fixtures and equipment	19,174	18,125
Purchased software	3,711	3,383
Internally developed software	4,474	4,474
	39,714	38,197
Less accumulated depreciation and amortization	27,527	24,659
Total	$12,187	$13,538

Internally developed software at December 31, 2004 and 2003 includes $344,000 of software which is being sold to customers of the Company's Government Software Services Division and amortization expense on this software was $37,000 in 2004 and no amortization was recorded in 2003 or 2002. Total depreciation and amortization charged to expense in 2004, 2003 and 2002 amounted to $2,970,000, $3,689,000 and $3,638,000, respectively.

The Company and its subsidiaries lease various premises and equipment under operating lease agreements, which expire at various dates through 2020. 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, 2004:

(In thousands)	
2005	$ 625
2006	196
2007	161
2008	153
2009	153
2010 and after	1,357
Total	$ 2,645

Rental expense for 2004, 2003 and 2002 was $554,000, $686,000 and $604,000, respectively.

Note 7
Equity Investments in Non-Marketable Securities

During 2003, the Company converted a $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 investing an additional $1,100,000 when certain conditions were met. This additional commitment has funded and the total investment of the Company in this entity was $3,100,000 at December 31, 2004 and $2,908,000 at December 31, 2003. At December 31, 2004 the Company had a 19.99% ownership interest in this entity and the Chairman and CEO of the Company was a member of the entity's Board of Directors. In addition, the Company has extended a $2,400,000 line of credit for working capital purposes to this entity, with a 50% interest sold to a new non-affiliated majority owner. As of December 31, 2004 the Company's interest in this line amounted to $1,200,000 and all payments are current.

This business has performed poorly during the past few years and the new majority owner is currently in the process of stabilizing the business and improving its financial performance. However, should this business fail to meet its objectives, the Company's investment could be subject to future impairment.

This investment, along with $519,000 of other investments in non-marketable securities, is included in other assets on the Company's consolidated balance sheets.

Note 8
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, 2004 are as follows:

	December 31, 2004		December 31, 2003	
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer list	$ 823	$ (110)	$ 823	$ (55)
Software	1,886	(569)	1,024	(256)
Total amortized intangible assets	2,709	(679)	1,847	(311)
Unamortized intangible assets:				
Goodwill	7,587	(227)*	3,377	(227)*
Minimum pension liability	353	--	404	--
Total unamortized intangible assets	7,940	(227)	3,781	(227)
Total intangible assets	$ 10,649	$ (906)	$ 5,628	$ (538)

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

Changes in the carrying amount of goodwill, by segment, for the year ended December 31, 2004, are as follows:

	Information Processing	Banking	Governmental Software	Total
Balance January 1, 2004	$ 223	$ --	$ 2,927	$ 3,150
Goodwill acquired during the year	4,039	171	--	4,210
Balance December 31, 2004	$ 4,262	$ 171	$ 2,927	$ 7,360

On August 24, 2004 the Company acquired $4,039,000 of goodwill and $862,000 in software related to the acquisition of PROFITLAB, Inc. On November 24, 2004 the Company acquired $171,000 of goodwill from the acquisition of Franklin Bank. The acquisitions of PROFITLAB, INC. and Franklin Bank are further discussed in Item 2 of this report.

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 amounts previously recorded and offset this liability by an intangible asset to the extent of previously unrecognized prior service costs. The liability and corresponding intangible assets are adjusted annually.

The weighted average amortization period at December 31, 2004 is 15 years for customer list and 4.5 years for software and 7.7 years for all amortized intangible assets combined. Amortization of intangible assets amounted to $368,000 and $311,000 for the years ended December 31, 2004 and 2003, 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: $483,000 in 2005 and 2006, $227,000 in 2007 and 2008 and $170,000 in 2009.

Note 9
Interest-Bearing Deposits

Interest-bearing deposits consist of the following at December 31, 2004 and 2003:

(In thousands)	2004	2003
NOW and Money Market Deposit Accounts	$ 80,475	$ 53,983
Savings deposits	23,161	32,626
Time deposits:		
Less than $100	29,514	27,909
$100 or more	46,117	43,276
Total	$179,267	$157,794

Interest on deposits consist of the following for 2004, 2003 and 2002:

(In thousands)	2004	2003	2002
NOW and Money Market Deposit Accounts	$ 845	$ 371	$ 632
Savings deposits	293	281	528
Time deposits:			
Less than $100	726	351	178
$100 or more	1,160	844	902
Total	$3,024	$1,847	$2,240

The scheduled maturities of certificates of deposit at December 31, 2004 and 2003, are summarized as follows:

	2004		2003	
(In thousands)	Amount	Percent of Total	Amount	Percent of Total
Due within:				
One year	$57,605	76.2%	$50,991	71.6%
Two years	1,454	1.9	8,826	12.4
Three years	1,311	1.7	276	.4
Four years	10,787	14.3	1,265	1.8
Five years	4,474	5.9	9,827	13.8
Total	$75,631	100.0%	$71,185	100.0%

Note 10
Short-Term Borrowings

Company short-term borrowings consist mainly of federal funds purchased and tax deposits of the United States Treasury. At December 31, 2004 and 2003 the bank subsidiary had short-term borrowings of $127,000 and $123,000, respectively 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 2004 was $91,000 at an average rate of 1.10% and the maximum amount outstanding at the end of any month during the year was $131,000. The average amount of 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.

Note 11
Subordinated Convertible Debentures

On August 24, 2004 the Company issued to PROFITLAB, Inc. $3,700,000 of 5.33% subordinated convertible debentures in partial consideration for the acquisition of the assets of PROFITLAB, Inc. Interest is payable annually on the anniversary date of the acquisition. The holders of the debentures can convert up to 20% of the principal amount into fully paid and non-assessable shares of the Common Stock of the Company at a rate per share of $48.20

from and after the third anniversary of the issuance date. From and after the fourth anniversary date an additional 30% can be converted under the same terms. From and after the fifth anniversary date, 100% can be converted under the same terms. The securities mature 10 years after the date of issuance. The debentures may be called by the Company without penalty after August 24, 2010.

Note 12
Common Stock and Earnings Per Share

The table below shows activity in the outstanding shares of the Company's Common Stock during 2004.

Shares outstanding at January 1, 2004	3,335,512
Issuance of stock:	
10% stock dividend, issued March 15, 2004	334,400
Issued under Stock Bonus Plan*	3,699
Stock options exercised*	13,637
Shares outstanding at December 31, 2004	3,687,248

*Not restated for stock dividend, issued March 15, 2004

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income, adjusted for the net income effect of the interest expense on the outstanding convertible debentures, by the sum of the weighted-average number of common shares outstanding and the weighted-average number of potential common shares outstanding. The calculations of basic and diluted earnings per share for the periods ended December 31, 2004, 2003 and 2002 are as follows:

(Dollars in thousands, except per share data)	2004	2003	2002
Calculation of basic earnings per share:			
Net income	$8,005	$7,902	$7,312
Weighted-average number of common shares outstanding	3,674,767	3,677,314	3,697,788
Basic earnings per share	$2.18	$2.15	$1.98
Calculation of diluted earnings per share:			
Net income	$8,005	$7,902	$7,312
Net income effect of 5.33% convertible debentures	39	--	--
Net income assuming dilution	$8,044	$7,902	$7,312
Weighted-average number of common shares outstanding	3,674,767	3,677,314	3,697,788
Effect of dilutive stock options and awards	45,864	37,239	23,502
Effect of 5.33% convertible debentures	27,117	--	--
Weighted-average number of common shares assuming dilution	3,747,748	3,714,553	3,721,290
Diluted earning per share	$2.15	$2.13	$1.96

Note 13
Employee Benefit Plans

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, 2004 and 2003, is as follows:

(In thousands)	2004	2003
Benefit obligation:		
Balance, January 1	$ 20,026	$ 16,461
Service cost	1,186	979
Interest cost	1,237	1,105
Actuarial loss	875	1,718
Benefits paid	(373)	(237)
Balance, December 31	$ 22,951	$ 20,026
Plan assets:		
Fair value, January 1	$ 15,085	$ 12,797
Actual return	1,199	1,622
Employer contribution	1,083	903
Benefits paid	(373)	(237)
Fair value, December 31	$ 16,994	$ 15,085
Funded status:		

Unfunded projected benefits obligation	$ (5,957)	$ (4,941)
Unrecognized prior service cost	82	90
Unrecognized net loss	3,472	2,614
Accrued pension cost	$ (2,403)	$ (2,237)

The accumulated benefit obligation was $18,384,000 and $15,970,000 for the periods ended December 31, 2004 and 2003, respectively. The Company expects to contribute approximately $1,265,000 to the plan in 2005.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2005	$ 498,000
2006	506,000
2007	619,000
2008	835,000
2009	897,000
2010 - 2014	5,367,000

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

	2004	2003	2002
Weighted average discount rate	6.00%	6.25%	7.00%
Rate of increase in compensation levels	4.00%	4.00%	4.00%

The pension cost for 2004, 2003 and 2002 was $1,250,000, $1,042,000 and $948,000, respectively, and included the following components:

(In thousands)	2004	2003	2002
Service cost - benefits earned during the year	$ 1,186	$ 979	$ 952
Interest cost on projected benefit obligations	1,237	1,105	1,012
Expected return on plan assets	(1,233)	(1,055)	(1,031)
Net amortization and deferral	60	13	15
Net periodic pension cost	$ 1,250	$ 1,042	$ 948

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

	2004	2003	2002
Weighted average discount rate	6.25%	7.00%	7.25%
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	2004	2003
Equity securities	36.6%	34.6%
Debt securities	63.0%	65.1%
Cash and cash equivalents	.4%	.3%
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 2004, 2003 and 2002 for the supplemental executive retirement plan was $110,000, $145,000 and $177,000 respectively, and included the following components:

(In thousands)	2004	2003	2002
Service cost - benefits earned during the year	$ (57)	$ (24)	$ (13)
Interest cost on projected benefit obligations	117	107	124
Net amortization and deferral	50	62	66
Net periodic pension cost	$ 110	$ 145	$ 177

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, 2004 and 2003, is as follows:

(In thousands)	2004	2003
Benefit obligation:		
Balance, January 1	$ 1,695	$ 1,878
Service cost	(57)	(24)
Interest cost	117	107
Actuarial loss (gain)	211	(266)
Balance, December 31	$ 1,966	$ 1,695
Funded status:		
Unfunded projected benefits obligation	$(1,966)	$(1,695)
Unrecognized prior service cost	353	404
Unrecognized actuarial loss	317	105
Accrued pension cost	(1,296)	(1,186)
Minimum liability adjustment	(595)	(419)
Accrued pension cost	$(1,891)	$(1,605)

The accumulated benefit obligation was $1,891,000 and $1,605,000 for the periods ended December 31, 2004 and 2003, respectively. Since this is an unfunded plan there are no plan assets. Benefits paid on the plan were $9,000 in 2004 and no benefits were paid in 2003 and 2002. Expected future benefits over the next 10 years are as follows:

2005	$ 34,000
2006	34,000
2007	34,000
2008	201,000
2009	201,000
2010 - 2014	1,005,000

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 $595,000 and $419,000 at December 31, 2004 and 2003, 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 $353,000 and $404,000 at December 31, 2004 and 2003,

respectively, are included in other intangible assets on the accompanying consolidated balance sheets. The remaining amount at December 31, 2004 of $242,000 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 2004, 2003 and 2002 was $1,781,000, $1,755,000 and $1,632,000, 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 2004, 2003 and 2002 were $349,000, $333,000 and $277,000, respectively.

Note 14
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 2004, 2003 and 2002, 3,886 shares, 6,501 shares and 1,040 shares, respectively, were granted with weighted average per share market prices of $32.91 in 2004, $24.74 in 2003 and $21.21 in 2002. 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 $96,000 for 2004, $57,000 for 2003 and $22,000 for 2002. At December 31, 2004 the weighted-average grant date fair value and weighted average contractual life for outstanding shares of restricted stock was $28.24 and .9 years, respectively.

A summary of restricted stock bonus share activity follows:

	2004	2003	2002
Awards available for grant beginning of year	58,641	65,142	66,182
Restricted shares awarded	(3,886)	(6,501)	(1,040)
Awards available for grant end of year	54,755	58,641	65,142

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 currently vest and expire over a period not to exceed seven years.

The following table summarizes stock options outstanding as of December 31, 2004:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life
$17.63	2,930	2.01 years
19.91	4,042	2.00
21.33	2,310	2.00
21.86	62,637	2.00
22.04	7,240	1.54
22.50	12,000	6.00
24.75	3,543	6.00
30.27	5,871	7.00
35.91	2,759	7.00
38.01	1,500	7.00

Changes in options outstanding were as follows:

	Shares	Weighted Average Exercise Price
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
Granted	10,130	32.95
Exercised	(14,406)	13.14
Forfeited	(1,960)	21.86
Balance at December 31, 2004	104,832	$22.55

At December 31, 2004, 20,813 shares were exercisable with a weighted average exercise price of $21.43. The restricted stock bonus plan and the performance-based stock option plan have both been approved by the Company's Shareholders.

Note 15
Other Operating Expense

Details of other operating expense for 2004, 2003 and 2002 are as follows:

(In thousands)	2004	2003	2002
Postage, printing and supplies	$ 2,342	$ 2,886	$ 2,906
Advertising and business development	1,720	1,929	1,382
Professional fees	2,522	2,268	1,964
Outside service fees	1,527	1,316	1,175
Data processing services	210	207	231
Telecommunications	548	561	510
Other	2,056	2,014	1,192
Total other operating expense	$10,927	$11,181	$ 9,360

Note 16
Income Taxes

The components of income tax expense (benefit) for 2004, 2003 and 2002 are as follows:

(In thousands)	2004	2003	2002
Current:			
Federal	$ 3,354	$ 3,571	$ 2,883
State	498	481	419
Deferred	(590)	(599)	(315)
Total income tax expense	$ 3,262	$ 3,453	$ 2,987

A reconciliation of expected income tax expense (benefit), computed by applying the effective federal statutory rate of 34% for 2004, 2003 and 2002 to income before income tax expense, to reported income tax expense is as follows:

(In thousands)	2004	2003	2002
Expected income tax expense	$ 3,831	$ 3,861	$ 3,502
(Reductions) increases resulting from:			
Tax-exempt income	(964)	(793)	(800)
State taxes, net of federal benefit	328	317	277
Other, net	67	68	8
Total income tax expense	$ 3,262	$ 3,453	$ 2,987

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003, are presented below:

(In thousands)	2004	2003
Deferred tax assets:		
Allowance for loan losses	$ 2,123	$ 1,952
Accrued pension cost	841	783
Tax loss carryforward1	700	--
Deferred revenue	672	626
Unrealized loss minimum pension liability	82	5
Other	520	491
Total deferred tax assets	4,938	3,857
Deferred tax liabilities:		
Unrealized gain on investment in debt and equity securities available-for-sale	(362)	(583)
Premises and equipment	(403)	(641)
Intangibles	(514)	(532)
Other	(148)	(179)
Total deferred tax liabilities	(1,427)	(1,935)
Net deferred tax assets	$ 3,511	$ 1,922

1. As of December 31, 2004, the Company had approximately $2 million of net operating loss carryforwards as a result of the acquisition of Franklin Bancorp. The utilization of the net operating loss carryforward is subject to Section 382 of the Internal Revenue Code and limits the Company's use to approximately $120,000 per year during the carryforward period, which expires in 2019.

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, 2004 or 2003, 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 17
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 18
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, 2004, 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, 2004 and 2003:

(In thousands)	2004	2003
Conditional commitments to extend credit	$20,524	$20,941
Standby letters of credit	6,097	4,516
Commercial letters of credit	1,091	347

Following is a summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2004 and 2003:

(In thousands)	2004 Carrying Amount	2004 Fair Value	2003 Carrying Amount	2003 Fair Value
Balance sheet assets:				
Cash and cash equivalents	$ 87,543	$ 87,543	$ 62,367	$ 62,367
Investment in debt and equity securities	77,130	77,130	69,147	69,147
Loans, net	494,411	493,066	463,526	464,502
Accrued interest receivable	2,588	2,588	2,231	2,231
Total	$661,672	$660,327	$597,271	$598,247
Balance sheet liabilities:				
Deposits	$275,629	$275,683	$272,428	$273,235
Accounts and drafts payable	358,473	358,473	299,989	299,989
Short-term borrowings	127	127	123	123
Subordinated convertible debentures	3,700	3,675	--	--
Accrued interest payable	226	226	150	150
Total	$638,155	$638,184	$572,690	$573,497

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

Cash and 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.

Subordinated Convertible Debentures The fair value of convertible subordinated debentures is estimated by discounting the projected future cash flows using estimated current rates for similar borrowings.

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

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 19
Industry Segment Information

The services provided by the Company are classified into three reportable segments: 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 Information Services segment provides freight, utility and telecommunication invoice processing and payment services to large corporations. The Banking Services segment provides banking services primarily to privately-held businesses and churches. The Government Software Services segment provides integrated financial, property and human resource management systems to cities, counties, and other public entities.

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. Information for prior periods have been restated to reflect changes in the composition of the Company's segments.

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

Summarized information about the Company's operations in each industry segment for the periods ended December 31, 2004, 2003 and 2002, is as follows:

(In thousands)	Information Services	Banking Services	Government Software Services	Corporate and Eliminations	Total
2004					
Fee revenue and other income:					
Income from customers	$ 32,320	$ 1,727	$ 5,157	$ --	$ 39,204
Intersegment income	--	1,467	--	(1,467)	--
Net interest income (expense) after provision for loan losses:					
Interest from customers	15,652	11,436	--	--	27,088
Intersegment interest	62	(62)	--	--	--
Depreciation and amortization	2,904	314	602	60	3,880
Income taxes	2,006	2,203	(947)	--	3,262
Net income	6,225	3,656	(1,876)	--	8,005
Goodwill	4,262	171	2,927	--	7,360
Other intangible assets, net	805	--	1,225	353	2,383
Total assets	397,722	314,625	5,539	(1,365)	716,521
2003					
Fee revenue and other income:					
Income from customers	$ 30,454	$ 1,917	$ 7,696	$ --	$ 40,067
Intersegment income	--	1,512	--	(1,512)	--
Net interest income (expense) after provision for loan losses:					
Interest from customers	15,039	11,153	--	--	26,192
Intersegment interest	155	(155)	--	--	--
Depreciation and amortization	3,428	491	590	71	4,580
Income taxes	1,153	2,232	68	--	3,453
Net income	4,090	3,705	107	--	7,902
Goodwill	223	--	2,927	--	3,150
Other intangible assets, net	--	--	1,536	404	1,940
Total assets	335,955	328,412	7,488	(25,939)	645,916
2002					
Fee revenue and other income:					
Income from customers	$ 26,195	$ 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	17,244	11,600	N/A	--	28,844
Intersegment interest	(106)	106	N/A	--	--
Depreciation and amortization	3,460	453	N/A	65	3,978
Income taxes	553	2,434	N/A	--	2,987
Net income	3,220	4,092	N/A	--	7,312
Goodwill	223	--	N/A	--	223
Other intangible assets, net	--	--	N/A	379	379
Total assets	293,428	315,294	N/A	(36,489)	572,233

Note 20
Condensed Financial Information of Parent Company

Following are the condensed balance sheets of the Company (parent company only) as of December 31, 2004 and 2003, and the related condensed statements of income and cash flows for each of the years in the three-year period ended December 31, 2004.

(In thousands)	Condensed Balance Sheets December 31	
	2004	2003
Assets:		
Cash and due from banks	$ 8,595	$ 346
Short-term investments	56,395	26,666
Investment in debt and equity securities, available-for-sale	71,933	63,679
Loans, net	216,826	207,134
Investment in subsidiary	37,150	32,709
Premises and equipment, net	10,746	11,879
Other assets	35,031	27,756
Total assets	$436,676	$370,169
Liabilities and Shareholders' Equity:		
Accounts and drafts payable	$358,473	$299,989
Subordinated convertible debentures	3,700	--
Other liabilities	4,914	5,388
Total liabilities	367,087	305,377
Total shareholders' equity	69,589	64,792
Total liabilities and shareholders' equity	$436,676	$370,169

(In thousands)	Condensed Statements of Income December 31		
	2004	2003	2002
Income from subsidiary:			
Dividends	$ --	$ 870	$ 2,100
Interest	75	163	41
Management fees	1,032	870	776
Income from subsidiary	1,107	1,903	2,917
Information services revenue	30,695	28,440	24,622
Net interest income after provision	14,574	13,973	16,119
Gains on sales of investment securities	1,045	1,415	1,313
Other income	581	599	259
Total income	48,002	46,330	45,230
Expenses:			
Salaries and employee benefits	28,963	28,397	26,884
Other expenses	10,808	11,820	12,474
Total expenses	39,771	40,217	39,358
Income before income tax and equity in undistributed income of subsidiary	8,231	6,113	5,872
Income tax expense	2,006	1,153	552
Income before undistributed income of subsidiary	6,225	4,960	5,320
Equity in undistributed income of subsidiary	1,780	2,942	1,992
Net income	$ 8,005	$ 7,902	$ 7,312

Condensed Statements of Cash Flows

(In thousands)	December 31 2004	2003	2002
Cash flows from operating activities:			
Net income	$ 8,005	$ 7,902	$ 7,312
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiary	(1,780)	(2,942)	(1,992)
Net change in other assets	(4,077)	(5,948)	3,249
Net change in other liabilities	(651)	1,421	(322)
Amortization of stock bonus awards	96	57	22
Other, net	2,440	3,223	709
Net cash provided by operating activities	4,033	3,713	8,978
Cash flows from investing activities:			
Net (increase) decrease in securities	(8,254)	(8,825)	22,797
Net increase in loans	(9,692)	(1,894)	(26,893)
Payment for business acquisitions, net of cash acquired	(2,092)	--	--
Purchase of bank owned life insurance	--	--	(10,000)
Purchases of premises and equipment, net	(1,197)	(605)	(1,990)
Net cash used in investing activities	(21,235)	(11,324)	(16,086)
Cash flows from financing activities:			
Net increase (decrease) in accounts and drafts payable	58,484	72,098	(68,173)
Advances from subsidiary	--	(35,861)	35,861
Cash dividends paid	(3,025)	(2,814)	(2,628)
Purchases of common shares for treasury	--	(1,764)	(383)
Other financing activities	(279)	365	368
Net cash provided by (used in) financing activities	55,180	32,024	(34,955)
Net increase (decrease) in cash and cash equivalents	37,978	24,413	(42,063)
Cash and cash equivalents at beginning of year	27,012	2,599	44,662
Cash and cash equivalents at end of year	$ 64,990	$ 27,012	$ 2,599

Note 21
SUPPLEMENTARY FINANCIAL INFORMATION
(Unaudited)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	YTD
2004					
Fee revenue and other income	$ 9,767	$ 9,362	$ 9,606	$10,469	$39,204
Interest income	7,140	7,212	7,875	8,506	30,733
Interest expense	567	738	828	962	3,095
Net interest income	6,573	6,474	7,047	7,544	27,638
Provision for loan losses	200	150	150	50	550
Operating expense	13,482	13,313	13,796	14,434	55,025
Income tax expense	811	673	734	1,044	3,262
Net income	$ 1,847	$ 1,700	$ 1,973	$ 2,485	$ 8,005
Net income per share:					
Basic earnings per share	$ .50	$ .47	$ .53	$ .68	$ 2.18
Diluted earnings per share	.50	.45	.53	.67	2.15
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

Report of Independent Registered Public Accounting Firm

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, 2004 and 2003, 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, 2004. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Cass Information Systems, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 11, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

St. Louis, Missouri
March 11, 2005

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

NONE

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of our management, including principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which follows.

Report of Independent Registered Public Accounting Firm

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

We have audited management's assessment, included in the accompanying Management Report on Internal Control over Financial Reporting, that Cass Information Systems, Inc. and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Cass Information Systems, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also, in our opinion, Cass Information Systems, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cass Information Systems, Inc. as of December 31, 2004 and 2003, 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, 2004, and our report dated March 11, 2005 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

St. Louis, Missouri
March 11, 2005

ITEM 9B. OTHER INFORMATION

NONE

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 2005 Annual Meeting of Shareholders ("2005 Proxy Statement"), 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. The following sections of the 2005 Proxy Statement are incorporated herein by reference: "Election of Directors" and "Executive Officers" (please note that "Section 16(a) Beneficial Ownership Compliance" is within the "Executive Officers" section).

The Company has adopted a Code of Conduct and Business Ethics policy, applicable to all Company directors, executive officers and employees. Pursuant to Nasdaq listing requirements, the policy is publicly available and can be viewed on the Company's website at www.cassinfo.com.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated herein by reference from the section "Executive Officers" of the Company's 2005 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the section "Executive Officers" of the Company's 2005 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and transactions is incorporated herein by reference from the section "Executive Officers" of the Company's 2005 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees billed by the Company's principal accountant for services is incorporated herein by reference from the section "Independent Auditors" of the Company's 2005 Proxy Statement, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

(1) and (2) Financial Statements and Financial Statement Schedules Submitted as a separate section of this report.

(b) Exhibits

3.1 Restated Articles of Incorporation of Registrant, incorporated by reference to Exhibit 4.1 to Form S-8 Registration Statement No. 333-44499, filed with the SEC on January 20, 1998

3.2 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

4 5.33% subordinated convertible debentures

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 Independent Registered Public Accounting Firm

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

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

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

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

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 14, 2005 By /s/ Lawrence A. Collett
Lawrence A. Collett
Chairman and Chief Executive Officer

Date: March 14, 2005 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 14, 2005 By /s/ Robert J. Bodine
Robert J. Bodine

Date: March 14, 2005 By /s/ Eric H. Brunngraber
Eric H. Brunngraber

Date: March 14, 2005 By /s/ Bryan S. Chapell
Bryan S. Chapell

Date: March 14, 2005 By /s/ Lawrence A. Collett
Lawrence A. Collett

Date: March 14, 2005 By /s/ Thomas J. Fucoloro
Thomas J. Fucoloro

Date: March 14, 2005 By /s/ Wayne J. Grace
Wayne J. Grace

Date: March 14, 2005 By /s/ Harry J. Krieg
Harry J. Krieg

Date: March 14, 2005 By /s/ Howard A. Kuehner
Howard A. Kuehner

Date: March 14, 2005 By /s/ Jake Nania
Jake Nania

Date: March 14, 2005 By /s/ Irving A. Shepard
Irving A. Shepard

Date: March 14, 2005 By /s/ A. J. Signorelli
A. J. Signorelli

Exhibit 21

SUBSIDIARIES OF CASS INFORMATION SYSTEMS, INC.

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

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Cass Information Systems, Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-44499, 333-91456, and 333-91568) on Form S-8 of Cass Information Systems, Inc. of our reports dated March 11, 2005, with respect to the consolidated balance sheets of Cass Information Systems, Inc. as of December 31, 2004 and 2003, 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, 2004, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004 annual report on Form 10-K of Cass Information Systems, Inc.

/s/ KPMG LLP

St. Louis, Missouri
March 15, 2005

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

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

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

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

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

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

   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 functions):

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

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

/s/ Lawrence A. Collett

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Lawrence A. Collett
Chairman and Chief Executive Officer
March 14, 2005

Exhibit 31.2

CERTIFICATION

I, Eric H. Brunngraber, Principal 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

    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 functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control 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
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Eric H. Brunngraber
Vice President - Secretary
(Principal Financial and Accounting Officer)
March 14, 2005

Exhibit 32.1

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

In connection with the Annual Report of Cass Information Systems, Inc. ("the Company") on Form 10-K for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence A. Collett, Chairman and Chief Executive Officer 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 results of operations of the Company.

/s/ Lawrence A. Collett

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Lawrence A. Collett
Chairman and Chief Executive Officer
March 14, 2005

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

Exhibit 32.2

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

In connection with the Annual Report of Cass Information Systems, Inc. ("the Company") on Form 10-K for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric H. Brunngraber, Principal Financial and Accounting Officer 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 results of operations of the Company.

/s/ Eric H. Brunngraber

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Eric H. Brunngraber
Principal Financial and Accounting Officer
March 14, 2005

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.