

**BUILDING FROM OUR CORNERSTONE:**

Successfully Linking

# VISION & GROWTH



**2007 SUMMARY ANNUAL REPORT**

# Corporate Profile



Building on a solid foundation of over a century in business, Cass continually renews and reinvents itself in response to a changing and challenging marketplace. Today, Cass Information Systems, Inc. ranks as the leading provider of freight invoice payment, audit and rating services in North America, the largest back-office provider of energy information in North America and a leader in the growing telecom expense management market. We continue to actively pursue opportunities in information processing and electronic commerce.

## Table of Contents

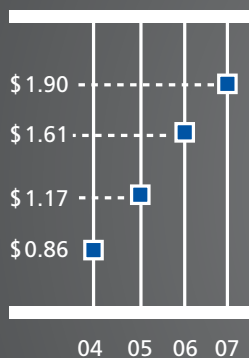
1	■	2007 in Review	18	■	Condensed Consolidated Statements of Income
2	■	Chairman's Letter to Shareholders	19	■	Condensed Consolidated Balance Sheets
5	■	The Cass Strategic Edge	20	■	Report of Independent Registered Public Accounting Firm
6	■	Transportation Information Services	20	■	Forward-Looking Statements
9	■	Utility Information Services	21	■	Board of Directors, Executive Officers and Shareholder Information
12	■	Telecom Information Services			
15	■	Cass Commercial Bank			

# 2007 Year in Review

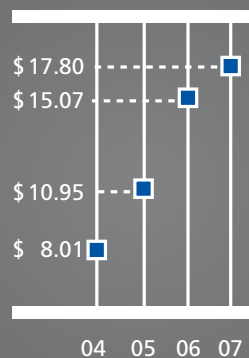
FOR THE YEAR ENDED DECEMBER 31,	2007	2006	% CHANGE
Total Net Revenue	\$ 88,682,000	\$ 82,105,000	8.01%
Net Income	\$ 17,795,000	\$ 15,066,000	18.11%
Basic Earnings per Common Share	\$ 1.95	\$ 1.65	18.18%
Diluted Earnings per Common Share	\$ 1.90	\$ 1.61	18.01%
Dividends Paid per Common Share	\$ 0.447	\$ 0.400	11.75%
Return on Average Total Shareholders' Equity	19.90%	18.89%	5.35%
Total Number of Transactions Processed	34,466,000	30,885,000	11.59%
Total Dollar Volume Paid	\$22,185,000,000	\$19,871,000,000	11.65%

AS OF DECEMBER 31,	2007	2006	% CHANGE
Total Assets	\$ 903,040,000	\$ 858,471,000	5.19%
Total Shareholders' Equity	\$ 99,452,000	\$ 83,921,000	18.51%
Book Value per Common Share	\$ 10.80	\$ 9.16	17.90%

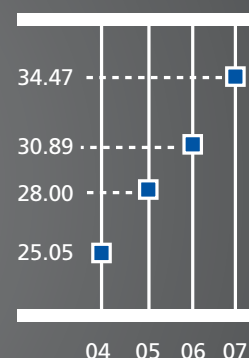
Diluted Earnings per Common Share  
(in dollars)



Net Income  
(in millions)



Total Transactions  
(in millions)



## Chairman's Letter to Shareholders

# BLESSED BY CONTINUED GR

**"See, I lay a stone in Zion, a tested stone, a precious cornerstone for a sure foundation; the one who trusts will never be dismayed."** – Isaiah 28:16

### A YEAR OF RECORDS

It is indeed a blessing to be able to report our economic results for 2007. They continue a trend of consistent growth in transaction processing activities for all of our outsourced payable units. In addition, we reached record levels in volumes, revenues, equity and assets. We are deeply grateful to have experienced these achievements.

### ECONOMIC RESULTS

For 2007, we were able to achieve net earnings of \$17.8 million, an increase of over 18% from the \$15.1 million earned in 2006. On a per share basis (fully diluted), this amounted to \$1.90, an increase of 18.0% from last year's \$1.61. Total revenue reached \$88.7 million, an increase of over 8.0% from 2006.

We also were able to provide significant growth in invoices processed for the year. Our units processed increased from 30.9 million in 2006 to 34.5 million this year. This represents an increase of 11.7%. The dollar volume of these invoices exceeded \$22 billion, an increase of 11.6%.

Total assets were \$903 million at year-end. Total equity was \$99.5 million and represented 11.0% of total assets at year-end. This represents an increase of \$45 million in total assets and an increase of \$15.5 million in equity.

We were also able to increase the level of dividends paid to our shareholders and again to provide a special stock dividend for the fourth successive year.

All of these levels are record highs for the company.

### BEHIND THE RESULTS

Driving the results for 2007 was a 38.9% increase in processing activity for Utility Information Services. This was primarily due to a significant amount of new business added during the year. While this level of growth is probably not sustainable for the long-term, it does continue the trend of above-average growth experienced by this unit. We are pleased, not only by the growth in activity of this business, but also for its dedication to process and productivity enhancements.

Transportation Information Services also achieved record levels of processing during 2007. In addition, record levels of new customers were added during the year. The impact of this activity will be more clearly seen in 2008 results.

Telecom Information Services also experienced sizable growth and appears poised to achieve the levels of market penetration and revenue growth anticipated for this business. We remain enthusiastic about the long-term potential of this unit.

# OWTH AND SUCCESS

Our Commercial Banking unit continued to support the financial exchange and funds management activities of our businesses, as well as manage its own banking activities in a sound and prudent manner. We significantly upgraded our banking systems and restructured the banking organization in 2007. This was done to provide a better foundation for future growth in processing activities and to better focus on the banking segments served. We also have avoided exposure to “sub-prime” mortgages and mortgage-backed securities in the process. These issues, which have had a negative impact on our economy and on many banking segments, should have no such effect on Cass.

## IMPACTING THE FUTURE

In many ways, 2007 has prepared us for continued growth and expansion into the future. It is clear that our outsourced payables services are the best in the marketplace, in every segment. Our focus on customer requirements, opposed to forcing the market into structured processing systems, has paid huge dividends and clearly distinguishes us from our competition. As a result, Cass has attracted a client list that includes many of the best, and most well-known, multinational and global companies in the world.

It is also clear that our information processing services continue to more visibly define our business. What began as a local financial institution in 1906 has changed into a technology-driven information business for this century. Over 82% of our revenues are driven from our outsourced payables processing. Having the resources of a sound commercial bank provides us the safety, security and efficiency to conduct our financial exchange services and to maximize

our investments for better earnings results and portfolio management. This strategy serves us well, both in the composition and delivery of our services as well as the competitive edge provided in the marketplace.

Our vision requires that we continue to grow these information processing businesses and broaden the scope of payable activities provided. We also continue to expand our global processing activities in order to meet the requirements of our customers and to be prepared for an expanding number of emerging global companies. Our customer focus and relationship strategy will continue to be the benchmark of our marketing activities. Our long-term mindset will always be tested, but is the mainstay to building services and customer relationships that last for decades, not quarters.

## WHAT LIES AHEAD?

We have made great strides in many areas during 2007. But we still need to plow more ground and prepare more soil for a more fertile future. There will always be challenges. In 2008, all of our vital signs appear strong. Processing activity should continue to grow in all of our units. Our growth in lending to churches and church-related institutions will continue. This segment now comprises 50.9% of the lending activity in our investment portfolio.

While we are insulated from the problems affecting many financial institutions, we will still experience the effect of a lower interest rate environment in 2008. The duration of those levels could hamper the earnings growth for that period. However, we should be able to offset some of that impact through continued processing growth and prudent investment

# \$17.8

MILLION NET PROFIT  
FOR FISCAL 2007

# 34.5

MILLION PROCESSED  
TRANSACTIONS

# 18.01%

INCREASE IN DILUTED  
EARNINGS PER SHARE

19.9%

2007 RETURN ON  
SHAREHOLDERS'  
EQUITY

11.59%

INCREASE IN NUMBER  
OF TRANSACTIONS  
PROCESSED

\$22.2

BILLION VOLUME  
PAID IN 2007

management. We will remain well poised for future growth by sticking to our core business and adding new clients as we have done historically. We remain solidly optimistic about the future of the Cass organization.

### ACKNOWLEDGEMENTS

We wish to thank our shareholders again for their continued loyalty and support. While we are grateful their investments in Cass Information Systems have benefited them economically, we recognize they are also faithful in their encouragement and support for our organization. Many have been shareholders for decades. We deeply appreciate your partnership.

Over the past five years, the composition of the Board of Directors has undergone a significant change. Because that change has been gradual, the values and culture that historically characterized the organization have been strengthened and deepened. We wish to thank those current and recently retired board members for the tireless efforts expended on behalf of the company and for their devotion to maintaining the company's strength, character and focus.

In April 2008, Harry Krieg will be leaving the board as a voting member. Harry has served the Cass organization as a board member, CEO, Chairman and executive since 1956. He has faithfully devoted himself and his service to Cass. His imprint has been lasting, and we thank him deeply and sincerely for his leadership and personal integrity.

Our staff continues to provide the professionalism and capability needed to address our continuing growth and challenges. We thank them for their commitment to the company in time, talent and

support of our operational and organizational culture. Some of our staff members will be retiring this year after serving the company for decades. They have contributed, in many ways, to the success we have achieved over the years. Their presence will be missed. Thanks for your many years of faithful service to the Cass organization.

As we reflect over the past year, we see instances where we could have been adversely impacted, but were not. We expect to see such events in the ordinary course of business each year. Such is the nature of the world we live in. While it is easy to accept those times and file them in the archives of the past, they are indeed reminders that we are in the hands of one who has protected us over the years and who continues to bless us with unmerited grace and peace. Truth demands that we acknowledge the work of our faithful God in allowing us to experience the blessings we have received. We also recognize that we are no more deserving than any of His creation and have been recipients of such sovereign protection for reasons known only by Him. We shall continue to recognize our dependence on God for all that is meaningful in life. He remains the cornerstone of all that has been built at Cass.



Lawrence A. Collett, Chairman, CEO



Eric H. Brunngraber, President, COO

## The Cass Strategic Edge

# OUR CORE COMPETENCIES

### DATA ACQUISITION

Cass gathers vital information from complex and diverse input documents, electronic media, proprietary databases and data feeds. This includes data acquired from supplier invoices as well as customer procurement and sales systems.

### DATA MANAGEMENT

Once data is assembled, this information is integrated into customer-unique financial and accounting systems. Information is also used to develop management reporting for operational control, feedback, planning assistance and performance measurement.



### FINANCE EXCHANGE

Since Cass is in the unique position of owning a commercial bank, it is also able to manage the movement of funds from its customers to their suppliers. Cass provides immediate, accurate, controlled and protected funds management and transfer system capabilities for all of its customers. Over \$22.2 billion of payments were processed for its customers in 2007.

### INFORMATION DELIVERY

Cass' information delivery solutions provide reports, digital images, data files and retrieval capabilities through the Internet or directly into customer internal systems. Transaction, operation, control, status and processing exception information is delivered through this system creating an efficient, accessible and reliable asset for customers.



Cass Transportation Information Services

# MOTIVATED BY VISION

Cass is the nation's oldest and largest provider of freight bill payment, audit and rating services. In business since 1906 and providing freight payment services since 1956, Cass continues to offer stability, security and expertise in the freight audit, payment and information market.



## YEAR IN REVIEW

Transportation Information Services continued its growth in 2007, although at a more modest pace when compared to the previous two years. This was due primarily to softening in the economy that affected the overall shipping activity of our customer base.

2008, however, will reflect the most successful year of new business relationships in our division's history. Several new Fortune 100 companies made decisions to select Cass for their freight bill processing, auditing, financial reporting and information delivery this year and will join the most impressive list of customers in our industry. Each of these companies was looking for a supplier that recognizes the importance of flexibility and has the resources and experience to develop technology-based solutions that respond to their unique and demanding businesses. In addition, we experienced a record level of new commitments from companies that rely primarily on parcel carriers such as FedEx, UPS and DHL for their product delivery. Our parcel services not only provide extensive audit of these types of shipments, but also utilize web-based analytical and reporting systems that allow companies to manage these expenses much more efficiently. The savings are significant.

In May, we announced an arrangement with Netherlands-based ControlPay to provide freight invoice processing for our customers with European activity. Together, Cass and ControlPay began developing opportunities and were pleased to announce our first combined relationship in December of 2007. We remain very upbeat about the potential for growing our business in Europe and Asia. Our customers

continue to expand and are increasingly focusing on further extending the services we provide and integrating our processing information in managing their global supply chain.

## INNOVATION

Maintaining our leadership position in our industry will continue to depend on the creative use of technology to remove cost and enhance the value of expense management and information delivery. Though significant improvements have already been made, we continue to see major opportunities to change the traditional way services have been offered to the market we serve.

Our industry was one of the first to embrace processing automation with the adoption of industry standards for the exchange of data, most notably Electronic Data Interchange (EDI) for carrier invoicing. The direct and support costs associated with processing paper freight bills continue to be the largest cost components for companies in our business. In addition, carriers experience the burden of costly billing and longer collection periods.

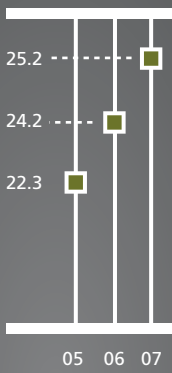
And while many of our customers have taken advantage of EDI, the complete elimination of paper freight bills remains a challenge. For many companies, not all support systems have been automated and integrated so, in many cases, attached paper documents continue to be required to authenticate shipments and authorize payment of all or a significant portion of their freight bills.

One way to eliminate this is to develop a process that only accommodates highly automated companies tolerating no paper. Other ways such as Optical



**“Our customers continue to expand and are increasingly focusing on extending the services we provide and integrating information to help them manage their global supply chain.”**

Freight Invoices  
(in millions)



Freight Dollars  
(in billions)



Character Recognition create EDI transactions from paper freight bills. In 2007, we added an additional approach. In the fourth quarter of this year, in partnership with the country’s largest Less than Truck Load (LTL) carrier, Cass announced a new process that combines the receipt of electronic freight bills and document images. It integrates them with each of our customers’ unique processing requirements while retaining the advantages of sight verification and processing continuity that are available in paper. Not only will our customers benefit from the new process, carriers will reduce their billing costs and improve their collection cycle.

**GROWTH**

We believe, when considering a company to provide outsourced transportation payables services, the selection of Cass is an easy decision.

Cass is one of only two publicly traded financial companies in our industry. Last year, we paid \$14.5 billion to more than 8,000 carriers on behalf of our customers. Having the safety of a bank to execute these payments should be a requirement for any company seeking to outsource freight bill payment.

We continue to develop solutions that meet the unique business requirements of each of our customers. Our systems have been designed with the recognition that our market of large U.S. and global companies demand flexibility and creative solutions. Our customers are not required to adapt to our system, we adapt to their needs by providing significant systems integration efforts that maximize the benefits and efficiencies of our processing.

Using technology, most notably the internet, to enhance information presentation and retrieval continues to be a priority. Likewise, the growing integration of web-based services among multiple constituents is increasing. This focus on technology requires the financial commitment to make sizable investments in development, hardware and software that most companies in our industry cannot sustain.

**We are in the business of providing services to our large multinational and global companies that demand a high level of responsiveness. We recognized early that providing excellent customer support is crucial to retaining business.**

Because more of our services require web-based applications and the utilization of process technology, we have made significant investments in processing redundancy and contingencies that will allow for quick recovery from any business interruption.

The demand for our services has never been stronger. Record new business during the last four years reflects the market’s recognition that Cass is different and superior. We are motivated by major opportunities to change the traditional way of doing business and we intend to continue our aggressive growth plans, further distancing us from the other companies in our industry. ■



Cass Utility Information Services

# OPERATIONAL EXCELLENCE

Cass is the market leader for data capture, bill payment and information analysis for utility and other facility-related expenses. Cass provides payment and analytical tools for more than 435,000 locations across North America. Cass partners with the nation's leading Energy Service Providers as their back-office for best-in-class energy management programs.



“Cass continues to widen its lead as the industry leader in utility information management, now processing for 435,000 locations throughout the U.S. and Canada.”

### STRONGEST YEAR EVER

2007 represented the strongest year ever by Utility Information Services. During the year, 9.3 million transactions were processed, a 39% increase over 2006. Dollar volumes processed followed closely with \$7.7 billion processed, a 35.1% increase. Cass continues to widen its lead as the industry leader in utility information management, now processing for 435,000 locations throughout the U.S. and Canada.

The cornerstone of our value proposition is the focus on operational excellence. Continuous improvement in turnaround time, data accuracy and flexible payment options, as well as technology investments that have allowed Cass to control costs, result in a quality product at competitive price points. In fact, most of the leading Energy Service Providers (ESPs) in the country choose Cass for data capture, payment and presentation as they help customers manage energy use, costs and risk management strategies.

The division added 35 new customers in 2007, representing another \$1 billion in payables. Gross revenue increased 33%, and we continued to improve efficiency by cost controls and process improvements which reduced the processing cost per bill.

### IMAGE-BASED PROCESSING

Utility Information Services has led Cass’ development of imaged-based processing and data-assistance technology, completing several key initiatives in 2007. A new image-based workflow product was rolled out in the fourth quarter, providing customers and internal users with new tools to manage the routing of suspended items – reducing processing time by two days.

Software and processes were put in place to use Optical Character Recognition (OCR) in 2007. Using a context-based OCR engine and sophisticated algorithms for validating the results, the division hopes to have 1 million fields per month entered through the software by the end of 2008 – yielding higher accuracy than a human operator.

The ultimate goal is to leverage our expertise in image-based processing and move all data capture to key-from-image (KFI) by the middle of 2009. That process began in 2007 with all exception bills from the workflow system completed on dual-screen workstations in a KFI environment. In 2008, we will launch a new entry system, integrating the existing OCR and workflow products into a fully image-based capture system.

In a highly competitive market, Cass’ process improvements continue to drive faster bill turnaround and high-quality data capture, while

maintaining price points that show demonstrable returns on investment to end-user customers and partners. These image-based processing initiatives will likely yield positive impacts on other Cass business units in the future.

## THINKING “GREEN”

In the early days of the utility information market, deregulating markets for gas and electricity were often the key driver for new sales. As states opened up new markets, companies needed solid data that reflected accurate usage history not available from a typical accounting system and infrastructure. Today, few states have new deregulation initiatives on the horizon.

However, the need for accurate consumption data is not going away. Energy costs continue to escalate and remain volatile. Today’s political climate will undoubtedly be placing more and more responsibility on corporations to save energy and reduce its carbon footprint, and possibly reward those with demonstrated success. This requires the ability to benchmark existing usage patterns and to demonstrate positive improvement to usage after energy savings initiatives are instituted. In all likelihood, the process will need to be outsourced. Cass offers a solution!

Cass’ ESP partners will be offering the talent, expertise and proven methodologies to help corporations plan conservation efforts, and the Cass utility product will be a key tool for existing and new customers to measure the success of various programs and initiatives. We believe this will lead to continued business expansion in the years ahead.

## DATA AND PAYMENT SECURITY

Another cornerstone for the success of Utility Information Services is its reputation as the provider

of choice for security of money and data. As the only major provider in the utility space owned by a bank holding company, Cass offers an unprecedented 50-plus year history of fiscal responsibility in handling outsourced payables. Frequent audits by the Federal Reserve, internal and external auditors, and its customers ensure its processes meet rigorous standards. Cass has published and shared SAS 70, Type II reports for well over a decade, enabling customers to evaluate and improve their own processing controls.

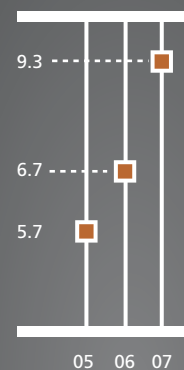
Cass continues to invest in infrastructure and process improvements that protect customer data. Cass maintains archives with more than 23 million bills online. Each image has four copies – kept in data vaults in separate cities. In all, Cass maintains nearly 20 terabytes of images for its utility customers.

Customer data is fully replicated to our Bridgeton, Missouri facility for any system failures and disaster recovery. At least annually, Cass undertakes penetration testing of its websites and systems. This attention to detail is imperative as Cass continues to compete and win business from large, publicly traded companies that cannot afford to risk security loss or downtime.

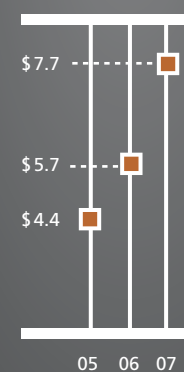
## LOOKING AHEAD

In many ways, 2007 was an exceptional year for Utility Information Services. The ability to seamlessly assimilate a 39% increase in bill processing is a testament to the scalability of our systems and training programs, as well as its depth of talented managers. The market remains active with new energy initiatives and Cass continues to win business from companies switching from competitors. By sticking to our vision of operational excellence and value to our customers, we will continue to be a key growth engine for Cass in the years ahead. ■

Utility Invoices  
(in millions)



Utility Dollars  
(in billions)





Cass Telecom Information Services

# PROVIDING SOLUTIONS

Since 1990, as a leader in the Telecom Expense Management (TEM) industry, Cass helps many of the country's largest corporations achieve and sustain measurable cost reductions through management of their telecommunications expenses. Cass' TEM services help clients uncover significant and often untapped opportunities in their telecom costs with impressive return on investment.

## FLEXIBLE TEM SOLUTIONS

Telecom Information Services offers a flexible, easy-to-use and reliable service to the growing Telecom Expense Management (TEM) market. As a publicly traded company with a tremendous asset base and over 50 years of expense management experience, Cass provides a very strong solution. Cass processes are SAS 70, Type II certified and SOX 404 compliant. Cass' expense management solution supports companies in maintaining an updated inventory of their telecom assets, devices and services. Cass also offers the flexibility to engage services ranging from a hosted solution to a full Business Process Outsourcing (BPO) partnership.

## UNDERSTANDING AND MEETING NEEDS

Our TEM solution includes increasing process efficiencies, reducing costs, generating savings, achieving optimal telecom value, and providing complete visibility and control over telecom spend. The telecom industry has faced many challenges over the years as a result of outdated billing systems and widespread billing errors. The nature of telecom invoicing is complex, non-uniform, ever-changing and paper-based. Telecom services are also constantly changing. These factors lead to a high probability of billing errors. Industry research indicates "7% to 12% of telecom charges are in error."

Cass' Telecom Information Services offers web-based technology that consolidates complex billing information from multiple sources into a single repository. Cass technology presents information in real-time, in readable formats, and organized by business units, geographic locations, services, vendors and employees.



The rewards of controlling telecom spend are high, with credits, refunds and savings opportunities that reduce these expenses month after month. Cass' comprehensive audit service, ongoing invoice reviews and biannual special analyses help many world-class companies achieve substantial returns on investment.

## SETTING CASS APART

Electronic billing feeds are the key to timely processing and detailed information analyses. Cass processes 85% of telecom invoices via Electronic Data Interchange (EDI) or other electronic media. Additionally, our facilities and processes for paper processing are unmatched in the TEM industry.

Another Cass difference is its technology. We integrate customer information with workflow management and live reporting to deliver significant visibility, control and improvement to the entire invoice processing life cycle (receipt to payment). Cass' technology allows customers to access "work in process" and provides the ability to view invoices

**"Telecom Information Services offers web-based technology that consolidates complex telecom billing information from multiple sources into a single repository."**



**“In 2007, more customers began using Cass’ bill payment services with a 117% increase in dollars Cass paid on behalf of TEM customers.”**

in “real time” upon receipt. With Cass technology, customers have complete access and visibility to their data. Customers can also approve invoices directly in the system; check on orders, disputes and vendor interactions; and view all other work from start to finish.

Perhaps the most significant differentiator for Cass lies in our financial integrity. Our TEM services provide fully integrated payment services through our Cass Commercial Bank business unit. Cass’ payment services, with secure Automated Clearing House (ACH) capabilities, eliminate late fees and payments for TEM customers.

## **GROWING WITH OPERATIONAL AND TECHNICAL ADVANCES**

In 2007, the number of invoices processed by Telecom Information Services increased by 63%, with an increase of 71% in billing account numbers and a 42% increase in the dollars under management for TEM. More customers began using Cass’ bill payment services with a 117% increase in dollars paid on behalf of TEM customers. During this same time frame, total operating expenses decreased by 1.7%.

Our operations group continues to gain efficiencies in customer support and vendor relations. We constantly are increasing automation and adding enhancements to standardize processes and procedures. Our vendor relations team is focused on improving statistical reporting and internal procedures. We continue to increase our expertise by hiring new team members with significant experience in telecom and TEM.

In 2007, we improved our implementation processes of converting paper billing to electronic billing, changing billing addresses and suppressing paper billing. We also improved account data loading systems during the initial customer invoice conversion, and further refined transfer processes to customer support.

Other technical advances included enhancing our systematic capabilities for identifying missing invoices and introducing industry-leading technology to manage missing invoice retrieval from telecom carriers. We also enhanced service features that allow customers to schedule, manage and review period-end accruals and accrual transmission formats.

To support the ever-changing telecom environment, we developed and implemented technology that efficiently accommodates vendor consolidations, divestitures and billing system changes without significant manual intervention. This enhancement enabled us to absorb several vendor consolidations and two large-scale billing system changes in 2007 with no substantial impact to our operations group. We expanded our electronic bill capture capabilities by adding four major vendors: Granite Communications, AT&T Teleconferencing, USA Mobility and Premiere Conferencing.

## **MOVING THE VISION FORWARD**

Our vision for 2008 is to build upon our core strengths and continue our market penetration. From a cornerstone of stability, our highly experienced people continue to add more capabilities and serve more customers. We are pursuing ways to make our processes even more innovative, scalable and effective. The Cass foundation of stability and experience will reinforce its growth through 2008 and beyond. ■





Cass Commercial Bank

# FOCUSING ON CUSTOMERS

Cass Commercial Bank provides safety, security and control in moving funds through the Cass operation. Our bank also serves the needs of privately held businesses in the St. Louis metropolitan area, as well as churches and ministries both locally and nationwide. Our clients benefit from our high levels of expertise and personal attention, which are balanced with current technology to provide banking services specifically tailored to meet their banking needs.

“We believe our approach in looking at the long term is in our best interests, as well as those of our customers.”

## SERVING TWO DISTINCT CUSTOMER SEGMENTS

Cass Commercial Bank continues to focus its attention and resources on its two primary customer segments: privately held companies and churches and church ministries. In 2007, we reorganized the marketing and business development activities. To better serve our customers, we appointed three senior managers to oversee these activities.

Our privately held business segment constitutes one area. This long-standing business has been serving the St. Louis metropolitan area since 1906. The West Coast region, headquartered in Orange County, California, is primarily focused on churches in the western U.S. Finally, our church division – which focuses its marketing activities on churches in the eastern two-thirds of the U.S. – is headquartered in Bridgeton, Missouri, and serves markets throughout the continental U.S. As part of the restructuring, another senior manager was given responsibility for bank accounting, customer service and processing operations. Our objective is to provide a better foundation for financial growth, and allow us to more easily expand our services to customers across the nation on a more timely and efficient basis.

## DEPLOYING ADVANCED TECHNOLOGY

A major accomplishment for the Bank during the year was the conversion to a new core processing system in May 2007. This system handles all deposit, loan and general ledger accounting and represents a significant improvement from the previous system.

A new Internet banking system is scheduled for implementation during 2008. In addition, our new Deposit Connection product will also be offered in early 2008. This allows our customers to make deposits of checks electronically from their office. Finally, the Bank will be servicing a new automated lock box processing system early in 2008, primarily directed at commercial relationships with larger volumes of deposited checks.

**Treasury management products are assuming an even greater role in customer relationships as technology offers new, quicker and more efficient means for customers to meet their banking requirements. Cass continues to strive to bring the products that best meet the needs of its customers to the marketplace.**

We also desire to leverage the technological capabilities of our processing businesses to provide superior levels of products and services for our users.

## CONTINUED STRONG PERFORMANCE

Cass Commercial Bank was again a significant contributor to the overall results of the company in 2007. In addition to managing the growth in funds from our outsourced payables services, the Bank provided the services and technology needed to handle the significant growth in financial exchange, as well.

Asset quality remains strong. Past due and non-accrual loans at December 31, 2007 were .50% of loan outstandings at year-end. The ratio of net charge-offs to average loans outstanding was .24% in 2007 and has averaged only .17% over the past three years. The ratio of allowance for loan losses to loan outstandings was 1.26% at year-end, substantially unchanged over the last five years.

It is important to note, given the well-publicized problems of the home-building and subprime mortgage lending industries, that Cass has no direct exposure to either. We have no relationships with home builders or developers and only a few relationships to suppliers of the home-building industry. With the focus on commercial and church relationships, very few home mortgages are made and none meet the criteria for a subprime mortgage. Lastly, although the Bank and its parent company own a significant amount of fixed income securities, there are no mortgage-backed securities in either investment portfolio.

The Bank has always placed a high premium on credit quality. Significant efforts are always expended in monitoring credits and staying current as to developments within our customer base. We desire to manage our portfolio of loans and investments in a manner that provides safety first and better returns second.

## **FOCUS AND FOUNDATION WITHSTAND COMPETITION**

Competition continues to be very strong in all areas in which we operate. This is reflected in both loan and deposit pricing. Cass is prepared to face this



competition whenever possible in order to protect our existing client base and to obtain new relationships. We believe our long-term relational approach to banking provides us the best foundation to remain successful in these markets. Our focus on privately held companies and churches has provided growth opportunities over many years, and we are confident these opportunities will continue. We seek to utilize skilled banking professionals, a competitive attitude toward the marketplace and continuing improvements of technologically advanced products and services for our customers. ■

**“We believe our long-term relational approach to banking provides us the best foundation to remain successful in these markets.”**

# Condensed Consolidated Statements of Income

(in thousands of dollars, except share and per share information)

FOR THE YEAR ENDED DECEMBER 31,	2007	2006	2005
<b>REVENUES</b>			
Payment and Processing	\$ 45,642	\$ 40,343	\$ 35,901
Net Investment Income	40,482	39,284	32,789
Gain on Sale of Debt Securities	–	–	547
Other	2,558	2,478	2,205
Total Revenues	<u>88,682</u>	<u>82,105</u>	<u>71,442</u>
<b>EXPENSES</b>			
Salaries and Employee Benefits	46,965	42,676	38,044
Occupancy	2,106	1,979	1,941
Equipment	3,356	2,928	2,795
Impairment of Equity Investment	–	–	3,100
Other	10,312	10,694	9,336
Total Expenses	<u>62,739</u>	<u>58,277</u>	<u>55,216</u>
Income from Continuing Operations			
Before Income Tax Expense	25,943	23,828	16,226
Income Tax Expense	8,148	8,367	4,982
Net Income from Continuing Operations	<u>17,795</u>	<u>15,461</u>	<u>11,244</u>
Net Loss from Discontinued Operations	–	(395)	(298)
Net Income	<u>\$ 17,795</u>	<u>\$ 15,066</u>	<u>\$ 10,946</u>
<b>EARNINGS PER SHARE</b>			
Basic	\$ 1.95	\$ 1.65	\$ 1.21
Diluted	1.90	1.61	1.17
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>			
Basic	9,145,499	9,141,188	9,088,984
Diluted	9,446,558	9,405,790	9,408,962

# Condensed Consolidated Balance Sheets

(in thousands of dollars, except share and per share information)

AS OF DECEMBER 31,	2007	2006
<b>ASSETS</b>		
Cash and Cash Equivalents	\$176,070	\$196,504
Loans and Investments, Net	663,881	600,282
Premises and Equipment, Net	12,771	12,898
Other Assets	50,318	48,787
Total Assets	<u>\$903,040</u>	<u>\$858,471</u>
<b>LIABILITIES</b>		
Deposits	\$273,596	\$289,894
Accounts and Drafts Payable	513,734	468,393
Borrowings	3,907	3,881
Other Liabilities	12,351	12,382
Total Liabilities	<u>803,588</u>	<u>774,550</u>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred Stock, par value \$.50 per share; 2,000,000 shares authorized and no shares issued	—	—
Common Stock, par value \$.50 per share; 20,000,000 shares authorized; 9,949,324 and 9,112,484 shares issued at December 31, 2007 and 2006, respectively	4,975	4,556
Additional Paid in Capital	45,837	17,896
Retained Earnings	66,690	81,516
Accumulated Other Comprehensive Loss	(1,932)	(2,970)
Common Shares in Treasury, at cost (740,642 and 784,773 shares at December 31, 2007 and 2006, respectively)	(16,118)	(17,077)
Total Shareholders' Equity	<u>99,452</u>	<u>83,921</u>
Total Liabilities and Shareholders' Equity	<u>\$903,040</u>	<u>\$858,471</u>

## Report of Independent Registered Public Accounting Firm

### THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CASS INFORMATION SYSTEMS, INC:

We 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. and subsidiaries as of December 31, 2007 and 2006, 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, 2007 (not presented herein); and in our report dated March 11, 2008, we expressed an unqualified opinion on those consolidated financial statements.

As of December 31, 2006, Cass Information Systems, Inc. adopted Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

**KPMG LLP**

St. Louis, Missouri

March 11, 2008

## 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 forward-looking statements, including those set forth in this paragraph and in the "Risk Factors" section of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission. 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.

## Board of Directors

### LAWRENCE A. COLLETT

Chairman of the Board, Chief Executive Officer

### K. DANE BROOKSHER

Retired Chairman, ProLogis

### ERIC H. BRUNNGRABER

President, Chief Operating Officer

### BRYAN S. CHAPELL

President, Covenant Theological Seminary

### ROBERT A. EBEL

Director and Chief Executive Officer,  
Universal Printing Company

### BENJAMIN F. EDWARDS, IV

Branch Manager, A.G. Edwards /  
Wachovia Securities, LLC

### JOHN L. GILLIS, JR.

Senior Counsel to Armstrong, Teasdale LLP

### WAYNE J. GRACE

Retired Managing Director,  
UHY Advisors MO, Inc.

### HARRY J. KRIEG

Chairman Emeritus

### JAMES J. LINDEMANN

Executive Vice President,  
Emerson Electric Co.

### A.J. SIGNORELLI

Founder, Andrews Educational & Research  
Center and Hope Educational & Research Center

### FRANKLIN D. WICKS JR.

President, Fine Chemical Division  
of Sigma-Aldrich

## Executive Officers

### LAWRENCE A. COLLETT

Chairman of the Board, Chief Executive Officer

### ERIC H. BRUNNGRABER

President, Chief Operating Officer

### P. STEPHEN APPELBAUM

Chief Financial Officer

### HARRY M. MURRAY

Executive Vice President

### JOHN F. PICKERING

Chief Operating Officer,  
Transportation Information Services

### GARY B. LANGFITT

Chief Operating Officer,  
Utility Information Services

### JAMES M. DWYER

Vice President, General Manager,  
Telecom Information Services

### JOHN J. VALLINA

Vice Chairman, President,  
Cass Commercial Bank

## Shareholder Information

### CORPORATE HEADQUARTERS

Cass Information Systems, Inc.  
13001 Hollenberg Drive  
Bridgeton, Missouri 63044  
(314) 506-5500  
[cass@cassinfo.com](mailto:cass@cassinfo.com) | [www.cassinfo.com](http://www.cassinfo.com)

### COMMON STOCK

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

### ANNUAL MEETING

The annual meeting of shareholders will be  
held April 21, 2008, at 11:00 a.m. at the  
Charles F. Knight Executive Education Center,  
Olin School of Business at Washington  
University, St. Louis, Missouri.

### INVESTOR RELATIONS

Security analysts, investment managers  
and others seeking financial information  
about the company should contact:

Investor Relations  
Cass Information Systems, Inc.  
13001 Hollenberg Drive  
Bridgeton, Missouri 63044  
(314) 506-5500

### INDEPENDENT AUDITORS

KPMG LLP  
10 South Broadway Suite 900  
St. Louis, Missouri 63102

### TRANSFER AGENT

Shareholders with inquiries regarding stock  
accounts, dividends, change of ownership or  
address, lost certificates or consolidation of  
accounts should contact:

BNY Mellon Shareowner Services  
480 Washington Boulevard  
Jersey City, New Jersey 07310  
(866) 323-8170  
[www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd)

### 10-K AND OTHER PUBLICATIONS

A copy of the company's Form 10-K, as filed with  
the Securities and Exchange Commission, will be  
furnished without charge upon written request to  
the address above or from the company's website  
at: [www.cassinfo.com](http://www.cassinfo.com)

**BUILDING  
FROM OUR  
CORNERSTONE**



**CASS INFORMATION SYSTEMS, INC.**

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Bridgeton, Missouri 63044  
314-506-5500  
[www.cassinfo.com](http://www.cassinfo.com)