

LEADERSHIP

STABILITY

EXPERIENCE

# Confidence

EXECUTION

FOCUS

VALUE

DISCIPLINE



2008 Summary Annual Report



## Corporate Profile



Cass Information Systems, Inc. is the leading provider of transportation, utility and telecom expense management and related business intelligence services, disbursing \$27 billion

annually on behalf of its clients. With total assets approaching \$1 billion, Cass is a thriving business process outsourcer focused on invoice processing, auditing and payment services. Cass is uniquely supported by Cass Commercial Bank, founded in 1906. Today, Cass Commercial Bank is a wholly owned subsidiary, providing sophisticated financial exchange services to the parent organization and its clients.

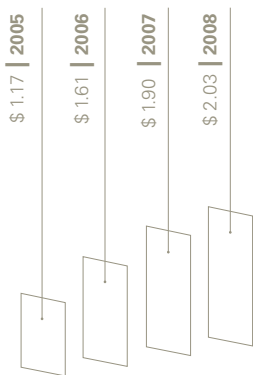
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# 2008 Year in Review

For the Year Ended December 31,	2008	2007	% Change
Total Net Revenue	\$ 91,730,000	\$ 88,682,000	3.44%
Net Income	\$ 19,006,000	\$ 17,795,000	6.81%
Basic Earnings per Common Share	\$ 2.08	\$ 1.95	6.67%
Diluted Earnings per Common Share	\$ 2.03	\$ 1.90	6.84%
Dividends Paid per Common Share	\$ 0.490	\$ 0.447	9.62%
Total Number of Transactions Processed	36,416,000	32,740,000	11.23%
Total Dollar Volume Paid	\$ 26,901,000,000	\$ 22,185,000,000	21.26%
Return on Average Total Shareholders' Equity	18.24%	19.90%	
Return on Average Assets	2.06%	2.00%	

As of December 31,	2008	2007	% Change
Total Assets	\$ 885,228,000	\$ 903,040,000	(1.97)%
Total Shareholders' Equity	\$ 106,241,000	\$ 99,452,000	6.83%
Book Value per Common Share	\$ 11.58	\$ 10.80	7.22%



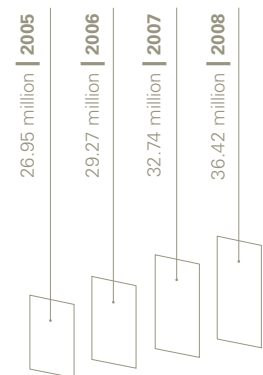
### Diluted Earnings per Common Share

This year showed a change of 6.84%.



### Net Income

Net income rose more than \$1 million in 2008.



### Total Transactions

Transactions increased 11.23% over the previous year.

## Despite 2008's mounting uncertainty and weakening economy, Cass achieved record net income of \$19.0 million – a 7% increase over the \$17.8 million posted for 2007.

### To Our Shareholders:

As we prepare this report, the world is in the midst of a historic crisis of confidence. Excesses in certain segments of the economy have led to the collapse of hundred-year-old financial institutions, government bailouts of private companies and economic contraction around the world. As we enter 2009 there is little sign of recovery. Yet, out of these circumstances new leaders will emerge, confidence will return and we will continue our march forward.

Against this background, it is with a great deal of gratitude and thankfulness that we are able to report to you the results of the Cass organization for 2008.

### Financial Results

Company revenues for 2008 were \$91.7 million, a \$3 million or 3% increase over the \$88.7 million recorded during the prior year. This increase was primarily driven by an 11% increase in items processed and 21% increase in dollars processed during 2008 compared to the prior year. Total transactions processed for 2008 were 36.4 million and total dollars processed were \$26.9 billion.

This increased level of items processed led to an 11% or \$5 million increase in payment and processing fees over the prior year. Payment and processing revenues for 2008 totaled \$50.7 million.

The increased volume of dollars processed was a significant factor in the 4% or \$31.6 million increase in average earning assets in 2008 compared to 2007. Average earning assets for 2008 were \$841 million compared to \$810 million in 2007. This increase in dollar volume allowed us to reduce

the balances of higher-cost deposits in our bank subsidiary. This action, combined with growth in our loan portfolio, allowed us to mitigate much of the negative effects that the market's dramatic decline in interest rates had on our revenues. Net investment income in 2008 was \$38.6 million compared to \$40.5 million in 2007.

Total operating expenses increased 5% or \$2.8 million to \$65.6 million in 2008, well below the increase in items processed. Most of our operating expenses relate to the salaries and benefits of our staff and include ongoing system development activities as well as customer service and production areas. We continue to study new methods and technologies and make significant investments to maintain this trend of productivity enhancement.

As a result of these activities, Cass was able to achieve a record net income of \$19.0 million, which represented a 7% increase over the \$17.8 million posted during 2007. On a diluted

earnings per share basis, 2008 net income was \$2.03, also a 7% increase over the \$1.90 recorded for 2007.



President and Chief Executive Officer  
Eric Brunngraber

### Driving the Results

The Utility Information Services group posted another record year with a 14% increase in transactions processed and 23% increase in dollar volume paid. This was the result of continued expansion of the customer base, which now represents an even greater diversity of industries. Also apparent in the financial results were the benefits of the process and productivity improvements

# Leadership

## **Genuine leaders operate with process and methodology that**

eventually are recognized as “best practice.” Cass has achieved leadership status through continuously improving its processes for managing invoices that contain valuable data content. When it comes to efficiently extracting

accurate data from the process – and getting the right amounts paid on time – Cass’ expertise and abilities are unmatched. That’s why Cass is the leading provider of freight payment, energy management and telecom expense data to corporate America.

completed by this group during the past few years. We look forward to realizing even greater improvement as these investments continue.

The Transportation Information Services group also recorded record results with a 10% increase in invoices processed and 20% increase in dollars paid despite the weakening economy. This was largely the result of new customers combined with the elevated level of fuel costs during much of the year. This group is also making significant progress in its initiatives to eliminate much of the paper processing related to freight invoices and enhancing its Web-based business intelligence tools provided to clients.

The Telecom Information Services group, which operates in the emergent telecom expense management market, continues to add to its client base. This group is also investing heavily in process improvements and added functionality to its service offerings. Most significant of these enhancements is the integration of wireless provisioning and optimization functionality into its core service offering.

Our bank subsidiary, which provides the infrastructure, security and investment management components for our payment operations also had an outstanding year, particularly in light of the issues plaguing other financial institutions. Prudent policies and practices regarding our loan and investment portfolios have served us well in avoiding problematic asset classes such as “subprime” loans and financial derivatives. Our bank subsidiary, along with our entire organization, greatly exceeds regulatory capital ratios used to measure financial strength.

## Looking to the Future

Despite the dramatic financial panic and economic downturn of 2008, and the continual barrage of negative news that appears will continue into 2009, there is much we can be optimistic about at Cass. Our focus on providing superior service and products in the niche markets we choose to serve has served us well in the past and positions us well for the future.

We will continue to emphasize and allocate our resources to expand our information, expense management and payment technologies and services within the current markets we serve. We will also continue to seek out new markets in which to offer these types of services. This includes geographic expansion of existing services as well as developing new payment and processing services for markets we currently do not serve.

Our customer focus and relationship strategy will continue to drive our marketing activities. In recent years we have added significantly to our client base and expect this to continue. The value to our clients of improved efficiency and control over their payable operations and the expense management and information we provide are particularly critical in competitive environments.

At Cass, we place great value on the business practices that have allowed us to serve our customers for 103 years. Yet we are aware that longevity alone is no guarantee for success. In recent years we have seen accounting firms, brokerage houses and commercial banks that have been in business for 80, 100 or more years fail when they deviated from the sound principles that at one time served them so well.

We anticipate that the current economic environment will present challenges to all businesses, including Cass, during 2009. Our interest income is negatively affected by the low interest rates of recessionary periods. As the business activity of our clients declines, our fee income is reduced. Although our investment and loan portfolios are conservatively managed, a prolonged recession can impact their performance.

As we enter 2009, however, we are very optimistic. The prospect for new business in each of our units looks very positive. Each business unit enters the year with new or enhanced services and ongoing productivity improvements. Our high level of earnings and strong balance sheet will allow us to capitalize on opportunities when they are presented.

Most importantly, Cass will continue to rely on the same principles that have become a part of our culture. We will make decisions with a long-term

# Stability

**Stability is a Cass hallmark, and we credit our longevity to patient** focus on timeless values. During all economic cycles, clients value consistency, reliability and integrity. Founded in 1906, Cass has experienced both strong and declining markets accompanied by uncertainties.

Our clients have come to rely upon Cass' stable presence, and this inherent stability and experience will be a strong competitive advantage as we continue to seek new customer relationships.

perspective in order to enhance our competitive position. We will seek to serve our clients by concentrating on their requirements and focusing our activities into our core businesses. We will conduct our business planning to operate profitably and maintain a strong capital position. We will also strive to be good stewards for all that is entrusted to us.

## Acknowledgements

Once again, we wish to recognize the many individuals who contributed to the success of our organization during the past year. We are thankful for our dedicated staff that rose to the many challenges posed by the difficult business environment. Their professionalism, resourcefulness, experience and hard work not only resulted in superior financial results, but also strengthened Cass' competitive position for the long term.

We are thankful for each of the members of our board of directors. Their experience, capabilities and wisdom run wide and deep. They not only provide Cass with valuable business counsel, but also strengthen and deepen the values and culture that characterize our organization.

We appreciate the business of our clients, and we are thankful for the opportunity to work with them in solving business problems and achieving measurable, positive results.

We wish to thank our shareholders for their trust, support and encouragement. Many of our shareholders have held their stock for decades, and we

appreciate their loyalty. We strive to continue to increase the value of an investment in Cass by expanding our operations profitably and sustainably over the long term.

A very special word of appreciation to Mr. Lawrence Collett, who has served Cass Information Systems faithfully for 43 years, most recently as chairman, president and CEO. I have worked with Larry for almost 30 years. As a leader, Larry has provided courage and wisdom in equal measure, and has instilled a shared vision that impacts every aspect of how Cass does business. Larry's experience and guidance will continue to be felt within our organization as he continues to lead our board of directors.

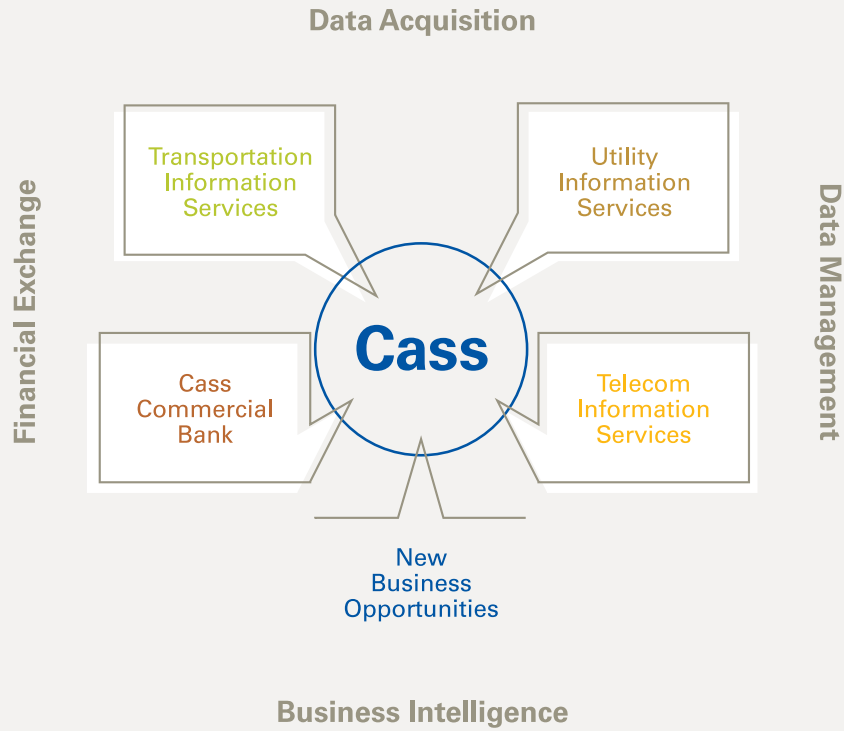
Finally, while we are grateful to be able to share these results with you, we remain acutely aware of our dependence on God for all that is meaningful in life. As we enter a new year filled with challenges, we remember that it is how we respond to these challenges that define who we are and what we believe. We dedicate ourselves to conduct our affairs in a manner that is pleasing and acceptable in His sight.



**Eric H. Brunngraber**  
President and Chief Executive Officer  
Cass Information Systems, Inc.

“They do not fear bad news; they confidently trust the Lord to care for them. They are confident and fearless and can face their foes triumphantly.”

Psalm 112:7-8



Our core competencies deliver unmatched value. With solid execution, we process transactions efficiently, make accurate payments and – just as significantly – we furnish highly valued business intelligence.

Transportation Information Services

Cass offers invoice management for freight and parcel bills, providing full visibility via CassPort®, our Web-based intelligence engine.

Utility Information Services

Cass is the market leader for data capture, bill payment and information analysis for utility and other facility-related expenses.

Telecom Information Services

Cass helps corporations sustain measurable cost reductions through management of their telecommunications expenses.

Cass Commercial Bank

The Bank's primary focus is to support Cass' payment operations and provide banking services to its target markets.



# Experience the Difference

TRANSPORTATION INFORMATION SERVICES



**John F. Pickering**  
Chief Operating Officer  
Transportation Information Services



## Our strategic focus on business process automation and the elimination of paper processing is in sync with the goals of our customers.

The year 2008 was strong for Transportation Information Services. Despite a weakening economy in the third and fourth quarter, our fee revenue increased by more than 10% over the prior year as new business activity reached an all-time high. We continued to make progress through our initiatives to eliminate paper-based processing and deliver powerful Web-based business intelligence tools to our clients.

This year we paid trucking companies; railroads; air, parcel and ocean carriers; brokers and warehousing companies more than \$17 billion on behalf of many leading manufacturing, retail, chemical and food companies – a 20% increase over 2007. We experienced growth across our import/export, parcel and traditional markets.

### Confidence in the Future

Even though the year ended with much economic uncertainty, we enter 2009 confident for several primary reasons.

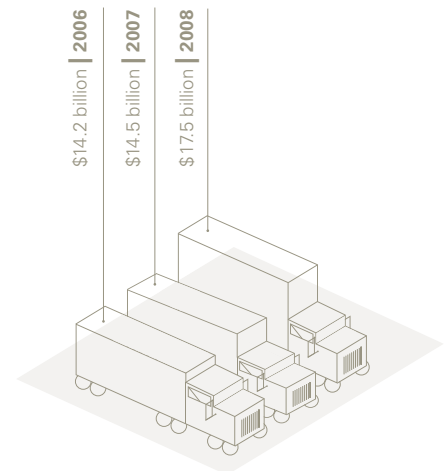
The market for our services continues to be very strong. Our strategic focus on business process automation and the elimination of paper processing is in sync with the goals of our customers.

The large companies that we serve continue to seek a supplier that has the ability to develop

creative solutions for their unique business challenges. We are well-positioned to continue our success in marketing our services to global organizations due to our business model that supports the processing flexibility required by large enterprise companies. This remains a dominant strength of our company and a key to our continued growth.

We continue to execute and deliver our services at a level of operational excellence we believe is superior to that of our competition and to that of companies with comparable internal services. Our customer retention rate is the highest in the market we serve, and the ratings we receive from both our customers and their carriers clearly reflect our market leadership. A critical ingredient of our success has been our ability to sustain a high level of processing performance, and we are committed to continually improving our services and performance in response to new demands in a constantly changing business environment.

The value of the transportation business intelligence that is harvested from the freight bill payment process continues to be an asset to our customers. The information we provide to help companies manage their transportation expenses is the true value of the services we offer to our customers. CassPort, our Web-based portal, provides meaningful visibility to logistical expenses, allowing companies to better



**Freight Dollars**

2008 freight dollars paid increased by 20% over the previous year.

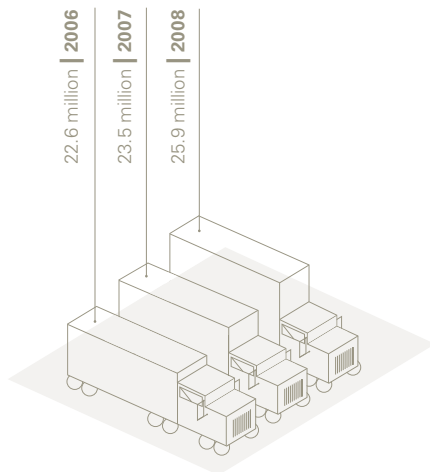
# Experience

**Cass' team of executives, business process managers and bankers shares with each other diverse and enriching experiences. We understand the complexity of our clients' business processes, their IT and systems environments, as well as their regulatory and internal reporting requirements. We have**

decades of experience helping global organizations streamline and automate processes. Cass' clients benefit from our collective body of experience – especially as we implement additional services within a single client organization.

manage their transportation network and obtain significant efficiencies and cost savings. Access to information is the refrain we hear from the market, and we believe our information-delivery strategy is well positioned to take advantage of the advances in technology and the increasing desire for intuitive analysis of data.

In addition, we continue to be nationally recognized for our Cass Freight Index, which aggregates shipment activity of over 1,200 divisions of 400 unique companies and makes year-over-year comparisons to provide one indicator of the country's economic condition. Ongoing development is also under way for more advanced benchmarking services to meet the demand for additional business intelligence.



## Freight Invoices

Invoices for 2008 grew by more than 10% over 2007 totals.

In partnership with our clients, we are expanding our services globally by adapting our business model and investing the resources required to respond to a growing demand to extend our processing expertise and add global visibility to transportation expenses. The globalization of our clients' businesses has provided the momentum for integration and common business practices among all of the markets that our customers serve.

## Culture and Financial Strength

We actively solicit new customers for their reasons for choosing Cass. As might be expected, services offered and fees are mentioned. But almost universally, our company culture and financial strength are also cited as important factors for granting us the business.

The most important factor in our success is the quality of our staff and a company culture that nurtures a trusting relationship among our employees and with our customers. The majority of our customers are among the largest companies in the world. They are demanding and expect to deal with experienced, engaged associates at all levels of our company and a support staff that acts as an extension of their business. When companies meet our people, they are impressed with their business approach, knowledge and values. We have a reputation in our industry of conducting ourselves in a professional manner and, above all, with the highest degree of integrity.

We believe our financial strength as a publicly traded, bank holding company should be an absolute when companies are selecting a supplier of our services. Our industry is primarily made up of several larger national and many regional companies. Typically, these suppliers are privately held and provide limited visibility to the financial management of their company. In contrast, Cass' strong capital base, size and business diversification provide our customers with the confidence that we will continue to grow and invest in technology and infrastructure to support the continuous improvement of our business processes.

In 2008, we paid more than \$17 billion to nearly 10,000 motor, rail, air, ocean and parcel carriers on behalf of our customers. It is imperative that we consistently and dependably execute our services to ensure that the carrier community receives its payments on time, the transportation expenses of our customers are properly accounted for and the payment process meets the highest standards of financial scrutiny. As a publicly traded, regulated financial institution, Cass operates with an inherent level of oversight that provides our clients with a high level of security that distinguishes us in a very important way from the other companies in our business.

## Looking Forward

The near term will likely present a number of challenges. Our own Freight Index shows that nationwide, shipping activity began to drop significantly in September 2008. Such a decline directly affects our processing activity and associated revenue. As we embark on 2009, we anticipate the need for ongoing flexibility in making adjustments as warranted by market conditions. That said, we believe that we are well positioned for the opportunities that will present themselves as the recovery occurs.

# The Power of the Service

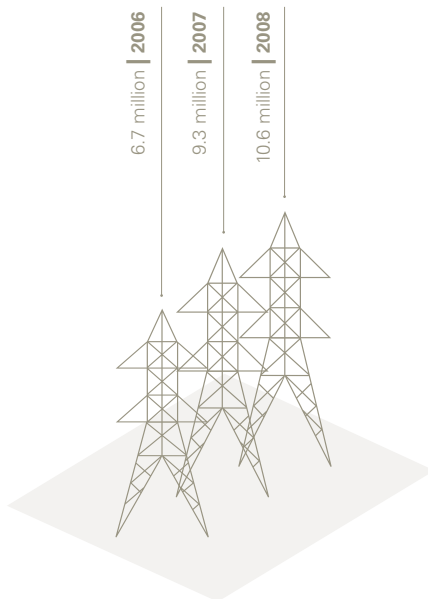
UTILITY INFORMATION SERVICES



**Gary B. Langfitt**  
Chief Operating Officer  
Utility Information Services



## Bill turnaround time has decreased to an all-time low average of .67 business days.



### Utility Invoices

In 2008, transactions processed increased 14% over the previous year.

Utility Information Services set another record in 2008 as bill volume topped 10 million transactions for the first time ever, climbing 14% to 10.6 million transactions. The dollar volume increase was even greater, up \$1.7 billion to a record \$9.4 billion. Cass continues to widen its lead as the industry leader in utility information management, now processing invoices for over 580,000 locations throughout the United States and Canada.

Utility Information Services added 46 new customers in 2008, one of its strongest years ever. Importantly, our customer base continues to become more diverse, spanning vertical markets such as retail, telecommunication, banking, transportation, manufacturing and multi-family real estate. This bodes well given the economic turmoil that will certainly continue during 2009. Last year, gross revenue and net income increased significantly as technology investments continue to pay off with decreased processing costs.

Cass continues to be the pre-eminent, back-office processor for the country's most professional energy-service providers (ESPs). Demand for energy services is soaring, as customers turn to these technical experts to help procure energy competitively, evaluate rate options, hedge costs, selectively deploy capital to get maximum returns on lighting and HVAC retrofits and

to design and track the success of behavioral-based conservation programs. While one of our successful ESP partners was acquired by a competitor in July 2008, four new ESPs were added to our distribution channel, and the current pipeline remains strong.

In 2008, Cass was honored with the 2008 Supplier Excellence Award from one of its customers – AT&T Inc. We were selected for our utility management services in recognition of cost savings realized from the program and our technical expertise. This award illustrates some of the key components in Cass' success at driving customer growth and retention of existing customers – reliability, scalability, technical innovation and return on investment.

## Investment in the Future

Utility Information Services continues to invest in technology to enhance the user experience of the customer; increase data quality and turnaround time; drive down production costs; and provide redundancy to all processes.

Toward those goals, a new customer-facing, Web-based analytical portal will be rolled into production in first quarter 2009, giving clients powerful new tools to mine the data Cass

captures from their bills. This major initiative involved redesigned databases and user interfaces, taking advantage of powerful new technologies to deliver maximum speed and flexibility. Internally referred to as “Project Leapfrog” during its development, the new site will form the cornerstone of the most powerful and intuitive application in the market. The phased release of the new application will continue during 2009 with digital dashboards of commonly used reports, new ad-hoc reporting, integrated work flow and beefed-up environmental tools added to the application suite.

We continue to leverage our capital investment in Optical Character Recognition (OCR) software and processes. Each vendor and field captured by the software undergoes rigorous quality-control testing prior to being put into production, ensuring an OCR field will yield higher accuracy than a human operator. Cass operates a 24-hour-a-day mailroom to cut hours out of the processing cycle. Scanning takes place during the second and third shifts and OCR review/validation starts at 3 a.m. The results speak for themselves. Our most recent production statistics (Q4 2008 versus Q4 2007) revealed a 20% productivity increase per data-capture employee, and bill turnaround time had decreased to an all-time low average of .67 business days.

Cass has long been considered the most reliable payable provider by virtue of its unique status as a bank holding company, a decade-long commitment to SAS70 compliance and controls honed from 50 years as a business-process outsourcing resource. Our reliability in disaster recovery preparedness was demonstrated in September 2008, as the remnants of Hurricane Ike knocked out power in Columbus, Ohio for nearly a week. The Cass processing center was off the grid for two and a half days, but operations remained in production due to flawless execution of our business continuity plan, which includes activation of back-up power supplies and other contingency procedures.

## Execution

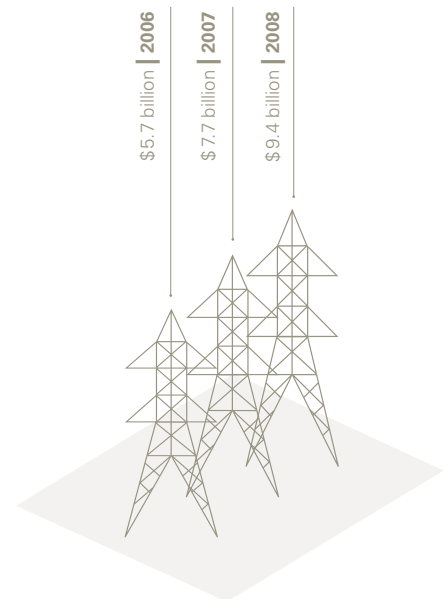
**Most organizations put significant, worthwhile effort into strategic planning.** Successful organizations, however, distinguish themselves by their ability to execute the strategy. Cass has a strong, execution-centric culture where operational excellence is highly valued. First and foremost, our job is

to be accountable to our clients to manage high volumes of incoming invoices, audit with precision, make timely payment and furnish full visibility of the process. At Cass, success means getting the job done – for our customers, our shareholders and ourselves.

## Looking Forward

2009 will hold challenges for Utility Information Services, mirroring those faced by our customer base. On the negative side, as economic growth slows, customers will pull back on expansion plans and some will close locations. It will be imperative for Cass to continue to offer a cost-effective program that satisfies customer goals.

Positively, the desire to conserve energy and be a better environmental steward will be greater than ever. Public policy may even dictate, through mandates or incentives, establishing sustainability baselines and documentation of curtailment results. These types of programs most likely will be outsourced to the experts – and that puts Cass in a great position to gain incremental business and help existing customers become more “green.”



### Utility Dollars

Cass widens its lead in the industry, with a \$1.7 billion increase in payments.

# Fulfilling Your Needs

TELECOM INFORMATION SERVICES



**James M. Dwyer**  
Vice President  
Telecom Information Services



## In the telecom expense management market, Cass is the only provider that offers the protection of a bank holding company.

**D**espite global uncertainties in 2008, world-class companies continue to put their trust in Cass for telecom expense management. Telecom Information Services helps customers uncover significant opportunities to reduce telecom costs, improve business processes and increase visibility of company assets. For each customer, our solutions provide an impressive return on investment.

2008 was a year of uncertainty, anxiety and even fear for many companies. World events, financial crises and other changes caused turmoil. Many of Cass' competitors in the telecom expense management (TEM) market, relying heavily on venture capital and private equity for funding, face a very uncertain future. In contrast, Cass is a publicly traded company and one of the few financially stable companies in the TEM market. Because of our past, proven performance, we're moving forward with confidence.

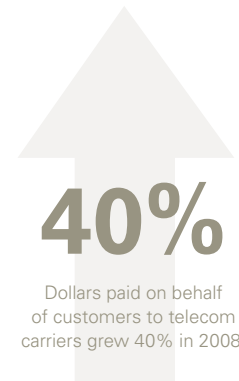
### Extending Confidence

Cass delivers a combination of software and professional services to process invoices timely and accurately, allocate costs correctly, and create insightful, flexible management reporting. We electronically consolidate billing data and capture inventory detail down to the most granular level possible, the feature level. Our application enhances details with custom fields, documents, notes and order work flow. We reconcile approved, accurate inventory against real-time order activity to provide an accurate, dynamic inventory, as well as alerts of unauthorized items. We provide flexible reporting with details that are transparent across vendors, services, cost centers and geography to give our customers information they need to make accurate decisions quickly.

### Focus

**To succeed and prosper, an organization** has to develop a sound strategy and then remain intensely focused on its goals. Cass applies intense focus on automating business processes with high levels of complexity, where manual methods have proven cumbersome, costly and inefficient.

We focus on processes that have the potential to yield valuable business intelligence about a company's actual costs and savings potential. In evaluating new opportunities, our focus remains on areas that mesh well with our core competencies.



# Value

**Creating shareholder value is achieved in** large part by increasing the value our clients derive from our services. Our clients value our ability to help them control business expenses, maintain tight audit controls, increase their visibility of the payment

process and convert data elements into actionable business intelligence. At Cass, helping clients succeed leads to more business, high client retention rates and inside referrals – our best lead source for cross-selling our services.

In the TEM market, Cass is the only provider that offers the protection of a bank holding company. Our comprehensive Automated Clearing House (ACH) payment services virtually eliminate late fees and disconnects. We provide more protection and stability in terms of bill payment than any other competitor in the TEM arena.

## Growing with Confidence

In 2008, the dollars paid by Cass on behalf of its Telecom customers increased by 40%. We increased the number of invoices processed by 19% over the prior year, the number of billing account numbers (BANs) by 18% and the amount of telecom spend managed by 15%.

Converting from paper to electronic invoice formats is a key driver of process efficiencies, and we continue to achieve impressive results for our clients. Cass improved Electronic Data Interchange (EDI) ordering and tracking capabilities in 2008, giving our team members and customers more visibility during invoice conversions from paper to electronic receipt. We modified our account database loading process for new customers, which reduced elapsed time required for implementations, often allowing us to receive invoices from carriers electronically a month earlier. These enhancements enabled us to increase the BAN volume processed via EDI from 80% to 85%.

Our high percentage of electronic invoicing allows us to process tremendous volumes. For invoices that are not available electronically, we share resources for manual paper invoice entry with Cass' other business units. As a company, Cass processes over 150,000 invoices per day. Sharing capabilities with other business units and following standardized processes creates a very scalable, cost-efficient and high-performing system for Telecom Information Services. None of our competitors have capabilities that match ours for high-volume processing – whether for EDI or manual invoice processing. We can scale our resources to support service-level commitments regardless of increases in customers' invoice volumes.

## Investing in Technology

Cass continues to invest in technology. We have redundant equipment and redundant components for all critical systems. We also have redundant communication paths and firewalls, quarantined network segments and advanced intrusion detection systems. We maintain our production data center in St. Louis, Missouri, as well as a fully redundant back-up data center in Columbus, Ohio. Very few other TEM players can offer the data protection Cass provides or support continuous business operations as rigorously.

In 2008, Cass implemented operational initiatives to reduce internal expenses and improve processing. The first initiative was part of an

ongoing strategy to move EDI transmissions from expensive Value Added Network (VAN) services to Internet-based network connections.

The second initiative was to implement data mashup technology that extracts data from Web sites and integrates it into a single data source. Many small local exchange carriers, cable operators and wireless providers make invoices available on the Internet rather than using EDI. This initiative has allowed us to reduce efforts for downloads and manual entry. We receive invoices more quickly, which reduces potential late fees and possible service disconnects for our customers. We also receive more invoice detail, which allows our auditors to use online tools to increase audit findings.

In 2008, Cass also developed integrated functionality for our proprietary TEM application to support wireless provisioning and wireless optimization. Previously, we deployed partners to offer these services. Even though wireless provisioning and optimization are new to Cass, we are using the same proven technology and processes to support wireless as we have in wireline TEM.

## Looking Forward

Across a span of more than 100 years, Cass has thrived amid uncertainty. As part of a public corporation, Telecom Information Services flourishes on knowledge we have collected from 19 years of TEM experience, proven processes, experienced, knowledgeable staff and advanced technology.

For 2009, we will continue to increase revenue, further integrate wireline and wireless technology and increase process efficiencies with additional automation. We will continue to leverage the existing customer base of other Cass' business units. Our expectation of success in 2009 and beyond springs from our knowledge of the past and belief in what we can accomplish going forward.

# Discover Our Expertise

CASS COMMERCIAL BANK



**Robert J. Mathias**  
President  
Cass Commercial Bank



# At Cass Commercial Bank, our total loans managed grew by 19% to a record \$586 million at year-end.

In these unprecedented, turbulent economic times, Cass customers have been able to work with us in complete confidence knowing that we have maintained a safe, sound platform for their business. Cass Commercial Bank plays a pivotal role in the corporation, providing secure movement of funds through the financial system for our various Cass operations. Cass Commercial Bank is also the primary manager of the corporation’s financial assets, a role in which it has performed prudently and conservatively for 103 years. Our customers deal with us confidently knowing that we are a safe and conservative steward of their money.

## Economic Turmoil

2008 and into 2009 will go down as one of the worst financial panics in American history. For an industry built on confidence, we witnessed a near collapse in the financial markets and, specifically, the banking industry. Longtime Wall Street investment banking houses failed, merged or were bailed out by government capital.

Likewise, major banks in the United States and around the world were closed, recapitalized by governments or merged into stronger players.

The widespread lending abuses in the residential mortgage market have been cited as the major problem. In reality, the “subprime” mortgage was merely the flawed instrument that exposed a

widespread collapse in business ethics and integrity, and failed risk management oversight at major institutions. Confidence in U.S. and global financial markets was destroyed by unchecked greed in fashioning securities that were doomed to fail. We are paying a tremendous cost in government intervention and destroyed national wealth.

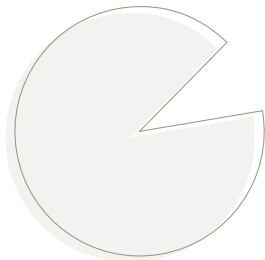
As this is written, the final outcome is not clear or at hand. Government intervention has been massive and unprecedented, all in an attempt to unfreeze the financial markets and restore some level of confidence for investors and depositors. Trillions of dollars have been pumped into the system while the government has been picking “winners and losers” unlike any time in recent history. The Fed has even made “corporate loans” through purchase of commercial paper. Industry bailouts may be expanded beyond auto manufacturing. The final chapter has yet to be written, and the long-term cost to our economy has yet to be experienced.

## Strong Performance

Through the turmoil, Cass Commercial Bank had an outstanding year. We did not participate in the subprime residential loan market nor did we make direct loans to homebuilders. We earned almost 1% on average assets and maintained a strong capital-to-assets ratio in excess of 10%. We are a well-capitalized bank by regulatory standards.

# 10%

Cass Commercial Bank maintained a 10% capital-to-assets ratio in 2008.



A hallmark of Cass through the years has been our strong asset quality emanating from a prudent and conservative lending philosophy. As a result, past due loans at year-end were only .21% - less than a quarter of 1% - of total loans outstanding. Total charge-offs in 2008 totaled .34% - less than half of 1% - which is higher than we have normally experienced, but a very acceptable level in the industry where loss levels in excess of 1% have been common.

Cass has enjoyed a flight to quality as businesses and churches seek a stable provider of credit and banking services and are choosing Cass. As a result, new business development was excellent in 2008 as Cass used its strong balance sheet to continue building relationships while competitors were forced to pull back in the wake of the economic and financial crisis. Our total loans managed grew by 19% during 2008 to a record of \$586 million. We continue to provide credit for our existing customers while pursuing mutually beneficial new relationships.

## Our Customers' Confidence

Cass serves two distinct markets: St. Louis area privately held businesses and nationwide church and church ministries. This "niche" approach has served us and our customers well in these times.

We have been serving the business enterprises in greater St. Louis since our founding in 1906. We have consistently provided credit to our customers within a relationship framework. Our loan officers are knowledgeable and experienced, with many having over 20 years' experience in serving our customers' needs. We strive to earn our commercial customers' confidence through competitive operating services and consistent credit underwriting and availability.

We achieved an outstanding year of growth in our church and church ministry banking groups located in St. Louis and Orange County, California.

## Discipline

**Conservative and deliberate by nature**, Cass maintains a disciplined focus on core, fundamental business practices that have stood the test of time. One of Cass' primary objectives is to maintain a strong capital base to warrant the confidence of customers and shareholders.

To meet such objectives, we adhere to disciplined practices to control operational expenses as well as disciplined investment practices and lending strategies. Such discipline has served our clients, shareholders and Cass well.

Our bankers are much more than just "lenders." We strive to earn "trusted advisor" status with our church clients and to provide counsel for sound business practices. We continue to expand the geographic diversification of our portfolio through a strong referral network of satisfied clients. Cass' conservative lending model emphasizes cash flow coverage. Disciplined adherence to this model has served both Cass and our client ministries well through the years.

## Enhanced Customer Service

In our operations area, Cass Commercial Bank completed several initiatives designed to enhance our customers' service experience. After many years of serving a group of correspondent community banks, we exited that business in 2008. This allowed us to free up significant resources to improve our customer interface with our church and commercial customers. We rolled out new and improved operating services in remote deposit capture and Internet banking.

Our Deposit Connection product allows customers to make deposits from their office by scanning checks into the system, which collects the check image. Through this key initiative, customer convenience is enhanced while operational costs decrease. Lastly, we have provided a new Internet banking product interface, which again provides ease of operation and timeliness in allowing customers to access our products and their financial information.

## Looking Forward

We enter 2009 not knowing how the ongoing economic crisis will unfold. We continue to be diligent and protective of our customers' and shareholders' money while staying with the "banking basics" we have practiced over a century. A crisis such as the one the industry is experiencing can also provide opportunity for banks like Cass. We will strive to be vigilant in how we can grow our customer base and enhance our customers' experience with the bank - an experience based on confidence for over 100 years.

# Condensed Consolidated Statements of Income

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

For the Year Ended December 31,	2008	2007	2006
<b>Revenues</b>			
Payment and Processing	\$ 50,721	\$ 45,642	\$ 40,343
Net Investment Income	38,560	40,482	39,284
Gain on Sale of Debt Securities	552	–	–
Other	1,897	2,558	2,478
Total Revenues	<u>91,730</u>	<u>88,682</u>	<u>82,105</u>
<b>Expenses</b>			
Salaries and Employee Benefits	49,723	46,965	42,676
Occupancy	2,228	2,106	1,979
Equipment	3,331	3,356	2,928
Other	10,282	10,312	10,694
Total Expenses	<u>65,564</u>	<u>62,739</u>	<u>58,277</u>
Income from Continuing Operations Before Income Tax Expense	26,166	25,943	23,828
Income Tax Expense	7,160	8,148	8,367
Net Income from Continuing Operations	19,006	17,795	15,461
Net Loss from Discontinued Operations	–	–	(395)
Net Income	<u>\$ 19,006</u>	<u>\$ 17,795</u>	<u>\$ 15,066</u>
<b>Earnings Per Share</b>			
Basic	\$ 2.08	\$ 1.95	\$ 1.65
Diluted	2.03	1.90	1.61
<b>Weighted Average Shares Outstanding</b>			
Basic	9,150,342	9,145,499	9,141,188
Diluted	9,431,750	9,446,558	9,405,790



# Condensed Consolidated Balance Sheets

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

As of December 31,	2008	2007
<b>Assets</b>		
Cash and Cash Equivalents	\$ 29,485	\$ 176,070
Loan and Investments, Net	779,390	663,881
Premises and Equipment, Net	11,617	12,771
Other Assets	64,736	50,318
Total Assets	<u>\$885,228</u>	<u>\$903,040</u>
<b>Liabilities</b>		
Deposits	\$ 277,541	\$ 273,596
Accounts and Drafts Payable	479,025	513,734
Borrowings	2,991	3,688
Other Liabilities	19,430	12,570
Total Liabilities	<u>778,987</u>	<u>803,588</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 shares issued at December 31, 2008 and 2007, respectively	4,975	4,975
Additional Paid in Capital	45,746	45,837
Retained Earnings	81,197	66,690
Common Shares in Treasury, at cost (775,288 and 740,642 shares at December 31, 2008 and 2007, respectively)	(18,264)	(16,118)
Accumulated Other Comprehensive Loss	(7,413)	(1,932)
Total Shareholders' Equity	<u>106,241</u>	<u>99,452</u>
Total Liabilities and Shareholders' Equity	<u>\$ 885,228</u>	<u>\$ 903,040</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 (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008 (not presented herein); and in our report dated March 11, 2009, we expressed an unqualified opinion on those consolidated financial statements.

As of December 31, 2006, the Company 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, 2009

## Forward-Looking Statements

Factors that may affect future results:

This report may contain or incorporate by reference forward-looking statements made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause future

performance to be materially different from expected performance summarized in the forward-looking statements. These risks, uncertainties and other factors are discussed in Part I, Item 1A, "Risk Factors" section of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission. 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*

### K. Dane Brooksher

*Retired Chairman & Chief Executive Officer, ProLogis*

### Eric H. Brunngraber

*President & Chief Executive Officer*

### Bryan S. Chapell

*President, Covenant Theological Seminary*

### Robert A. Ebel

*Chief Executive Officer, Universal Printing Company*

### Benjamin F. Edwards, IV

*Chairman, Chief Executive Officer & President, Benjamin F. Edwards & Company*

### John L. Gillis, Jr.

*Retired – Senior Counsel Emeritus to Armstrong Teasdale LLP*

### Wayne J. Grace

*Retired Managing Director, UHY Advisors MO, Inc.*

### James J. Lindemann

*Executive Vice President, Emerson Electric Co.*

### Andrew J. Signorelli

*President, Hope Educational & Research Center*

### Franklin D. Wicks, Jr., Ph. D.

*President, Research Essentials & Specialties, Sigma-Aldrich*

## Executive Officers

### Eric H. Brunngraber

*President & Chief Executive 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*

### Robert J. Mathias

*President & Chief Operating Officer, 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 20, 2009, at 11 a.m. at the Charles F. Knight Executive Education and Conference Center, Olin Business School at Washington University, St. Louis, Missouri.

### Investor Relations

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

Investor Relations Department  
Cass Information Systems, Inc.  
13001 Hollenberg Drive  
Bridgeton, Missouri 63044 | 314.506.5500

### 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 Web site at: [www.cassinfo.com](http://www.cassinfo.com)

### 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)

### Independent Auditors

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



**Cass Information Systems, Inc.**

13001 Hollenberg Drive  
Bridgeton, Missouri 63044  
314.506.5500 | [www.cassinfo.com](http://www.cassinfo.com)