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

FORM 10-K

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2002

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal period from ______ to ______

Commission file number 2-80070

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

Missouri	43-1265338
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
13001 Hollenberg Drive, Bridgeton, Missouri	63044
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Common Stock par value $.50
(Title of Class)

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

Yes |X| No |_|

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

As of March 5, 2003, 3,367,468 shares of common stock of the registrant were outstanding; the aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $66,989,000 based upon the Nasdaq Stock Market closing price of $26.88 for March 5, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 21, 2003 are incorporated by reference in Part III hereof.

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Forward-looking Statements - Factors That May Affect Future Results

This report may contain or incorporate by reference forward-looking statements made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and other factors, including those set forth in this paragraph. Important factors that could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by those statements include, but are not limited to: the failure to successfully execute our corporate plan, the loss of key personnel or inability to attract additional qualified personnel, the loss of key customers, increasing competition, the inability to remain current with rapid technological change, risks related to acquisitions, risks associated with business cycles, 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 commercial enterprises, churches and loans in the St. Louis Metropolitan area which subjects the Company to risks associated with adverse factors that may affect these groups, risks associated with fluctuations in interest rates, and volatility of the price of our common stock. We undertake no obligation to publicly update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, or changes to future results over time.

PART I.

ITEM 1. BUSINESS

Description of Business

Cass Information Systems, Inc. ("Cass" or "the Company") is a leading provider of payment and information processing services to large manufacturing, distribution and retail enterprises across the United States. The Company provides freight invoice rating, payment, audit, cost accounting and transportation information to many of the nation's largest companies. It is also the leading processor and payer of utility invoices in the United States, including electricity, gas, water, telephone and refuse collection. Cass extracts, stores and presents information from freight and utility invoices, assisting our customers' traffic and energy managers in making decisions that will enable them to improve their operating performance. Cass utilizes Internet technologies such as web-based applications and browsers in all of its systems. It heavily utilizes electronic commerce in transferring over $10 billion in transactions annually and integrates financial and transaction processing into a single process. As an information processing company, Cass focuses on these critical business areas: Data Acquisition, Data Warehousing and Data Delivery. The Company receives data from multiple sources, electronic and otherwise, and processes the data to accomplish specific operating requirements of its customers. It then makes the data available in a central repository for access and archiving. Finally, the data is turned into information through the Company's databases that communicate with clients as required and provide internet-based methods and tools for analytical processing. In addition, the Company, through its wholly-owned bank subsidiary, Cass Commercial Bank ("the Bank"), provides banking services in the commercial, industrial and residential areas it serves. Its primary focus is to support the Company's payment operations, and it also provides banking services to its target markets, which include privately-owned businesses and churches and church-related ministries. Services include commercial, real estate and personal loans; checking, savings and time deposit accounts and other cash management services.

An important component of the Company's services is the financial control and stability provided by the Bank for handling the billions of dollars of payments and the infrastructure for electronic funds transfers (EFT). Cass Commercial Bank is organized as a Missouri trust company with banking powers and was founded in 1906. Its principal banking office is located at 13001 Hollenberg Drive, Bridgeton, Missouri, 63044 and it has four other branches in the St. Louis, Missouri metropolitan area. Due to its ownership of a federally insured commercial bank, the Registrant is a bank holding corporation and was originally organized in 1982 as Cass Commercial Corporation under the laws of Missouri and approved by the Board of Governors of the Federal Reserve Bank (the "FRB") in February 1983. The Company changed its name to Cass Information Systems, Inc. in January 2001. The principal offices of the Company are also at 13001 Hollenberg Drive, Bridgeton, Missouri. Other operating locations are in Columbus, Ohio and Boston, Massachusetts.

Marketing, Customers and Competition

The Company believes it is the largest firm in the freight bill payment industry in the United States based on the total dollars of freight bills paid. Competition consists of two primary competitors and numerous small freight bill audit firms located throughout the United States. While offering freight payment services, few of these audit firms compete on a national basis. The Company also competes with other companies, located throughout the United States, that pay utility bills and provide management reporting. Available data indicates that the Company is one of the largest providers of utility information processing and payment services. Due to the fact that this is a new market, the competitive environment for utility bill processing and payment is difficult to assess and is changing rapidly. Cass is unique among these competitors in that it is not exclusively affiliated with any one energy service provider (ESP). In January 2001, the Company purchased the assets of "The Utility Navigator(R)", a division of privately-held Insite Services, Inc. for $750,000. This acquisition added new ESP's which market the Company's product as well as provided additional processing growth.

The Company's bank subsidiary encounters competition from other banks located throughout the St. Louis metropolitan area and other areas in which the Bank competes. Savings banks, credit unions, other financial institutions and non-bank providers of financial services also provide competition. The principal competition however, is represented by large bank holding companies that are able to offer a wide range of banking and related services through extensive branch networks.

The Company holds several trademarks for the payment and rating services it provides. These include: FreightPay(R), Transdata(R), TransInq(R), Ratemaker(R), Rate Advice(R), First Rate(R), Best Rate(R) and Rate Exchange(R).

The Company is not dependent on any one customer for a significant portion of its business. It has a varied client base with no individual client exceeding 10% of total revenue. The Bank is also not dependent on any one customer. The Bank does however, target its services to privately-held businesses located in the St. Louis, Missouri area and church and church-related institutions located in St. Louis, Missouri and other selected cities located throughout the United States.

Employees

The Company had 599 full-time and 138 part-time employees as of December 31, 2002. Of these employees, the bank subsidiary had 66 full-time and 8 part-time employees.

Supervision and Regulation

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

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

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

Website Availability of SEC Reports

Cass will, as soon as practicable after they are electronically filed with the Securities and Exchange Commission, make available free of charge on its website each of its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports of Form 8-K, all amendments to those reports, and its definitive proxy statements. The address of Cass's website is: www.cassinfo.com.

Financial Information about Segments

The revenues from external customers, net income (loss) and total assets by segment, for the three years ended December 31, 2002 are set forth in Item 8, Note 14 of this report.

Statistical Disclosure by Bank Holding Companies

For the statistical disclosure by bank holding companies refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

ITEM 2. PROPERTIES

The Company's headquarters are located at 13001 Hollenberg Drive, Bridgeton, Missouri. This location is owned by the Company, and includes a building with approximately 61,500 square feet of office space, 20,500 of which is occupied by the Bank. In March 2001, the Company moved into its newly-owned production facility of approximately 45,500 square feet located at 2675 Corporate Exchange Drive, Columbus, Ohio. The Company operates an additional production facility in Lowell, Massachusetts where approximately 25,800 square feet of office space is leased through October 31, 2005.

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

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not involved in any pending proceedings other than ordinary routine litigation incidental to their businesses. Management believes none of these proceedings, if determined adversely, would have a material effect on the business or financial condition of the Company or its subsidiaries.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

PART II.

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

The Company's common stock trades on The Nasdaq Stock Market(R) under the symbol "CASS". As of March 5, 2003, there were 227 holders of record of the Company's common stock. High and low bid prices, as reported by Nasdaq and restated for the 5% stock dividend distributed in December 2002, for each quarter of 2002 and 2001 were as follows:

	2002		2001	
	High	Low	High	Low
1st Quarter	$25.000	$22.010	$22.381	$16.548
2nd Quarter	24.876	22.857	20.000	16.310
3rd Quarter	25.476	21.476	20.143	18.095
4th Quarter	25.750	21.857	23.333	19.048

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

	2002	2001
March 15	$.20	$.20
June 15	.20	.20
September 15	.20	.20
December 15	.21	.20

Refer to Item 8 Notes 2, 8 and 9 to the consolidated financial statements for additional shareholder information.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial information for each of the five years ended December 31, 2002. The selected financial data should be read in conjunction with the Company's consolidated financial statements and accompanying notes included in Item 8 of this report.

(Dollars in thousands, except per share data)	2002	2001	2000	1999	1998
Interest income on loans(1)	$ 26,197	$ 29,069	$ 27,716	$ 20,371	$ 17,579
Interest income on debt and equity securities	4,733	4,323	5,264	4,722	6,607
Other interest income	687	2,790	4,085	5,782	5,858
Total interest income	31,617	36,182	37,065	30,875	30,044
Interest expense on deposits	2,240	3,863	5,165	4,357	4,271
Interest expense on short-term borrowings	33	9	20	9	10
Total interest expense	2,273	3,872	5,185	4,366	4,281
Net interest income	29,344	32,310	31,880	26,509	25,763
Provision for loan losses	500	60	750	--	--
Net interest income after provision	28,844	32,250	31,130	26,509	25,763
Noninterest income	28,030	23,243	21,114	21,444	22,447
Noninterest expense	46,575	44,729	41,236	38,344	36,625
Income before income tax expense	10,299	10,764	11,008	9,609	11,585
Income tax expense	2,987	3,739	3,861	3,411	4,177
Net income	$ 7,312	$ 7,025	$ 7,147	$ 6,198	$ 7,408
Basic earnings per share(2)	$ 2.18	$ 2.07	$ 1.95	$ 1.56	$ 1.83
Diluted earnings per share(2)	2.16	2.05	1.93	1.53	1.80
Dividends per share	.81	.80	.80	.76	.72
Dividend payout ratio	35.94%	36.71%	38.95%	46.61%	37.55%
Average total assets	$598,566	$572,724	$515,308	$491,450	$469,606
Average net loans	399,018	371,367	323,515	254,353	208,603
Average debt and equity securities	97,668	72,958	84,276	78,903	109,275
Average total deposits	240,640	214,954	186,684	190,661	176,784
Average total shareholders' equity	57,300	54,929	54,308	57,118	55,246
Return on average total assets	1.22%	1.23%	1.39%	1.26%	1.58%
Return on average total shareholders' equity	12.76	12.79	13.16	10.85	13.41
Average equity to assets ratio	9.57	9.59	10.54	11.62	11.76
Equity to assets ratio at year-end	10.67	9.22	9.33	11.29	11.39
Net interest margin	5.60	6.27	6.69	5.87	5.98
Allowance for loan losses to loans at year-end	1.22	1.29	1.32	1.54	1.97
Nonperforming assets to loans and foreclosed assets(3)	3.50	1.60	.30	.15	.35
Net loan charge-offs to average loans outstanding	.03	.01	.04	.06	.03

(1). Interest income on loans includes net loan fees.
(2). Basic and diluted earnings per share have been restated to reflect the 5% stock dividend issued in 2002.
(3). Foreclosed assets include other real estate owned and the Company's investment in the operating assets of Government e-Management Solutions, Inc. (GEMS), which are more fully explained in Item 7 entitled "Nonperforming Assets". Excluding the investment in the operating assets of GEMS, the ratio for 2002 is 2.33% and for 2001 is .28%.

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

The following presents management's discussion and analysis of the Company's consolidated financial condition and results of operations as of the dates and for the periods indicated. This discussion should be read in conjunction with Item 1 "Business", Item 6 "Selected Consolidated Financial Data", the Company's Consolidated Financial Statements and accompanying notes contained in Item 8 and other financial data appearing in this report.

Critical Accounting Policies

The Company has prepared all of the consolidated financial information in this report in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing the consolidated financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurances that actual results will not differ from those estimates.

Management has identified the accounting policy related to the allowance for loan losses as critical to the understanding of the Company's results of operations, since the application of this policy requires significant management assumptions and estimates that could result in materially different amounts to be reported if conditions or underlying circumstances were to change. The impact and any associated risks related to these policies on our business operations are discussed in the " Allowance and Provision for Loan Losses" section of this report.

In addition, management evaluates certain long-term assets such as premises and equipment, goodwill, and foreclosed assets for impairment. Generally, recognition of impairment is required when events and circumstances indicate that the carrying amounts of these assets will not be recoverable in the future. If impairment occurs, various methods of measuring impairment may be called for depending on the circumstances and type of asset, including quoted market prices, estimates based on similar assets, and estimates based on valuation techniques such as discounted projected cash flows. Assets held for sale are carried at the lower of cost or fair value less costs to sell. The application of this policy also requires significant management assumptions and estimates that could result in materially different results if conditions or underlying circumstances change.

Net Income Summary

The 2002 results compared to 2001 include the following significant pre-tax components:

Net interest income after provision for loan losses decreased $3,406,000 or 10.6% due primarily to the decrease in the general level of interest rates and partially due to an increase of $440,000 in the provision for loan losses. The increase in the provision for loan losses was due to many factors including the increase in nonperforming loans and the size of the loan portfolio. The decrease in net interest income from these factors was significantly offset by an increase in tax-exempt securities, expansion of the loan portfolio and increase in earning assets.

Total noninterest income increased $4,787,000 or 20.6%. Total freight and utility payment and processing fees increased $3,870,000 or 19.2%, with an increase of $2,188,000 or 49.0% in utility payment and processing fees and $1,682,000 or 10.7% in freight payment and processing fees. The increase in utility payment and processing fees relates to the rapid expansion of the customer base. During 2002 the Company processed over 3.4 million utility transactions representing over $2.6 billion of invoice value. The increase in freight payment and processing fees relates to new customers and new services. Freight rating service fees were down $738,000 or 54.7% due to the discontinuance of the sale and maintenance of rating software. These software products were replaced with the new Internet-based service "Ratemaker". Ratemaker fees increased $210,000 or 52.4%. Bank service fees increased $137,000 or 9.0% due to an expansion of the Bank's customer base and the fact that service fees increase as the value of noninterest bearing deposits, used to compensate the Bank for services provided, decrease as the general level of interest rates decrease. The Company also recognized gains of $1,477,000 from the sales of securities in 2002.

Total noninterest expense increased $1,846,000 or 4.1% due to several factors. The most significant was salaries and benefits, which increased $936,000 or 3.1% due to an increase in staff in the transportation and utility processing divisions to accommodate the increase in production and an increase in pension and health insurance expense. Second, equipment expense increased $479,000 or 12.5% primarily due to an increased investment in information technology. Finally, other noninterest expense increased $589,000 or 6.7% due to increases in various other miscellaneous expenses such as postage, printing and professional fees.

The 2001 results compared to 2000 include the following significant pre-tax components:

Net interest income after provision for loan losses increased $1,120,000 or 3.6% due primarily to a $42,479,000 increase in average earning assets, including a $48,313,000 increase in average loans outstanding and a decrease in the provision for loan losses of $690,000. The increase in net interest income from these factors offset the negative effect of the decrease in the general level of interest rates.

Total noninterest income increased $2,129,000 or 10.1% due to several factors. Total freight and utility payment and processing fees increased $2,052,000 or 11.3%, with an increase of $2,234,000 or 100.2% in utility payment and processing fees and offset by a $182,000 or 1.1% decrease in revenue from freight payment and processing services. The increase in utility payment and processing fees relates to the rapid expansion of the customer base. At the end of 2001 the Company processed over 2.7 million utility transactions representing nearly $2.5 billion of invoice value. The decrease in revenue from freight payment and processing services was due to several factors. The most significant of these was that due to the slowing economy, freight shipments of its customer base decreased significantly from 2000. In addition, a greater percentage of payment and processing revenue was obtained from increased investable balances generated rather than from fees. Bank service fees increased $137,000 or 9.9% due to an expansion of the Bank's customer base and the fact that service fees increase as the value of noninterest bearing deposits, used to compensate the Bank for services provided, decrease as the general level of interest rates decrease.

Total noninterest expense increased $3,493,000 or 8.5% due to several factors. The most significant of these include salaries and benefits which increased $1,969,000 or 6.9% primarily due to an increased staff at the Company's new utility processing facility in Columbus, Ohio. Second, equipment expense increased $804,000 or 26.6% primarily due to an increased investment in information technology. Finally, outside service fees increased due to an increase in outsourced programming services to assist in the expansion of the utility payment and processing division as well as increased outsourcing of data entry services.

Net Interest Income

Net interest income is the difference between interest earned on loans, investments, and other earning assets and interest paid on deposits and other interest-bearing liabilities. Net interest income is the most significant source of the Company's revenues.

Net interest income in 2002 compared to 2001:

On a tax-equivalent basis, net interest income for 2002 totaled $30,466,000, a decrease of $2,194,000 or 6.7% from 2001. The net interest margin for 2002 was 5.60% compared to 6.27% in 2001. The following factors account for this decrease in net interest income and net interest margin:

The dramatic decrease in the general level of interest rates significantly impacted the Company's net interest income and margin. The prime rate decreased from 9.50% at the beginning of 2001 to 4.75% at the end of 2001 and 4.25% at the end of 2002. Also, the Federal funds rate ended the year at 1.25%, the lowest level in over 40 years. The average yield on earning assets decreased to 6.02% in 2002 from 7.01% in 2001. The Company is negatively affected by decreases in the level of interest rates due to the fact that its rate sensitive assets significantly exceed its rate sensitive liabilities. Conversely, the Company is positively affected by increases in the level of interest rates. This is primarily due to the noninterest-bearing liabilities generated by the Company in the form of accounts and drafts payable. More information is contained in Item 7A of this report.

The Company partially offset these decreases through both an increase in earning assets and shift of investments to higher yielding assets. Total average earning assets increased $22,737,000 or 4.4% to $544,011,000. This increase was funded by an increases in deposits generated by the Bank. The Bank saw increases in both interest bearing deposits, as a result of increased marketing efforts, and noninterest bearing deposits, mainly from bank customers that maintained higher balances to compensate the Bank for services and to avoid increased service fees in a lower rate environment.

Total average loans increased $27,818,000 or 7.4% to $404,093,000. This increase was attributable to new business relationships and funded by the increase in deposit liabilities and reallocation of assets. This increase in loans had a positive effect on interest income and the net interest margin due to the fact that loans are one of the Company's highest yielding earning assets.

Total average investment in debt and equity securities increased $25,557,000 or 35.4% to $97,668,000. In addition to this increased investment, the Company shifted its purchase of securities from taxable to tax-exempt due to the higher tax-equivalent yield such investments produce. This increase and shift also allowed the Company to offset the effect of lower interest rates.

Total average federal funds sold and other short-term investments decreased $30,638,000 or 42.0% to $42,250,000. These are the lowest yielding earning assets so decreases in these funds have a positive effect on net interest margin. In another attempt to offset the effect of declining interest rates the Company shifted excess short-term funds to higher yielding investments.

Net interest income in 2001 compared to 2000:

On a tax-equivalent basis, net interest income for 2001 totaled $32,660,000, an increase of $549,000 or 1.7% over 2000. The net interest margin for 2001 was 6.27% compared to 6.69% in 2000. The following factors account for this increase in net interest income and decrease in net interest margin:

Total average earning assets increased $42,479,000 or 8.9% to $521,274,000. This increase was funded by an increase in average accounts and drafts payable and an increase in deposit liabilities generated by the Bank. The Company's accounts and drafts payable increased due to an increase in dollars processed and a lengthening of the time funds were available for investment. The time funds are available for investment is negotiated by customer and is part of the compensation for providing the Company's services. The Bank saw an increase in both interest bearing deposits, as a result of increased marketing efforts, and noninterest bearing deposits, mainly from bank customers that maintained higher balances to compensate the Bank for services and to avoid increased service fees in a lower rate environment. The interest generated from the increase in average earning assets was offset by a decrease in the general level of interest rates.

Total average loans increased $48,313,000 or 14.7% to $376,275,000. This increase was attributable to new business relationships and funded by the increase in payables and deposit liabilities. This increase in loans increased interest income and had a positive effect on the net interest margin due to the fact that loans are one of the Company's highest yielding earning assets.

Total average federal funds sold and other short-term investments increased $7,004,000 or 10.6% to $72,888,000. Since these are the lowest yielding earning assets, increases in average balances outstanding can increase interest income but may lower the yield on earning assets and decrease the net interest margin.

The net interest margin decreased primarily because of the dramatic decrease in the general level of interest rates. Prime decreased from 9.50% at the end of 2000 to 4.75% at the end of 2001. Also, the Federal funds rate ended the year at 1.75%, at that time the lowest level in nearly 40 years. The average yield on earning assets decreased to 7.01% in 2001 from 7.79% in 2000. The Company is negatively affected by decreases in the level of interest rates due to the fact that its rate sensitive assets significantly exceed its rate sensitive liabilities. Conversely, the Company is positively affected by increases in the level of interest rates. This is primarily due to the noninterest-bearing liabilities generated by the Company in the form of accounts and drafts payable. More information is contained in Item 7A of this report.

Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rate and Interest Differential

The following table contains condensed average balance sheets for each of the periods reported, the tax-equivalent interest income and expense on each category of interest-earning assets and interest-bearing liabilities, and the average yield on such categories of interest-earning assets and the average rates paid on such categories of interest-bearing liabilities for each of the periods reported.

	2002			2001			2000		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets(1)									
Earning assets:									
Loans(2),(3):									
Taxable	$398,060	$ 25,897	6.51%	$364,792	$ 28,435	7.79%	$320,801	$ 27,322	8.49%
Tax-exempt(4)	6,033	455	7.54	11,483	961	8.37	7,161	596	8.30
Debt and equity securities(5):									
Taxable	55,591	2,839	5.11	71,038	4,276	6.02	83,756	5,205	6.20
Tax-exempt(4)	42,077	2,861	6.80	1,073	70	6.52	1,193	88	7.36
Federal funds sold and other short-term investments	42,250	687	1.63	72,888	2,790	3.83	65,884	4,085	6.18
Total earning assets	544,011	32,739	6.02	521,274	36,532	7.01	478,795	37,296	7.79
Nonearning assets:									
Cash and due from banks	24,324			23,448			21,366		
Premises and equipment, net	16,281			16,542			10,444		
Other assets	19,025			16,368			9,150		
Allowance for loan losses	(5,075)			(4,908)			(4,447)		
Total assets	$598,566			$572,724			$515,308		

Liabilities And Shareholders' Equity(1)

Interest-bearing liabilities:									
Interest-bearing demand deposits	$ 56,705	$ 632	1.11%	$ 56,124	$ 1,544	2.75%	$ 44,596	$ 1,961	4.39%
Savings deposits	41,837	528	1.26	53,757	1,761	3.28	55,979	2,885	5.14
Time deposits of $100 or more	36,158	902	2.49	8,245	363	4.40	2,488	129	5.17
Other time deposits	5,467	178	3.26	3,986	195	4.89	3,872	190	4.89
Total interest-bearing deposits	140,167	2,240	1.60	122,112	3,863	3.16	106,935	5,165	4.82
Short-term borrowings	1,485	33	2.22	362	9	2.49	272	20	7.33
Total interest-bearing liabilities	141,652	2,273	1.60	122,474	3,872	3.16	107,207	5,185	4.82
Noninterest-bearing liabilities:									
Demand deposits	100,473			92,842			79,749		
Accounts and drafts payable	293,442			294,608			267,963		
Other liabilities	5,699			7,871			6,081		
Total liabilities	541,266			517,795			461,000		
Shareholders' equity	57,300			54,929			54,308		
Total liabilities and shareholders' equity	$598,566			$572,724			$515,308		
Net interest income		$30,466			$32,660			$32,111	
Net interest margin			5.60%			6.27%			6.69%
Interest spread			4.42%			3.85%			2.97%

(1). Balances shown are daily averages.
(2). For purposes of these computations, nonaccrual loans are included in the average loan amounts outstanding. Interest on nonaccrual loans is recorded when received as discussed further in Item 8, Note 1 of this report.
(3). Interest income on loans includes net loan fees of $441,000, $301,000 and $327,000 for 2002, 2001 and 2000, respectively.
(4). Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%. The tax-equivalent adjustment was approximately $1,122,000, $350,000 and $231,000 for 2002, 2001 and 2000, respectively.
(5). For purposes of these computations, yields on investment securities are computed as interest income divided by the average amortized cost of the investments.

Analysis of Net Interest Income Changes

The following table presents the changes in interest income and expense between years due to changes in volume and interest rates.

	2002 Over 2001			2001 Over 2000		
(Dollars in thousands)	Volume(1)	Rate(1)	Total	Volume(1)	Rate(1)	Total
Increase (decrease) in interest income:						
Loans(2),(3):						
Taxable	$ 2,441	$(4,979)	$(2,538)	$ 3,498	$(2,385)	$ 1,113
Tax-exempt(4)	(419)	(87)	(506)	360	5	365
Debt and equity securities:						
Taxable	(847)	(590)	(1,437)	(781)	(148)	(929)
Tax-exempt(4)	2,788	3	2,791	(8)	(10)	(18)
Federal funds sold and other short-term investments	(888)	(1,215)	(2,103)	395	(1,690)	(1,295)
Total interest income	3,075	(6,868)	(3,793)	3,464	(4,228)	(764)
Interest expense on:						
Interest-bearing demand deposits	16	(928)	(912)	426	(843)	(417)
Savings deposits	(327)	(906)	(1,233)	(111)	(1,013)	(1,124)
Time deposits of $100 or more	757	(218)	539	256	(22)	234
Other time deposits	60	(77)	(17)	5	--	5
Short-term borrowings	25	(1)	24	5	(16)	(11)
Total interest expense	531	(2,130)	(1,599)	581	(1,894)	(1,313)
Net interest income	$ 2,544	$(4,738)	$(2,194)	$ 2,883	$(2,334)	$ 549

(1). The change in interest due to the combined rate/volume variance has been allocated in proportion to the absolute dollar amounts of the change in each.
(2). Average balances include nonaccrual loans.
(3). Interest income includes net loan fees.
(4). Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%.

Loan Portfolio

Interest earned on the loan portfolio is a primary source of income for the Company. The loan portfolio represented 76% of the Company's total assets as of December 31, 2002 and generated $26,197,000 in revenue during the year then ended. The following tables shows the composition of the loan portfolio at the end of the periods indicated and remaining maturities for loans as of December 31, 2002.

Loans by Type
(At December 31)

(Dollars in thousands)	2002	2001	2000	1999	1998
Commercial and industrial	$101,116	$115,316	$136,482	$106,444	$95,663
Real estate:					
Mortgage	282,125	215,504	182,538	129,482	101,468
Construction	39,175	32,715	29,464	29,633	16,547
Industrial revenue bonds	5,773	6,155	15,804	7,265	5,951
Installment	1,918	1,787	2,533	1,541	2,458
Other	4,582	9,975	5,399	3,978	2,801
Total loans	$434,689	$381,452	$372,220	$278,343	$224,888

Loans by Maturity
(At December 31, 2002)

		Over One Year Through Five Years		Over Five Years		
(Dollars in thousands)	One Year or less	Fixed Rate	Floating Rate(1)	Fixed Rate	Floating Rate(1)	Total
Commercial and industrial	$ 60,196	$ 26,860	$12,560	$1,500	$ --	$101,116
Real estate:						
Mortgage	34,541	205,645	38,665	3,274	--	282,125
Construction	38,371	804	--	--	--	39,175
Industrial revenue bonds	--	2,568	--	3,205	--	5,773
Installment	1,746	172	--	--	--	1,918
Other	4,515	10	--	57	--	4,582
Total loans	$139,369	$236,059	$51,225	$8,036	$ --	$434,689

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

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

Loans to the commercial entities are generally secured by the business assets of the company, including accounts receivable, inventory, machinery and equipment, and the building(s) from which the company operates. Operating lines of credit to these companies generally are secured by accounts receivable and inventory, with specific percentages of each determined on a customer by customer basis, based on various factors including the type of business. Intermediate term credit for machinery and equipment is generally provided at some percentage of the value of the equipment purchased, depending on the type of machinery or equipment purchased by the entity. Loans secured exclusively by real estate to businesses and churches are generally made with a maximum 80% loan to value ratio, depending upon the Company's estimate of the resale value and ability of the property to generate cash. The Company's loan policy requires an independent appraisal for all loans over $250,000 secured by real estate. Company management monitors the local economy in an attempt to determine whether it has had a significant deteriorating effect on such real estate credits. When problems are identified, appraised values are updated on a continual basis, either internally or through an updated external appraisal.

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

Total loans increased $53,237,000 or 14.0% to $434,689,000. This increase was due mainly to the expansion of church and church-related loans in the St. Louis metropolitan area and selected areas across the

United States. At year-end church and church-related real estate and construction credits totaled $141,532,000, which represented a 36.7% increase over 2001. Additional details regarding the types and maturities of the loan portfolio are contained in the tables above and in Item 8, Note 4.

Loan portfolio changes from December 31, 2000 to December 31, 2001:

Total loans increased $9,232,000 or 2.5% to $381,452,000. This increase was due mainly to the expansion of church and church-related loans in the St. Louis metropolitan area and selected areas across the United States. At year-end church and church-related real estate and construction credits totaled $103,527,000, which represented a 22% increase over 2000. Additional details regarding the types and maturities of the loan portfolio are contained in the tables above and in Item 8, Note 4.

Allowance and Provision for Loan Losses

The Company recorded a provision for loan losses of $500,000 in 2002, $60,000 in 2001 and $750,000 in 2000. The provisions were due to the Company's analysis of the allowance for loan losses in relation to probable losses in the loan portfolio. The larger provisions made in 2002 and 2000 partially resulted from the increase in average loans outstanding and the increases in nonperforming loans. Loan charge-offs, net of recoveries, experienced by the Company were $113,000 in 2002, $51,000 in 2001 and $135,000 in 2000. The allowance for loan losses was $5,293,000 at December 31, 2002, compared to $4,906,000 at December 31, 2001 and $4,897,000 at December 31, 2000. The year-end 2002 allowance represented 1.22% of outstanding loans, compared to 1.29% at year-end 2001 and 1.32% at year-end 2000. From December 31, 2001 to December 31, 2002 the level of nonperforming loans increased $8,722,000 from $472,000 to $9,194,000, which represents 2.12% of outstanding loans. Nonperforming loans are more fully explained in the section entitled "Nonperforming Assets" in Item 7 of this report.

The allowance for loan losses has been established and is maintained to absorb losses inherent in the loan portfolio. An ongoing assessment of risk of loss is performed to determine if the current balance of the allowance is adequate to cover probable losses in the portfolio. A charge or credit is made to expense to cover any deficiency or reduce any excess. The current methodology employed to determine the appropriate allowance consists of two components, specific and general. The Company develops specific valuation allowances on commercial, commercial real estate, and construction loans when a loan is considered to be impaired. A loan is impaired when, based on an evaluation of current information and events, it is probable that the Company will not be able to collect all amounts due (principal and interest) pursuant to the original contractual terms. The Company measures impairment based upon the present value of expected future cash flows discounted at the loan's original effective interest rate or the fair value of the collateral if the loan is collateral dependent. The general component relates to all other loans, which are evaluated based on loan grade. The loan grade assigned to each loan is typically evaluated on an annual basis, unless circumstances require interim evaluation. The Company assigns a reserve amount consistent with each loan's rating category. The reserve amount is based on loss experience over prescribed periods. In addition to the amounts derived from the loan grades, a portion is added to the general reserve to take into account other factors including national and local economic conditions, downturns in specific industries including loss in collateral value, trends in credit quality at the Company and the banking industry, and trends in risk rating changes. As part of their examination process, federal and state agencies review the Company's methodology for maintaining the allowance for loan losses and the balance in the account. These agencies may require the Company to increase the allowance for loan losses based on their judgments and interpretations about information available to them at the time of their examination.

Summary of Loan Loss Experience

	December 31,				
(Dollars in thousands)	2002	2001	2000	1999	1998
Allowance at beginning of year	$ 4,906	$ 4,897	$ 4,282	$ 4,428	$ 4,484
Loans charged-off:					
Commercial and industrial loans and industrial revenue bonds (IRB's)	152	110	183	255	365
Real estate:					
Mortgage	--	--	--	--	--
Construction	--	--	--	--	--
Installment	--	--	--	1	--
Total loans charged-off	152	110	183	256	365

Recoveries of loans previously charged-off:					
Commercial, industrial and IRB's	39	59	48	109	309
Real estate:					
Mortgage	--	--	--	--	--
Construction	--	--	--	--	--
Installment	--	--	--	1	--
Total recoveries of loans previously charged-off	39	59	48	110	309
Net loans charged-off	113	51	135	146	56
Provision charged to expense	500	60	750	--	--
Allowance at end of year	$ 5,293	$ 4,906	$ 4,897	$ 4,282	$ 4,428
Loans outstanding:					
Average	$404,093	$376,275	$327,962	$258,742	$213,075
December 31	434,689	381,452	372,220	278,343	224,888
Ratio of allowance for loan losses to loans outstanding:					
Average	1.31%	1.30%	1.49%	1.65%	2.08%
December 31	1.22%	1.29%	1.32%	1.54%	1.97%
Ratio of net charge-offs to average loans outstanding	.03%	.01%	.04%	.06%	.03%

Allocation of allowance for loan losses(1):					
Commercial, industrial and IRB's	$ 2,167	$ 2,129	$ 3,159	$ 3,844	$ 3,982
Real estate:					
Mortgage	2,780	2,442	416	19	19
Construction	302	303	1,317	419	427
Installment	10	10	5	--	--
Other loans	34	22	--	--	--
Total	$ 5,293	$ 4,906	$ 4,897	$ 4,282	$ 4,428
Percent of categories to total loans:					
Commercial and industrial and IRB's	24.6%	31.8%	40.9%	40.9%	45.2%
Real estate:					
Mortgage	64.9	56.5	49.0	46.5	45.1
Construction	9.0	8.6	7.9	10.6	7.4
Installment	.4	.5	.7	.6	1.1
Other	1.1	2.6	1.5	1.4	1.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Although specific allocations exist the entire allowance is available to absorb losses in any particular loan category.

Nonperforming Assets

It is the policy of the Company to continually monitor its loan portfolio and to discontinue the accrual of interest on any loan on which payment of principal or interest in a timely manner, in the normal course of business, is doubtful. Subsequent payments received on such loans are applied to principal if there is any doubt as to the collectibility of such principal; otherwise, these receipts are recorded as interest income. Interest on nonaccrual and renegotiated loans, which would have been recorded under the original terms of the loans, was approximately $346,000 for the year ended December 31, 2002. Of this amount, approximately $328,000 was actually recorded as interest income on such loans.

At December 31, 2002, after review of potential problem loans identified by management, including those noted in the table below, management of the Company concluded the allowance for loan losses was adequate. As of December 31, 2002, approximately $2,994,000 of loans not included in the table below were identified by management as having potential credit problems, resulting in a total of $12,188,000 in impaired loans. These loans are excluded from the table due to the fact that they are current under the original terms of the loans, but circumstances have raised doubts as to the ability of the borrowers to comply with the loan repayment terms.

The total renegotiated loans of $4,252,000 at December 31, 2002 relates to two borrowers, both of which are current under the new terms of the loans and are considered performing as of January 1, 2003. The real-estate mortgage loans of $3,388,000 and other loans of $1,503,000 contractually past due 90 days or more relate to one borrower and these loans have been fully paid-off subsequent to year-end.

The total foreclosed assets of $6,241,000 at December 31, 2002 consist of two parcels of real estate and a $5,298,000 investment in a software company. On January 2, 2001, the Bank foreclosed on certain operating assets relating to one borrower in order to protect its financial interests. This borrower was a software company that provided the public sector with integrated financial, property and human resource management systems. The Bank sold these assets to a wholly-owned subsidiary, Government e-Management Solutions, Inc. (GEMS) and invested in and stabilized this business. GEMS generated $5,526,000 in revenues and incurred $5,997,000 in operating expenses for the year ended December 31, 2002. From the date of foreclosure through December 31, 2002 these assets have been accounted for as a foreclosed asset that is held for sale. Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", adopted by the Company on January 1, 2002, requires that if certain criteria are not met for long-lived asset (disposal) groups classified as held for sale by the end of the fiscal year in which SFAS 144 is initially applied, the related long-lived assets shall be reclassified as held and used. Therefore, as of January 1, 2003, the Company will reclassify the foreclosed assets relating to GEMS as held and used and consolidate its operations into those of the Company.

The Bank currently has two properties which it is carrying as other real estate owned at what management believes to be fair value less cost to sell of the property. The first property was foreclosed on August 8, 2001 and is recorded at $680,000. The second property was foreclosed on December 19, 2002 and is recorded at $263,000, which was the remaining balance of the related loan at the time of foreclosure.

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

The Company does not have any other interest-earning assets which would have been included in nonaccrual, past due or restructured loans if such assets were loans.

Summary of Nonperforming Assets

	December 31,				
(Dollars in thousands)	2002	2001	2000	1999	1998
Commercial, industrial and IRB's:					
Nonaccrual	$ 51	$ 157	$ 84	$170	$477
Contractually past due 90 days or more and still accruing	--	18	--	167	179
Renegotiated loans	--	--	--	70	134
Real estate-construction on nonaccrual	--	265	1,043	--	--
Real estate-mortgage:					
Nonaccrual	--	32	--	--	--
Contractually past due 90 days or more and still accruing	3,388	--	--	--	--
Renegotiated loans	4,252	--	--	--	--
Installment loans contractually past due 90 days or more and still accruing	--	--	4	--	--
Other loans contractually past due 90 days and still accruing	1,503	--	--	--	--
Total nonperforming loans	9,194	472	1,131	407	790
Total foreclosed assets(1)	6,241	5,710	--	--	--
Total nonperforming assets	$15,435	$6,182	$1,131	$407	$790

(1) Total foreclosed assets includes the Company's investment in GEMS of $5,298,000 and other real estate owned of $943,000. These items are more fully explained in Nonperforming Assets above and Item 8, Note 1 of this report.

Noninterest Income

The Company's noninterest income is derived mainly from freight and utility payment and processing fees. As the Company provides its freight and utility processing and payment services, it is compensated by service fees which are typically calculated on a per-item basis and by the accounts and drafts payable generated in the payment process which can be used to generate interest income. Processing volumes related to fees and accounts and drafts payable for the years ended December 31, 2002, 2001 and 2000 are as follows:

(In thousands)	December 31, 2002	2001	2000
Transportation Information Services:			
Invoice Bill Volume	21,549	20,095	18,777
Invoice Dollar Volume	$7,715,588	$7,294,586	$7,397,959
Utility Information Services:			
Transaction Volume	3,435	2,738	1,880
Transaction Dollar Volume	$2,634,269	$2,481,086	$1,062,848

In addition to payment processing fees, the Company also received fees from the sale, maintenance, and service operations relating to freight rating software. After December 31, 2001 the Company ceased the sale and maintenance of its rating software and replaced this product with its web-based Ratemaker product, which generates revenue from subscription and related service fees. Other noninterest revenue is generated in the form of fees that relate to the credit, depository, and cash management products of the Bank. Customers compensate the Bank for these services through fees, the maintenance of demand deposit balances, or both.

Noninterest income in 2002 compared to 2001 include the following significant pre-tax components:

Freight and utility payment and processing revenue increased $3,870,000 or 19.2% to $24,012,000. Of the total payment and processing revenue, fees related to utility payment and processing increased $2,188,000 and fees relating to freight payment and processing services increased $1,682,000. These increases relate to new customers and new product offerings.

Freight rating services revenue decreased $738,000 or 54.7% to $610,000. A change in the strategic direction of the Company from selling rating software to a new Internet-based delivery system of carrier rates occurred during 2000 and 2001. After December 31, 2001 the Company ceased support of the old product and therefore no longer recognized maintenance revenue. This new system offers the shipping community an expanded level of features, capabilities and ease of access. Fees from the new Ratemaker product increased $210,000 or 52.4% from 2001.

Service fees generated by the Bank increased $137,000 or 9.0% to $1,659,000. This increase was due primarily to the growth of the Bank's customer base and the fact that service fees increase as the value of noninterest bearing deposits, used to compensate the Bank for services provided, decrease as the general level of interest rates decrease.

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

Other miscellaneous noninterest income increased $41,000 or 17.7% to $272,000. This increase was primarily due to income recognized from the increase in the cash surrender value of bank owned life insurance purchased by the Company in 2002.

Noninterest income in 2001 compared to 2000 include the following significant pre-tax components:

Freight and utility payment and processing revenue increased $2,052,000 or 11.3% to $20,142,000. Of the total payment and processing revenue, fees related to utility payment and processing increased $2,234,000 and fees relating to freight payment and processing services decreased $182,000. The increase in utility payment and processing fees relates to the rapid expansion of the customer base. During 2001 the Company processed over 2.7 million utility transactions representing over $2.4 billion of invoice value. The decrease in revenue from freight payment and processing services was primarily due to the slowing economy, which resulted in freight shipments of the existing customer base decreasing significantly from 2000 levels. In addition, a greater percentage of payment and processing revenue was obtained from increased investable balances generated rather than from fees.

Freight rating services revenue increased $14,000 or 1.0% to $1,348,000. A change in the strategic direction of the Company from selling rating software to a new Internet-based delivery system of carrier rates occurred during 2000 and 2001. This system will offer the shipping community an expanded level of features, capabilities and ease of access. The Company saw a decrease in revenue from its rating software maintenance fees, which it discontinued on December 31, 2001, but this decrease was more than offset by the fees generated from the new Ratemaker product.

Service fees generated by the Bank increased $137,000 or 9.9% to $1,522,000. This increase was due primarily to the growth of the Bank's customer base and the fact that service fees increase as the value of noninterest bearing deposits, used to compensate the Bank for services provided, decrease as the general level of interest rates decrease.

Other miscellaneous noninterest income decreased $74,000 or 24.3% to $231,000. This decrease was due primarily to the discontinuance of the sale of the Company's rating software in 2001.

Noninterest Expense

Noninterest expense in 2002 compared to 2001 include the following significant pre-tax components:

Salaries and employee benefits expense increased $936,000 or 3.1% to $31,405,000. This increase primarily relates to increased staff in both the transportation and utility processing divisions to accommodate the increase in production. The Company also experienced an increase in pension and health insurance expense.

Occupancy expense decreased $158,000 or 9.5% to $1,500,000 primarily due to a decrease in rent expense after moving the Company's Columbus operations from leased space to a newly-acquired building, closing of the Chicago office, which was the facility used to support the rating software business that was discontinued in 2002 and closing one of the two bank subsidiary branches located in downtown St. Louis. Equipment expense increased $479,000 or 12.5% to $4,310,000 and other noninterest expense increased $589,000 or 6.7% to $9,360,000. This increase relates mainly to the expansion of utility payment processing capabilities, increased investment in freight payment processing and Internet capabilities and other normal operating expense fluctuations. More details on the components of other noninterest operating expenses are contained in Item 8, Note 10 of this report.

Noninterest expense in 2001 compared to 2000 include the following significant pre-tax components:

Salaries and employee benefits expense increased $1,969,000 or 6.9% to $30,469,000. This increase primarily related to an increased staff at the Company's new utility processing facility in Columbus, Ohio. The Company also experienced an increase in pension and health insurance expense.

Occupancy expense decreased $100,000 or 5.7% to $1,658,000 primarily due to a decrease in rent expense the Company experienced after moving the Company's Columbus operations from leased space to a newly acquired building. Equipment expense increased $804,000 or 26.6% to $3,831,000 and other noninterest expense increased $820,000 or 10.3% to $8,771,000. This increase relates mainly to the expansion of utility payment processing capabilities, increased investment in freight payment processing and Internet capabilities and other normal operating expense fluctuations. More details on the components of other noninterest operating expenses are contained in Item 8, Note 10 of this report.

Income Tax Expense

Income tax expense in 2002 totaled $2,987,000 compared to $3,739,000 in 2001 and $3,861,000 in 2000. When measured as a percent of income before income taxes, the Company's effective tax rate was 29.0% in 2002, 34.7% in 2001 and 35.1% in 2000. The primary reason for the decline in the effective rate in 2002 was the Company's investment in tax-exempt municipal bonds and bank owned life insurance.

Investment Portfolio

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

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

U.S. Government corporation and agency securities decreased $50,066,000 or 64.8% to $27,249,000. The decrease was primarily from the sales of these securities, which were transacted to adjust the portfolio to reflect the changes in the interest rate environment, accommodate growth in the loan portfolio and to recognize gains to offset the loss in interest income due to the dramatic decline in the general level of interest rates.

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

Investment portfolio changes from December 31, 2000 to December 31, 2001:

U.S. Government Treasury securities decreased $17,963,000 or 59.4% to $12,284,000. This decrease occurred due to a decision to invest in higher-yielding securities and fund future loan growth.

U.S. Government corporation and agency securities increased $40,050,000 or 107.5% to $77,313,000. This increase was due to a decision to invest in longer-term, higher-yielding investments, given the declining interest rate environment.

State and political subdivision securities increased $918,000 or 77.7% to $2,099,000. This was also due to the decision to invest in longer-term, higher-yielding investments.

There was no single issuer of securities in the investment portfolio at December 31, 2002 other than U.S. Government corporations and agencies, for which the aggregate amortized cost exceeded ten percent of total shareholders' equity.

Investment by Type

	December 31,		
(Dollars in thousands)	2002	2001	2000
U.S. Treasury securities	$ --	$12,284	$30,247
U.S. Government corporations and agencies	27,247	77,313	37,263
State and political subdivisions	40,923	2,099	1,181
Stock of the Federal Home Loan Bank	1,000	433	433
Stock of the Federal Reserve Bank	201	201	201
Total investments	$69,371	$92,330	$69,325

Investment in Debt Securities by Maturity
(At December 31)

(Dollars in thousands)	Within 1 Year	Over 1 to 5 Years	Over 5 to 10 Years	Over 10 Years	Yield
U.S. Government corporations and agencies	$ --	$5,687	$21,560	--	4.20%
State and political subdivisions(1)	--	1,289	11,605	28,029	7.72%
Total investment in debt securities	$ --	$6,976	$33,165	$28,029	6.31%
Weighted average yield	--%	4.77%	5.39%	7.78%	

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

Deposits and Accounts and Drafts Payable

Noninterest-bearing demand deposits decreased $7,999,000 or 6.8% from $117,351,000 at December 31, 2001 to $109,352,000 at December 31, 2002. The average balances of these accounts increased $7,631,000 or 8.2% from $92,842,000 in 2001 to $100,473,000 in 2002. The decrease in ending balances relates to normal daily fluctuations in these accounts. The increase in the average balances relates to new business and to the fact that the earnings credit rate on noninterest-bearing demand deposits decreased with the general decline in interest rates. In order to compensate the Bank for services rendered, customers increased balances in those accounts, paid more in fees, or both.

Interest-bearing deposits increased from $130,627,000 at December 31, 2001 to $134,166,000 at December 31, 2002. The average balances of these deposits increased $18,055,000 or 14.8% from $122,112,000 in 2001 to $140,167,000 in 2002. These increases relate mainly to the Bank's increased marketing efforts to attract more deposits.

Accounts and drafts payable generated by the Company in its payment processing operations decreased $68,173,000 or 23.4% from $291,794,000 at December 31, 2001 to $223,621,000 at December 31, 2002. The average balances of these funds decreased $1,166,000 or .4% from $294,608,000 in 2001 to $293,442,000 in 2002. Due to the Company's payment processing cycle, average balances are much more indicative of the underlying activity than period-end balances since point-in-time comparisons can be misleading if the comparison dates fall on different days of the week.

The composition of average deposits and the average rates paid on those deposits is represented in the table entitled "Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rate and Interest Differential" which is included earlier in this discussion. The Company does not have any significant deposits from foreign depositors.

Maturities of Certificates of Deposits of $100,000 or More
(At December 31, 2002)

(Dollars in thousands)

Three months or less	$32,900
Three to six months	1,822
Six to twelve months	3,592
Over twelve months	3,974
Total	$42,288

Short-term Borrowings

Short-term borrowings increased $37,238,000 from $200,000 at December 31, 2001 to $37,438,000 at December 31, 2002. Average balances of these funds increased $1,123,000 from $362,000 during 2001 to $1,485,000 during 2002. These funds consist primarily of federal funds purchased and can also include tax deposits of the United States Treasury. The borrowings at December 31, 2002 were used to fund a decrease in accounts and drafts payable, due to a combination of special year-end funding arrangements with large customers, seasonality and the last day of the year being the low point of the weekly payment cycle. These balances can vary significantly from day to day due to the Company's payment cycle and therefore balances on any particular day are not necessarily reflective of balances throughout the year. For more information on borrowings please refer to Item 8, Note 7 of this report.

Liquidity

The discipline of liquidity management as practiced by the Company seeks to ensure that funds are available to fulfill all payment obligations relating to the freight and utility invoices processed as they become due, meet depositor withdrawal requests and borrower credit demands while at the same time maximizing profitability. This is accomplished by balancing changes in demand for funds with changes in the supply of funds. Primary liquidity to meet demand is provided by short-term liquid assets that can be converted to cash, maturing securities and the ability to attract funds from external sources. The Company's Asset/Liability Committee (ALCO) has direct oversight responsibility for the Company's liquidity position and profile. Management considers both on-balance sheet and off-balance sheet transactions in its evaluation of liquidity.

The balances of liquid assets consists of cash and cash equivalents, which include cash and due from banks, federal funds sold, and money market funds, and were $30,006,000 at December 31, 2002, a decrease of $69,849,000 or 70.0% from December 31, 2001. At December 31, 2002 these assets represented 5.2% of total assets. These funds are the Company's and its subsidiaries' primary source of liquidity to meet future expected and unexpected loan demand, depositor withdrawals or reductions in accounts and drafts payable.

Secondary sources of liquidity include the investment portfolio and borrowing lines. Total investment in debt and equity securities was $69,371,000 at December 31, 2002, a decrease of $22,959,000 or 24.9% from December 31, 2001. These assets represented 12.1% of total assets at December 31, 2002. Of this total, 59% were state and political subdivision securities, 32% were mortgage-backed securities, 7% were U.S. government agencies and 2% were other securities. Of the total portfolio, none mature in one year, 10% matures in one to five years, and 90% matures in five or more years. During the year the Company sold securities with a market value of $63,945,000 and a portion of these funds were reinvested in state and political subdivision securities and the loan portfolio. At January 2, 2001 the Company transferred the remaining balance of held-to-maturity securities into available-for-sale securities as allowed upon the adoption of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". The investment portfolio provides secondary liquidity through regularly scheduled maturities, the ability to sell securities out of the available-for-sale portfolio, and the ability to use these securities in conjunction with the Company's repurchase lines of credit.

The Bank has unsecured lines at correspondent banks to purchase federal funds up to a maximum of $29,000,000. Additionally, the Bank maintains a line of credit at an unaffiliated financial institution in the maximum amount of $40,000,000 collateralized by securities sold under repurchase agreements.

The deposits of the Company's banking subsidiary have historically been stable, consisting of a sizable volume of core deposits related to customers that utilize many other commercial products of the Bank. The accounts and drafts payable generated by the Company has also historically been a stable source of funds.

Net cash provided by operating activities totaled $9,166,000 for the year ended December 31, 2002, compared to $8,697,000 for the year ended December 31, 2001. Net cash used in investing activities was $40,955,000 for the year ended December 31, 2002, compared with $43,441,000 for the year ended December 31, 2001. Net cash used in financing activities for the year ended December 31, 2002 was $38,060,000, compared with net cash provided of $18,668,000 for the year ended December 31, 2001. The increase in net cash used in investing activities relates primarily to the sales of securities during the year ended December 31, 2002 and was partially offset by the purchase of more debt and equity securities, increases in loan balances and the investment in bank owned life insurance. The increase in net cash used in financing activities compared with net cash provided for the year ended December 31, 2001 relates primarily to the decrease in accounts and drafts payable at December 31, 2002. Balances in accounts and drafts payable can vary significantly from day to day due to the Company's payment cycle and therefore balances on any one particular day are not necessarily reflective of balances throughout the year. The decrease in accounts and drafts payable at December 31, 2002 was partially offset by short-term borrowings.

Other Off-Balance Sheet Activities

In the normal course of business, the Company is party to activities that contain credit, market and operational risk that are not reflected in whole or in part in the Company's consolidated financial statements. Such activities include traditional off-balance sheet credit-related financial instruments and commitments under operating leases. For details of operating leases refer to Item 8, Note 5 of this report.

The Company provides customers with off-balance sheet credit support through unused loan commitments to extend credit, standby letters of credit and commercial letters of credit. Summarized credit-related financial instruments, including both commitments to extend credit and letters of credit at December 31, 2002 are as follows:

	Amount of Commitment Expiration per Period			
(Dollars in thousands at December 31, 2002)	Total	Less than 1 year	1-3 Years	3-5 Years
Unused loan commitments	$29,463	$20,863	$8,600	$ --
Standby letters of credit	5,663	3,440	2,178	45
Commercial letters of credit	100	100	--	--

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

Capital Resources

One of management's primary objectives is to maintain a strong capital base to warrant the confidence of customers, shareholders, and bank regulatory agencies. A strong capital base is needed to take advantage of profitable growth opportunities that arise and to provide assurance to depositors and creditors. The Company and its banking subsidiary continue to exceed all regulatory capital requirements, as evidenced by the capital ratios at December 31, 2002 as shown in Item 8, Note 2 of this report.

In 2002, cash dividends paid were $.81 per share for a total of $2,628,000, a 1.9% increase over the prior year, which is attributable to both an increase in the per share amount paid and an increase in the number of shares outstanding. On December 16, 2002 the Company issued a 5% stock dividend payable to holders of record on December 5, 2002 and also paid an additional $.01 per share over the per share amounts paid for each of the quarters of 2001 and the first three quarter of 2002.

Shareholders' equity was $61,046,000 or 10.7% of total assets at December 31, 2002, an increase of $5,526,000 over the balance at December 31, 2001. This increase resulted from net income of $7,312,000, an increase in other comprehensive income of $671,000, proceeds from the exercise of stock options of $348,000 and other items of $208,000, which was partially offset by cash dividends paid of $2,628,000, repurchases of stock of $383,000 and $2,000 for payments of fractional shares related to the 5% stock dividend.

Management believes that current cash, cash equivalents, maturing investments and cash from operations will be sufficient to fund the Company's operations and capital expenditures in 2003.

Dividends from the bank subsidiary are a significant source of funds for payment of dividends by the Company to its shareholders. The only restrictions on dividends are those dictated by regulatory capital requirements and prudent and sound banking principles. As of December 31, 2002, unappropriated retained earnings of $3,836,000 were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities.

Effect of Recent and Prospective Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34". This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligation under guarantees issued. The interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's consolidated financial statements. The disclosure requirements are effective for financial statements of periods ending after December 15, 2002 and are included in Item 8, Note 13 of this report.

In December 2002, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123". This statement amends SFAS 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both the annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in Item 8, Note 9 of this report.

Effects of Inflation

The Company's assets and liabilities are primarily monetary, consisting of cash, cash equivalents, securities, loans, payables and deposits. Monetary assets and liabilities are those that can be converted into a fixed number of dollars. The Company's consolidated balance sheet reflects a net positive monetary position (monetary assets exceed monetary liabilities). During periods of inflation, the holding of a net positive monetary position will result in an overall decline in the purchasing power of a company. Management believes that replacement costs of equipment, furniture, and leasehold improvements will not materially affect operations. The rate of inflation does affect certain expenses, such as those for employee compensation, which may not be readily recoverable in the price of the Company's services.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

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

The Company's Asset/Liability Management Committee (ALCO) measures the Company's interest rate risk sensitivity on a quarterly basis to monitor and manage the variability of earnings and fair market value of equity in various interest rate environments. The ALCO evaluates the Company's risk position to determine whether the level of exposure is significant enough to hedge a potential decline in earnings and value or whether the Company can safely increase risk to enhance returns. The ALCO uses gap reports, twelve-month net interest income simulations, and fair market value of equity analyses as its main analytical tools to provide management with insight into the Company's exposure to changing interest rates.

A gap report is used by management to review any significant mismatch between the repricing points of the Company's rate sensitive assets and liabilities in certain time horizons. A negative gap indicates that more liabilities reprice in that particular time frame and, if rates rise, these liabilities will reprice faster than the assets. A positive gap would indicate the opposite. Gap reports can be misleading in that they capture only the repricing timing within the balance sheet, and fail to capture other significant risks such as basis risk and embedded options risk. Basis risk involves the potential for the spread relationship between rates to change under different rate environments and embedded options risk relates to the potential for the alteration of the level and/or timing of cash flows given changes in rates.

Another measurement tool used by management is net interest income simulation, which forecasts net interest income during the coming twelve months under different interest rate scenarios in order to quantify potential changes in short term accounting income. Management has set policy limits specifying acceptable levels of interest rate risk given multiple simulated rate movements. These simulations are more informative than gap reports because they are able to capture more of the dynamics within the balance sheet, such as basis risk and embedded options risk. Simulation results illustrate that the Company's net interest income over the next twelve months would decrease 3.1% from an immediate and sustained parallel decrease in interest rates of 100 basis points and increase 1.7% from a corresponding increase in interest rates.

While net interest income simulations do a good job of capturing interest rate risk to short term earnings, they do not capture risk within the current balance sheet beyond twelve months. The Company uses fair market value of equity analyses to help identify longer-term risk that may reside on the current balance sheet. The fair market value of equity is represented by the present value of all future income streams generated by the current balance sheet. The Company measures the fair market value of equity as the net present value of all asset and liability cash flows discounted at forward rates suggested by the current Treasury curve plus appropriate credit spreads. This representation of the change in the fair market value of equity under different rate scenarios gives insight into the magnitude of risk to future earnings due to rate changes. Management has set policy limits relating to declines in the market value of equity. The results of these analyses indicate that the Company's fair market value of equity would decrease 5.8% from an immediate and sustained parallel decrease in interest rates of 100 basis points and increase 3.9% from a corresponding increase in interest rates.

Interest Rate Sensitive Position

The following table presents the Company's gap or interest rate risk position at December 31, 2002 for the various time periods indicated.

(Dollars in thousands)	Variable Rate	0-90 days	91-180 days	181-364 days	1-5 years	Over 5 Years	Total
Earning assets:							
Loans:							
Taxable	$166,613	$ 8,136	$ 5,269	$ 10,576	$233,491	$ 4,831	$428,916
Tax-exempt	--	--	--	--	2,568	3,205	5,773
Debt and equity securities(1):							
Taxable	--	--	--	--	5,687	21,560	27,247
Tax-exempt	--	--	--	502	1,289	39,132	40,923
Other	1,201	--	--	--	--	--	1,201
Federal funds sold and other short term investments	5,727	--	--	--	--	--	5,727
Total earning assets	173,541	8,136	5,269	11,078	243,035	68,728	509,787
Interest-sensitive liabilities:							
Money market accounts	40,115	--	--	--	--	--	40,115
Now accounts	13,428	--	--	--	--	--	13,428
Savings deposits	32,724	--	--	--	--	--	32,724
Time deposits:							
$100 and more	--	32,900	1,822	3,592	3,974	--	42,288
Less than $100	--	2,035	1,166	1,163	1,247	--	5,611
Federal funds purchased and other short term borrowing	37,438	--	--	--	--	--	37,438
Total interest-bearing liabilities	$123,705	$ 34,935	$ 2,988	$ 4,755	$ 5,221	$ --	$171,604
Interest sensitivity gap:							
Periodic	$ 49,836	$(26,799)	$ 2,281	$ 6,323	$237,814	$ 68,728	$338,183
Cumulative	49,836	23,037	25,318	31,641	269,455	338,183	338,183
Ratio of interest-bearing assets to interest-bearing liabilities:							
Periodic	1.40x	.23x	1.76x	2.33x	46.55x	--	2.97x
Cumulative	1.40x	1.15x	1.16x	1.19x	2.57x	2.97x	2.97x

(1) Balances shown reflect earliest repricing date.

PART II.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CASS INFORMATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 31 2002	December 31 2001
Assets		
Cash and due from banks	$ 24,279	$ 31,915
Federal funds sold and other short-term investments	5,727	67,940
Cash and cash equivalents	30,006	99,855
Investment in debt and equity securities, available-for-sale, at fair value	69,371	92,330
Loans	434,689	381,452
Less: Allowance for loan losses	5,293	4,906
Loans, net	429,396	376,546
Premises and equipment, net	15,359	16,798
Accrued interest receivable	2,539	2,627
Investment in bank owned life insurance	10,178	--
Other assets	15,384	14,221
Total assets	$ 572,233	$ 602,377
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 109,352	$ 117,351
Interest-bearing	134,166	130,627
Total deposits	243,518	247,978
Accounts and drafts payable	223,621	291,794
Short-term borrowings	37,438	200
Other liabilities	6,610	6,885
Total liabilities	511,187	546,857
Shareholders' Equity:		
Preferred stock, par value $.50 per share; 2,000,000 shares authorized and no shares issued	--	--
Common stock, par value $.50 per share; 20,000,000 shares authorized and 4,160,110 and 4,000,000 shares issued at December 31, 2002 and 2001, respectively	2,080	2,000
Additional paid-in capital	8,466	4,997
Retained earnings	64,607	63,623
Common shares in treasury, at cost (796,278 and 818,185 shares at December 31, 2002 and 2001, respectively)	(15,275)	(15,597)
Unamortized stock bonus awards	(25)	(25)
Accumulated other comprehensive income	1,193	522
Total shareholders' equity	61,046	55,520
Total liabilities and shareholders' equity	$ 572,233	$ 602,377

See accompanying notes to consolidated financial statements.

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

(In thousands, except share and per share data)	December 31 2002	2001	2000
Interest Income:			
Interest and fees on loans	$ 26,197	$ 29,069	$ 27,716
Interest and dividends on debt and equity securities:			
Taxable	2,839	4,276	5,205
Exempt from federal income taxes	1,894	47	59
Interest on federal funds sold and other short-term investments	687	2,790	4,085
Total interest income	31,617	36,182	37,065
Interest Expense:			
Interest on deposits	2,240	3,863	5,165
Interest on short-term borrowings	33	9	20
Total interest expense	2,273	3,872	5,185
Net interest income	29,344	32,310	31,880
Provision for loan losses	500	60	750
Net interest income after provision for loan losses	28,844	32,250	31,130
Noninterest Income:			
Payment and processing fees:			
Freight and utility payment and processing fees	24,012	20,142	18,090
Freight rating services fees	610	1,348	1,334
Total payment and processing fees	24,622	21,490	19,424
Bank service fees	1,659	1,522	1,385
Gains on sales of investment securities	1,477	--	--
Other	272	231	305
Total noninterest income	28,030	23,243	21,114
Noninterest Expense:			
Salaries and employee benefits	31,405	30,469	28,500
Occupancy expense	1,500	1,658	1,758
Equipment expense	4,310	3,831	3,027
Other	9,360	8,771	7,951
Total noninterest expense	46,575	44,729	41,236
Income before income tax expense	10,299	10,764	11,008
Income tax expense	2,987	3,739	3,861
Net income	$ 7,312	$ 7,025	$ 7,147
Earnings per share*:			
Basic	$ 2.18	$ 2.07	$ 1.95
Diluted	$ 2.16	$ 2.05	$ 1.93
Weighted average shares outstanding*:			
Basic	3,361,625	3,390,035	3,660,078
Dilutive effect of stock options and awards	21,365	43,851	47,102
Diluted	3,382,990	3,433,886	3,707,180

*Earnings per share and weighted average shares outstanding have been restated to reflect the 5% stock dividend distributed in December 2002.

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	December 31 2002	2001	2000
Cash Flows From Operating Activities:			
Net income	$ 7,312	$ 7,025	$ 7,147
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,978	3,276	2,571
Gains on sales of investment securities	(1,477)	--	--
Amortization of stock bonus awards	22	80	81
Tax benefit from exercise of stock options and bonuses	186	29	10
Provision for loan losses	500	60	750
(Increase) decrease in accounts receivable	(400)	(260)	1,690
Deferred income tax (benefit) expense	(315)	761	(501)
Increase (decrease) in income tax liability	164	(845)	(110)
Decrease (increase) in accrued interest receivable	88	901	(764)
(Decrease) increase in pension liability	(53)	292	560
Change in other assets	(1,521)	(3,213)	(256)
Change in other liabilities	665	616	1,483
Other operating activities, net	(171)	(930)	(350)
Net cash provided by operating activities	8,978	7,792	12,311
Cash Flows From Investing Activities:			
Proceeds from sales of investment securities available-for-sale	63,945	--	--
Proceeds from maturities of debt and equity securities:			
Held-to-maturity	--	--	20,757
Available-for-sale	40,878	38,993	12,909
Purchase of debt and equity securities available-for-sale	(79,761)	(61,497)	(19,322)
Net increase in loans	(53,613)	(14,088)	(94,012)
Purchases of premises and equipment, net	(2,216)	(5,944)	(7,041)
Purchase of bank owned life insurance	(10,000)	--	--
Net cash used in investing activities	(40,767)	(42,536)	(86,709)
Cash Flows From Financing Activities:			
Net (decrease) increase in noninterest-bearing deposits	(7,999)	17,410	8,269
Net (decrease) increase in interest-bearing demand and savings deposits	(18,079)	(1,307)	15,063
Net increase in time deposits	21,618	19,209	598
Net (decrease) increase in accounts and drafts payable	(68,173)	(11,046)	52,946
Net increase (decrease) in short-term borrowings	37,238	200	(208)
Cash proceeds from exercise of stock options	348	60	56
Cash paid for stock dividend for fractional shares	(2)	--	--
Cash dividends paid	(2,628)	(2,579)	(2,784)
Purchase of common shares for treasury	(383)	(3,279)	(7,828)
Net cash (used in) provided by financing activities	(38,060)	18,668	66,112
Net decrease in cash and cash equivalents	(69,849)	(16,076)	(8,286)
Cash and cash equivalents at beginning of year	99,855	115,931	124,217
Cash and cash equivalents at end of year	$ 30,006	$ 99,855	$ 115,931
Supplemental information:			
Cash paid for interest	$ 2,270	$ 3,877	$ 5,143
Cash paid for income taxes	3,155	3,352	4,382
Noncash transactions:			
Foreclosed assets transferred from loans	$ --	$ 4,205	$ --
Other real estate transferred from loans	263	600	--
Transfer of securities from held-to-maturity to available-for-sale	--	6,682	--

See accompanying notes to consolidated financial statements.

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

(In thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unamortized Stock Bonus Awards	Accumulated Other Comprehensive Income (Loss)	Total	Comp-rehensive Income
Balance, December 31, 1999	$ 2,000	$ 5,087	$ 54,814	$ (4,770)	$ (151)	$ (417)	$ 56,563	
Net income			7,147				7,147	$ 7,147
Cash dividends ($.80 per share)			(2,784)				(2,784)	
Purchase of 394,510 common shares for treasury				(7,828)			(7,828)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						576	576	576
Issuance of 1,200 common shares pursuant to Stock Bonus Plan		2		22	(24)			
Amortization of Stock Bonus Plan awards					81		81	
Exercise of stock options		(40)		96			56	
Tax benefit on stock awards		10					10	
Balance, December 31, 2000	2,000	5,059	59,177	(12,480)	(94)	159	53,821	
Comprehensive income for 2000								$ 7,723
Net income			7,025				7,025	7,025
Cash dividends ($.80 per share)			(2,579)				(2,579)	
Purchase of 161,700 common shares for treasury				(3,279)			(3,279)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						397	397	397
Minimum pension liability adjustment, net of tax						(34)	(34)	(34)
Issuance of 600 common shares pursuant to Stock Bonus Plan				11	(11)			
Amortization of Stock Bonus Plan awards					80		80	
Exercise of stock options		(91)		151			60	
Tax benefit on stock awards		29					29	
Balance, December 31, 2001	2,000	4,997	63,623	(15,597)	(25)	522	55,520	
Comprehensive income for 2001								$ 7,388
Net income			7,312				7,312	7,312
Cash dividends ($.81 per share)			(2,628)				(2,628)	
Purchase of 15,664 common shares for treasury				(383)			(383)	
5% stock dividend, net	80	3,618	(3,700)				(2)	
Other comprehensive income (loss):								
Net unrealized gain on debt securities available-for-sale, net of tax						1,597	1,597	1,597
Reclassification adjustment for gains on sales of investment securities, available-for-sale, net of tax						(960)	(960)	(960)
Minimum pension liability adjustment, net of tax						34	34	34
Issuance of 900 common shares pursuant to Stock Bonus Plan		5		17	(22)		--	
Amortization of Stock Bonus Plan awards					22		22	
Exercise of stock options		(340)		688			348	
Tax benefit on stock awards		186					186	
Balance, December 31, 2002	$ 2,080	$ 8,466	$ 64,607	$(15,275)	$ (25)	$ 1,193	$ 61,046	
Comprehensive income for 2002								$ 7,983

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1
Summary of Significant Accounting Policies

Summary of Operations The Company provides payment and information services, which include processing and payment of freight and utility invoices, preparation of transportation management reports, auditing of freight charges and rating of freight shipments. The consolidated balance sheet caption, "Accounts and Drafts Payable," consists of obligations related to the payment services that are performed for customers. The Company also provides a full range of banking services to individual, corporate and institutional customers through its wholly-owned bank subsidiary.

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

Basis of Presentation The accounting and reporting policies of the Company and its subsidiaries conform to accounting policies generally accepted in the United States of America. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of intercompany transactions. Certain amounts in the 2001 and 2000 consolidated financial statements have been reclassified to conform to the 2002 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Use of Estimates In preparing the consolidated financial statements, Company management is required to make estimates and assumptions which significantly affect the reported amounts in the consolidated financial statements. A significant estimate which is particularly susceptible to change in a short period of time is the determination of the allowance for loan losses.

Investment in Debt and Equity Securities The Company classifies its debt and equity securities as available-for-sale. Securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, net of the related tax effect, are excluded from earnings and reported in accumulated other comprehensive income, a component of stockholders' equity. A decline in the fair value of any available-for-sale security below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. Premiums and discounts are amortized or accreted to interest income over the estimated lives of the securities. Interest income is recognized when earned. Gains and losses are calculated using the specific identification method. Investments in equity securities without readily determinable fair values are stated at cost.

Interest on Loans Interest on loans is recognized based upon the principal amounts outstanding. It is the Company's policy to discontinue the accrual of interest when there is reasonable doubt as to the collectibility of principal or interest. Subsequent payments received on such loans are applied to principal if there is any doubt as to the collectibility of such principal; otherwise, these receipts are recorded as interest income. The accrual of interest on a loan is resumed when the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current.

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

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

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

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

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

Foreclosed assets On January 2, 2001, the Company foreclosed on certain operating assets to one borrower in order to protect the financial interest in that borrower. The Bank sold these assets to a wholly-owned subsidiary and invested in and stabilized this business. From the date of foreclosure through December 31, 2002 these assets have been accounted for as a foreclosed asset that is held for sale. At December 31, 2002 and 2001 other assets includes $7,108,000 and $6,612,000, respectively and other liabilities includes $1,810,000 and $1,502,000, respectively related to this business.

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

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

Intangible Assets Cost in excess of fair value of net assets acquired and fair value in excess of cost of net assets acquired have resulted from business acquisitions which were accounted for using the purchase method. The Company adopted the provisions of SFAS 142, "Goodwill and Other Intangible Assets", effective January 1, 2002 which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS 144.

At the date of adoption, the Company had $223,000 of unamortized goodwill, which is included in other assets in the accompanying consolidated balance sheets and was subject to the provisions of SFAS 142. Prior to the adoption of SFAS 142, goodwill was amortized on a straight-line basis over 15 years. Amortization expense related to goodwill was $91,000 for the year ended December 31, 2001.

Periodically, the Company reviews intangible assets for events or changes in circumstances that may indicate that the carrying amount of the assets may not be recoverable. Based on those reviews, adjustments of recorded amounts have not been required.

Income Taxes Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

Earnings Per Share Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares adjusted for the dilutive effect of outstanding stock options and awards. All per share data has been restated to reflect the 5% stock dividend distributed in December 2002.

Stock Options The Company accounts for stock options in accordance with Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees". Under APB 25, if the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

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

Recent and Prospective Accounting Pronouncements In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34". This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligation under guarantees issued. The interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's consolidated financial statements. The disclosure requirements are effective for financial statements for periods ending after December 15, 2002 and are included in Item 8, Note 13 of this report.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123". This statement amends SFAS 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both the annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in Item 8, Note 9 of this report.

Note 2
Capital Requirements And Regulatory Restrictions

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company and the Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulators to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes as of December 31, 2002 and 2001, the Company and the Bank met all capital adequacy requirements to which they are subject.

The Bank is also subject to the regulatory framework for prompt corrective action. The most recent notification from the regulatory agencies, dated December 31, 2002, categorized the Bank as well capitalized. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

Subsidiary dividends are a significant source of funds for payment of dividends by the Company to its shareholders. The Bank is subject to regulations which require the maintenance of minimum capital levels. At December 31, 2002, unappropriated retained earnings of $3,836,000 were available at the Bank for the declaration of dividends to the Company without prior approval from regulatory authorities.

Restricted funds on deposit used to meet regulatory reserve requirements amounted to approximately $707,000 and $431,000 at December 31, 2002 and 2001, respectively.

The Company and the Bank's actual and required capital amounts and ratios as of December 31, 2002 and 2001 are as follows:

(Dollars in thousands)	Actual		Capital requirements		Requirement to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
At December 31, 2002						
Total capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$59,625	12.07%	$39,513	8.00%	$ N/A	N/A%
Cass Commercial Bank	27,425	10.94	20,052	8.00	25,064	10.00
Tier I capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$54,332	11.00%	$19,756	4.00%	$ N/A	N/A%
Cass Commercial Bank	24,412	9.74	10,026	4.00	15,039	6.00
Tier I capital (to average assets):						
Cass Information Systems, Inc.	$54,332	9.16%	$17,791	3.00%	$ N/A	N/A%
Cass Commercial Bank	24,412	8.98	8,157	3.00	13,595	5.00
At December 31, 2001						
Total capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$54,537	12.22%	$35,718	8.00%	$ N/A	N/A%
Cass Commercial Bank	25,363	11.41	17,787	8.00	22,234	10.00
Tier I capital (to risk-weighted assets):						
Cass Information Systems, Inc.	$49,631	11.12%	$17,859	4.00%	$ N/A	N/A%
Cass Commercial Bank	22,608	10.17	8,894	4.00	13,340	6.00
Tier I capital (to average assets):						
Cass Information Systems, Inc.	$49,631	8.75%	$17,022	3.00%	$ N/A	N/A%
Cass Commercial Bank	22,608	9.20	7,375	3.00	12,291	5.00

Note 3
Investment in Debt and Equity Securities

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost, gross unrealized gains, gross unrealized losses and fair value of debt and equity securities at December 31, 2002 and 2001, are summarized as follows:

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

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	2001			
U.S. Government Treasury securities	$ 11,962	$ 322	$ --	$ 12,284
Obligations of U.S. Government corporations and agencies	76,822	581	(90)	77,313
State and political subdivisions	2,070	36	(7)	2,099
Total debt securities	90,854	939	(97)	91,696
Stock in Federal Reserve Bank and Federal Home Loan Bank	634	--	--	634
Total	$91,488	$ 939	$ (97)	$ 92,330

The amortized cost and fair value of debt and equity securities at December 31, 2002, by contractual maturity, are shown in the following table. Expected maturities may differ from contractual maturities because borrowers have the right to prepay obligations with or without prepayment penalties.

(In thousands)	Amortized Cost	Fair Value
	2002	
Due in 1 year or less	$ --	$ --
Due after 1 year through 5 years	6,758	6,975
Due after 5 years through 10 years	32,518	33,165
Due after 10 years	27,086	28,030
No stated maturity	1,201	1,201
Total	$ 67,563	$ 69,371

There were no securities pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes at December 31, 2002, and the amortized cost of debt securities pledged at December 31, 2001 was approximately $11,788,000.

Proceeds from sales of debt securities classified as available-for-sale were $63,945,000 for 2002 and there were no sales of debt and equity securities in 2001 or 2000. Gross gains realized on the sales in 2002 were $1,501,000 and gross losses realized were $24,000.

On January 2, 2001 the Company transferred the remaining balance of held-to-maturity securities into available-for-sale securities as allowed upon the adoption of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". At the time of the transfer the fair value of the securities transferred was $6,682,000.

Note 4
Loans

A summary of loan categories at December 31, 2002 and 2001, is as follows:

(In thousands)	2002	2001
Commercial and industrial	$ 101,116	$ 115,316
Real estate:		
Mortgage	176,667	128,651
Mortgage - Church & related	105,458	86,853
Construction	3,101	16,041
Construction - Church & related	36,074	16,674
Industrial revenue bonds	5,773	6,155
Installment	1,918	1,787
Other	4,582	9,975
Total	$ 434,689	$ 381,452

The Company originates commercial, industrial, real estate and installment loans to businesses, churches and consumers throughout the metropolitan St. Louis area. The Company also originates church and church-related loans outside the metropolitan St. Louis area. The Company does not have any particular concentration of credit in any one economic sector; however, a substantial portion of the commercial and industrial loans are extended to privately held commercial companies in this market area, and are generally secured by the assets of the business. The Company also has a substantial portion of real estate loans that are extended to churches, in this market area and selected cities throughout the United States, which are secured by mortgages.

Loan transactions involving executive officers and directors of the Company and its subsidiaries and loans to affiliates of executive officers and directors for the year ended December 31, 2002, are summarized below. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility.

(In thousands)	
Aggregate balance, January 1, 2002	$ 3,661
New loans	50
Payments	(337)
Aggregate balance, December 31, 2002	$ 3,374

A summary of the activity in the allowance for loan losses for 2002, 2001 and 2000 is as follows:

(In thousands)	2002	2001	2000
Balance, January 1	$ 4,906	$ 4,897	$ 4,282
Provision charged to expense	500	60	750
Loans charged off	(152)	(110)	(183)
Recoveries of loans previously charged off	39	59	48
Net loan charge-offs	(113)	(51)	(135)
Balance, December 31	$ 5,293	$ 4,906	$ 4,897

A summary of impaired loans at December 31, 2002 and 2001, is as follows:

(In thousands)	2002	2001
Nonaccrual loans	$ 51	$ 454
Impaired loans continuing to accrue interest	7,885	71
Renegotiated loans	4,252	--
Total impaired loans	$ 12,188	$ 525

The impaired loans continuing to accrue interest of $7,885,000 includes $4,891,000 of loans that are over 90 days or more past due and have paid-off subsequent to year-end and also includes $2,994,000 of loans that are current under the original terms of the loans, but current circumstances have raised questions as to the ability of the borrowers to comply with the loan repayment terms in the future.

The allowance for loan losses on impaired loans was $1,007,000 and $211,000 at December 31, 2002 and 2001, respectively. Impaired loans with no related allowance for loan losses totaled $11,181,000 and $314,000 at December 31, 2002 and 2001, respectively. The average balance of impaired loans during 2002 and 2001 was $7,773,000 and $1,206,000, respectively. Income that would have been recognized on non-accrual and renegotiated loans under the original terms of the contract was $346,000, $65,000 and $123,000 for 2002, 2001 and 2000, respectively. Income that was recognized on total impaired loans was $972,000, $9,000 and $106,000 for 2002, 2001 and 2000, respectively. Loans delinquent 90 days or more and still accruing interest at December 31, 2002 totaled $4,891,000.

Note 5
Premises and Equipment

A summary of premises and equipment at December 31, 2002 and 2001, is as follows:

(In thousands)	2002	2001
Land	$ 873	$ 873
Buildings	10,288	10,222
Leasehold improvements	968	1,168
Furniture, fixtures and equipment	16,799	17,017
Purchased software	3,105	3,407
Internally developed software	4,130	3,924
	36,163	36,611
Less accumulated depreciation and amortization	20,804	19,813
Total	$ 15,359	$ 16,798

Depreciation charged to expense in 2002, 2001 and 2000 amounted to $3,638,000, $3,085,000 and $2,275,000, respectively.

The Company and its subsidiaries lease various premises and equipment under operating lease agreements which expire at various dates through 2007. The following is a schedule, by year, of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2002:

(In thousands)	
2003	$ 252
2004	242
2005	209
2006	42
2007	7
Total	$ 752

Rental expense for 2002, 2001 and 2000 was $604,000, $761,000 and $1,161,000, respectively.

Note 6
Interest-Bearing Deposits

Interest-bearing deposits consist of the following at December 31, 2002 and 2001:

(In thousands)	2002	2001
NOW and Money Market Demand Accounts	$ 53,543	$ 57,908
Savings deposits	32,724	46,438
Time deposits:		
Less than $100	5,611	4,576
$100 or more	42,288	21,705
Total	$ 134,166	$ 130,627

Interest on deposits consist of the following for 2002, 2001 and 2000:

(In thousands)	2002	2001	2000
NOW and Money Market Demand Accounts	$ 632	$ 1,544	$ 1,961
Savings deposits	528	1,761	2,885
Time deposits:			
Less than $100	178	195	190
$100 or more	902	363	129
Total	$ 2,240	$ 3,863	$ 5,165

The scheduled maturities of certificates of deposit at December 31, 2002 and 2001, are summarized as follows:

	2002		2001	
(In thousands)	Amount	Percent of Total	Amount	Percent of Total
Due within:				
One year	$ 42,678	89.1%	$24,274	92.4%
Two years	3,066	6.4	1,027	3.9
Three years	920	1.9	325	1.2
Four years	10	--	55	.2
Five years	1,225	2.6	--	--
Over five years	--	--	600	2.3
Total	$47,899	100.0%	$26,281	100.0%

Note 7
Short-Term Borrowings

Company short-term borrowings consist mainly of federal funds purchased and tax deposits of the United States Treasury. At December 31, 2002 the bank subsidiary borrowed $37,438,000 in federal funds at a year-end weighted average rate of 1.56%. Of this amount, $17,438,000 were unsecured borrowings and $20,000,000 were borrowings from the Federal Home Loan Bank secured by commercial and residential mortgage loans. Average borrowings for 2002 were $1,485,000 with an average rate of 2.22%. The borrowings for the month ended December 31, 2002 was the maximum amount that was outstanding at the end of any month during the year. For the year ended December 31, 2001 short-term borrowing totaled $200,000 and consisted of borrowing from the Treasury related to tax deposits received from customers not yet drawn upon by the Treasury. These borrowings are secured by U.S. Treasury and Agency securities. The average amount of all borrowings for 2001 was $362,000 at an average rate of 2.49% and the maximum amount outstanding at the end of any month during the year was $1,000,000.

Note 8
Common Stock

On December 16, 2002 the Company paid a 5% stock dividend to shareholders of record on December 5, 2002. Based on the number of common shares outstanding on the record date, the Company issued 160,110 new shares. The fair market value of the additional shares issued aggregated $3,700,000 and was charged to retained earnings. In addition, common stock and additional paid-in capital were increased by $80,000 and $3,618,000, respectively. All references in the accompanying consolidated financial statements to per share amounts are based on the increased number of shares giving retroactive effect to the stock dividend.

The following table reflects changes in outstanding common shares for the years ended December 31, 2002 and 2001:

	2002	2001
Balance at January 1	3,181,815	3,334,911
Repurchase of shares	(15,664)	(161,700)
Issuance of shares for stock bonus plan	900	600
Exercise of stock options, net	36,671	8,004
5% Stock dividend	160,110	--
Balance at December 31	3,363,832	3,181,815

Note 9
Employee Benefits

The Company has a noncontributory defined benefit pension plan which covers substantially all of its employees. The Company accrues and makes contributions designed to fund normal service costs on a current basis using the projected unit credit with service proration method to amortize prior service costs arising from improvements in pension benefits and qualifying service prior to the establishment of the plan over a period of approximately 30 years.

The pension cost for 2002, 2001 and 2000 was $948,000, $700,000 and $386,000, respectively, and included the following components:

(In thousands)	2002	2001	2000
Service cost - benefits earned during the year	$ 952	$ 824	$ 747
Interest cost on projected benefit obligations	1,012	898	778
Expected return on plan assets	(1,031)	(960)	(959)
Net amortization and deferral	15	(62)	(180)
Net periodic pension cost	$ 948	$ 700	$ 386

A summary of the activity in the defined benefit pension plan's benefit obligation, assets, funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 2002 and 2001, is as follows:

(In thousands)	2002	2001
Benefit obligation:		
Balance, January 1	$ 14,166	$11,931
Service cost	952	824
Interest cost	1,012	898
Actuarial loss	551	736
Benefits paid	(220)	(223)
Balance, December 31	$ 16,461	$14,166
Plan assets:		
Fair value, January 1	$ 12,640	$12,089
Actual return	(524)	51
Employer contribution	901	723
Benefits paid	(220)	(223)
Fair value, December 31	$ 12,797	$12,640
Funded status:		
Unfunded projected benefits obligation	$ (3,664)	$(1,526)
Unrecognized prior service cost	103	12
Unrecognized net loss (gain)	1,463	(537)
Accrued pension cost	$ (2,098)	$(2,051)

The weighted average discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.00% and 4.00% in 2002, 7.25% and 4.00% in 2001 and 7.50% and 4.00% in 2000. The expected long-term rate of return on assets was 8.00% in 2002, 2001 and 2000.

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

The pension cost for 2002, 2001 and 2000 for the supplemental executive retirement plan was $177,000, $220,000 and $245,000 respectively, and included the following components:

(In thousands)	2002	2001	2000
Service cost - benefits earned during the year	$ (13)	$ 11	$ 29
Interest cost on projected benefit obligations	124	120	131
Net amortization and deferral	66	89	85
Net periodic pension cost	$ 177	$ 220	$ 245

A summary of the activity in the supplemental executive retirement plan's benefit obligation, funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 2002 and 2001, is as follows:

(In thousands)	2002	2001
Benefit obligation:		
Balance, January 1	$ 1,787	$ 1,798
Service cost	(13)	11
Interest cost	124	120
Actuarial gain	(20)	(142)
Balance, December 31	$ 1,878	$ 1,787

Funded status:		
Unfunded projected benefits obligation	$ (1,878)	$(1,787)
Unrecognized prior service cost	454	587
Unrecognized actuarial loss	383	336
Accrued pension cost	(1,041)	(864)
Minimum liability adjustment	(379)	(638)
Accrued pension cost	$ (1,420)	$(1,502)

The weighted average discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.00% and 4.00% in 2002, 7.25% and 4.00% in 2001 and 7.50% and 4.00% in 2000.

The provisions of SFAS 87, "Employers' Accounting for Pensions", required the Company to record an additional minimum liability of $379,000 and $638,000 at December 31, 2002 and 2001, respectively. This liability represents the amount by which the accumulated benefit obligation exceeds the sum of the fair value of plan assets and accrued amounts previously recorded. The additional liability is offset by an intangible asset to the extent of previously unrecognized prior service cost. The intangible assets of $379,000 and $587,000 at December 31, 2002 and 2001, respectively, are included in other assets on the accompanying consolidated balance sheets. The remaining amount at December 31, 2001 of $51,000 is recorded, net of tax, as an accumulated other comprehensive loss.

The Company maintains a noncontributory profit sharing plan which covers substantially all of its employees. Employer contributions are calculated based upon formulas which relate to current operating results and other factors. Profit sharing expense recognized in the consolidated statements of income in 2002, 2001 and 2000 was $1,632,000, $1,588,000 and $1,617,000, respectively.

The Company sponsors a defined contribution 401(k) plan to provide additional retirement benefits to substantially all employees. Contributions under the 401(k) plan for 2002, 2001 and 2000 were $277,000, $260,000 and $247,000, respectively.

Stock Option and Bonus Plans*

The Company maintains a restricted stock bonus plan which provides for the issuance of up to 102,820 shares of common stock, the purpose of which is to permit grants of shares, subject to restrictions, to key employees and non-employee directors of the Company as a means of retaining and rewarding them for long-term performance. During 2002, 2001 and 2000, 945 shares, 630 shares and 1,260 shares, respectively, were granted at market prices of $23.33 in 2002, $18.67 in 2001 and $19.05 in 2000. The fair value of such shares, which is based on the market price on the date of grant, has been recorded in the consolidated financial statements through the establishment of a contra shareholders' equity account which is amortized to expense over the three-year vesting period. Amortization of the restricted stock bonus awards totaled $22,000 for 2002, $80,000 for 2001 and $81,000 for 2000. At December 31, 2002 the weighted-average grant date fair value and weighted average contractual life for outstanding shares of restricted stock was $21.23 and 2.3 years, respectively.

A summary of restricted stock bonus share activity follows:

	2002	2001	2000
Awards available for grant beginning of year	60,165	60,795	62,055
Restricted shares awarded	(945)	(630)	(1,260)
Awards available for grant end of year	59,220	60,165	60,795

The Company also maintains a performance-based stock option plan, which provides for the granting of options to acquire up to 410,786 shares of Company common stock. Options vest over a period not to exceed seven years.

The following table summarizes stock options outstanding as of December 31, 2002:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life
$ 9.80	31,681	2.00 years
19.34	6,300	2.43
21.85	3,675	3.00
21.86	6,300	6.00
23.40	2,100	3.00
23.99	59,167	3.00
24.18	8,925	2.08

Changes in options outstanding were as follows:

	Shares	Weighted Average Exercise Price
Balance at December 31, 1999	175,129	$16.51
Exercised	(5,639)	9.80
Balance at December 31, 2000	169,490	16.73
Exercised	(10,924)	9.80
Forfeited	(2,270)	19.65
Balance at December 31, 2001	156,296	17.18
Granted	6,300	21.86
Exercised	(40,773)	9.80
Forfeited	(3,675)	23.99
Balance at December 31, 2002	118,148	$19.76

At December 31, 2002, 39,679 shares were exercisable with a weighted average exercise price of $12.32.

The Company accounts for stock-based compensation under the stock option plan in accordance with APB 25, "Accounting for Stock Issued to Employees", and accordingly, recognizes no compensation expense as the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. The Company elected not to adopt the recognition provisions of the SFAS 123, "Accounting for Stock-Based Compensation", as amended by SFAS 148. An entity that continues to apply APB 25 shall disclose certain pro forma information as if the fair value-based accounting method in SFAS 123 had been used to account for stock-based compensation costs. The required disclosure provisions of SFAS 123, as amended by SFAS 148, are provided in the table below. The Company uses the Black-Scholes option-pricing model to determine the fair value of the stock options at the date of grant. The weighted average assumptions for shares granted in 2002 were: an expected life of 7 years, dividend yield of 3.52%, expected volatility of 15% and risk-free interest rate of 3.54%. There were no grants in 2000 and 2001. The following table represents the effect on earnings and diluted earnings per share for the periods ended December 31, 2002, 2001 and 2000:

(In thousands, except per share data)	2002	2001	2000
Net income:			
As reported	$ 7,312	$ 7,025	$ 7,147
Add: Stock based compensation expense included in reported net income, net of tax	15	53	53
Less: Stock based compensation expense determined under the fair value based method for all awards, net of tax	(60)	(126)	(126)
Pro forma net income	$ 7,267	$ 6,952	$ 7,074
Net income per common share:			
Basic, as reported	$ 2.18	$ 2.07	$ 1.95
Basic, proforma	2.16	2.05	1.93
Diluted, as reported	2.16	2.05	1.93
Diluted, proforma	2.15	2.02	1.91

*All share and per share amounts in this section have been adjusted to reflect the 5% stock dividend issued in December 2002.

Note 10
Other Noninterest Expense

Details of other noninterest expense for 2002, 2001 and 2000 are as follows:

(In thousands)	2002	2001	2000
Postage, printing and supplies	$ 2,906	$ 2,662	$ 2,357
Advertising and business development	1,382	1,280	1,407
Professional fees	1,964	1,740	1,223
Outside service fees	1,175	1,006	810
Data processing services	231	416	499
Telecommunications	510	605	635
Other	1,192	1,062	1,020
Total other noninterest expense	$ 9,360	$ 8,771	$ 7,951

Note 11
Income Taxes

The components of income tax expense for 2002, 2001 and 2000 are as follows:

(In thousands)	2002	2001	2000
Current:			
Federal	$ 2,843	$ 2,571	$ 4,035
State	419	407	327
Deferred	(315)	761	(501)
Total income tax expense	$ 2,987	$ 3,739	$ 3,861

A reconciliation of expected income tax expense, computed by applying the effective federal statutory rate of 34% for 2002, 2001 and 2000 to income before income tax expense, to reported income tax expense is as follows:

(In thousands)	2002	2001	2000
Expected income tax expense	$ 3,502	$ 3,660	$ 3,743
(Reductions) increases resulting from:			
Tax-exempt interest	(800)	(229)	(150)
State taxes, net of federal benefit	277	269	216
Other, net	8	39	52
Total income tax expense	$ 2,987	$ 3,739	$ 3,861

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002 and 2001, are presented below:

(In thousands)	2002	2001
Deferred tax assets:		
Allowance for loan losses	$ 1,452	$ 1,124
Accrued pension cost	724	716
Other	459	444
Total deferred tax assets	2,635	2,284
Deferred tax liabilities:		
Unrealized gain on investment in debt and equity securities available-for-sale	(615)	(286)
Discount accretion	(19)	(71)
Premises and equipment	(724)	(645)
Other	(218)	(209)
Total deferred tax liabilities	(1,576)	(1,211)
Net deferred tax assets	$ 1,059	$ 1,073

A valuation allowance would be provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company has not established a valuation allowance at December 31, 2002 or 2001, due to management's belief that all criteria for recognition have been met, including the existence of a history of taxes paid sufficient to support the realization of deferred tax assets.

Note 12
Contingencies

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

Note 13
Disclosures About Financial Instruments

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. The Company's maximum potential exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, commercial letters of credit and standby letters of credit is represented by the contractual amounts of those instruments. At December 31, 2002, no amounts have been accrued for any estimated losses for these instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These off-balance sheet financial instruments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The approximate remaining term of commercial and standby letters of credit range from less than 1 to 5 years. Since some of the financial instruments may expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. Commitments to extend credit and letters of credit are subject to the same underwriting standards as those financial instruments included on the consolidated balance sheets. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of the credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally accounts receivable, inventory, residential or income-producing commercial property or equipment. In the event of nonperformance, the Company may obtain and liquidate the collateral to recover amounts paid under its guarantees on these financial instruments.

The following table shows conditional commitments to extend credit, standby letters of credit and commercial letters at December 31, 2002 and 2001:

(In thousands)	2002	2001
Conditional commitments to extend credit	$ 29,463	$ 28,644
Standby letters of credit	5,663	6,026
Commercial letters of credit	100	111

Following is a summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2002 and 2001:

	2002		2001	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Balance sheet assets:				
Cash and cash equivalents	$ 30,006	$ 30,006	$ 99,855	$ 99,855
Investment in debt and equity securities	69,371	69,371	92,330	92,330
Loans, net	429,396	434,208	376,546	379,249
Accrued interest receivable	2,539	2,539	2,627	2,627
Total	$ 531,312	$ 536,124	$ 571,358	$ 574,061
Balance sheet liabilities:				
Deposits	$ 243,518	$ 243,871	$ 247,978	$ 248,159
Accounts and drafts payable	223,621	223,621	291,794	291,794
Short-term borrowings	37,438	37,438	200	200
Accrued interest payable	91	91	88	88
Total	$ 504,668	$ 505,021	$ 540,060	$ 540,241

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

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

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

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

Deposits The fair value of demand deposits, savings deposits and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. The fair value estimates above do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market nor the benefit derived from the customer relationship inherent in existing deposits.

Commitments to Extend Credit and Standby Letters of Credit The fair value of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments and the present credit-worthiness of such counterparties. The Company believes such commitments have been made at terms which are competitive in the markets in which it operates; however, no premium or discount is offered thereon and, accordingly, the Company has not assigned a value to such instruments for purposes of this disclosure.

Limitations Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets or liabilities that are not considered financial assets or liabilities include premises and equipment and the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market (core deposit intangible). In addition, tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

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

Note 14
Industry Segment Information

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

The Transportation Information Services unit provides freight invoice rating, payment, auditing, cost accounting and transportation information services to large corporate shippers. The Utility Information Services unit processes and pays utility invoices, including electricity, gas, water, telephone and refuse, for large corporate entities that have many locations or are heavy users of energy. The Banking Services unit provides banking services primarily to privately-held businesses and churches.

The Company's accounting policies for segments are the same as those described in Note 1 of this report. Management evaluates segment performance based on net income after allocations for corporate expenses and income taxes. Transactions between segments are accounted for at what management believes to be market value. The Company initiated the reporting of information relating to the Utility Information Services unit in 2001 due to its growth and formalization of its existence as an operating unit. Previous period information has been restated, when practical, to reflect this addition.

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

Summarized information about the Company's operations in each industry segment for the periods ended December 31, 2002, 2001 and 2000, is as follows:

(In thousands)	Transportation Information Services	Utility Information Services	Banking Services	Corporate and Eliminations	Total
2002					
Net interest income (expense) after provision for loan losses:					
Interest from customers	$ 14,117	$ 3,127	$ 11,600	$ --	$ 28,844
Intersegment interest	(87)	(19)	106	--	--
Noninterest income:					
Income from customers	19,275	6,920	1,835	--	28,030
Intersegment income	--	--	1,511	(1,511)	--
Depreciation and amortization	2,544	916	453	65	3,978
Income taxes	185	368	2,434	--	2,987
Net income	2,130	1,090	4,092	--	7,312
Total assets	240,611	52,817	315,294	(36,489)	572,233
2001					
Net interest income (expense) after provision for loan losses:					
Interest from customers	$ 16,867	$ 3,271	$ 12,112	$ --	$ 32,250
Intersegment interest	127	24	(151)	--	--
Noninterest income:					
Income from customers	17,262	4,450	1,531	--	23,243
Intersegment income	--	--	1,412	(1,412)	--
Depreciation and amortization	2,300	516	425	35	3,276
Income taxes	1,319	25	2,419	(24)	3,739
Net income	2,945	34	4,095	(49)	7,025
Total assets	262,707	58,844	288,887	(8,061)	602,377
2000					
Net interest income (expense) after provision for loan losses:					
Interest from customers	$ 18,498	$ 1,694	$ 10,938	$ --	$ 31,130
Intersegment interest	224	22	(246)	--	--
Noninterest income:					
Income from customers	17,500	2,228	1,386	--	21,114
Intersegment income	--	--	1,131	(1,131)	--
Depreciation and amortization	2,033	61	444	33	2,571
Income taxes	2,292	(273)	1,891	(49)	3,861
Net income	4,572	(572)	3,246	(99)	7,147
Total assets	309,698	28,400	238,782	6	576,886

Note 15
SUPPLEMENTARY FINANCIAL INFORMATION
(Unaudited)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	YTD
2002					
Interest income	$ 7,919	$ 8,199	$ 7,863	$ 7,636	$ 31,617
Interest expense	551	585	579	558	2,273
Net interest income	7,368	7,614	7,284	7,078	29,344
Provision for loan losses	90	180	90	140	500
Noninterest income	6,004	7,502	6,756	7,768	28,030
Noninterest expense	11,324	11,713	11,493	12,045	46,575
Income tax expense	612	992	683	700	2,987

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	YTD
2002 cont'd					
Net income	$ 1,346	$ 2,231	$ 1,774	$ 1,961	$ 7,312
Net income per share:					
Basic earnings per share*	$. 40	$ .67	$ .53	$ .58	$ 2.18
Diluted earnings per share*	.40	.66	.52	.58	2.16
2001					
Interest income	$ 9,448	$ 9,051	$ 9,030	$ 8,653	$ 36,182
Interest expense	1,446	952	825	649	3,872
Net interest income	8,002	8,099	8,205	8,004	32,310
Provision for loan losses	--	--	60	--	60
Noninterest income	5,740	5,655	5,886	5,962	23,243
Noninterest expense	11,088	11,037	11,100	11,504	44,729
Income tax expense	904	942	1,035	858	3,739
Net income	$ 1,750	$ 1,775	$ 1,896	$ 1,604	$ 7,025
Net income per share:					
Basic earnings per share*	$ .50	$ .52	$ .57	$ .48	$ 2.07
Diluted earnings per share*	.50	.52	.56	.47	2.05

*Basic and diluted earnings per share have been adjusted to reflect the 5% stock dividend issued in 2002.

Note 16
Condensed Financial Information of Parent Company

Following are the condensed balance sheets of the Company (parent company only) as of December 31, 2002 and 2001, and the related condensed statements of income and cash flows for each of the years in the three-year period ended December 31, 2002.

	Condensed Balance Sheets December 31	
(In thousands)	2002	2001
Assets:		
Cash and due from banks	$ 2,599	$ 6,773
Short-term investments	--	37,889
Investment in debt and equity securities, available-for-sale	54,854	77,651
Loans, net	205,240	178,347
Investment in Cass Commercial Bank	29,910	27,792
Premises and equipment, net	14,354	15,650
Other assets	17,538	7,501
Total assets	$ 324,495	$ 351,603
Liabilities and Shareholders' Equity:		
Accounts and drafts payable	$ 223,621	$ 291,794
Borrowings from Cass Commercial Bank	35,861	--
Other liabilities	3,967	4,289
Total liabilities	263,449	296,083
Total shareholders' equity	61,046	55,520
Total liabilities and shareholders' equity	$ 324,495	$ 351,603

Condensed Statements of Income
December 31

(In thousands)	2002	2001	2000
Income from Cass Commercial Bank:			
Dividends	$ 2,100	$ --	$ 5,497
Interest	41	253	364
Management fees	776	827	692
Income from subsidiary	2,917	1,080	6,553
Information services revenue	24,622	21,490	19,424
Net interest income after provision	16,119	19,055	19,242
Gains on sales of investment securities	1,313	--	--
Other income	259	222	304
Total income	45,230	41,847	45,523
Expenses:			
Salaries and employee benefits	26,884	26,080	24,272
Other expenses	12,474	11,517	9,883
Total expenses	39,358	37,597	34,155
Income before income tax and equity in undistributed income of subsidiary	5,872	4,250	11,368
Income tax expense	552	1,320	1,970
Income before undistributed income of subsidiary	5,320	2,930	9,398
Equity in undistributed income (loss) of subsidiary	1,992	4,095	(2,251)
Net income	$ 7,312	$ 7,025	$ 7,147

Condensed Statements of Cash Flows
December 31

(In thousands)	2002	2001	2000
Cash flows from operating activities:			
Net income	$ 7,312	$ 7,025	$ 7,147
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (income) loss of subsidiary	(1,992)	(4,095)	2,251
Net change in other assets	3,249	3,452	2,250
Net change in other liabilities	(322)	(2,234)	2,112
Amortization of stock bonus awards	22	80	81
Other, net	709	375	538
Net cash provided by operating activities	8,978	4,603	14,379
Cash flows from investing activities:			
Decrease (increase) in securities	22,797	(25,603)	16,738
Net (increase) decrease in loans	(26,893)	7,629	(67,717)
Purchase of bank owned life insurance	(10,000)	--	--
Purchases of premises and equipment, net	(1,990)	(5,625)	(6,785)
Net cash used in investing activities	(16,086)	(23,599)	(57,764)
Cash flows from financing activities:			
Net (decrease) increase in accounts and drafts payable	(68,173)	(11,046)	52,946
Advances from Cass Commercial Bank	35,861	--	--
Cash dividends paid	(2,628)	(2,579)	(2,784)
Purchase of common shares for treasury	(383)	(3,279)	(7,828)
Other financing activities	368	60	56
Net cash (used in) provided by financing activities	(34,955)	(16,844)	42,390
Net decrease in cash and cash equivalents	(42,063)	(35,840)	(995)
Cash and cash equivalents at beginning of year	44,662	80,502	81,497
Cash and cash equivalents at end of year	$ 2,599	$ 44,662	$ 80,502

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Cass Information Systems, Inc. and subsidiaries (the Company) as of December 31, 2002 and 2001, 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, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cass Information Systems, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

St. Louis, Missouri
January 23, 2003

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

NONE

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning directors and executive officers of the Registrant is incorporated herein by reference from the Company's definitive Proxy Statement for its 2003 Annual Meeting of Shareholders, a copy of which will be filed with the Securities and Exchange Commission (SEC) no later than 120 days after the close of the fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated herein by reference from the Company's definitive Proxy Statement for its 2003 Annual Meeting of Shareholders, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the Company's definitive Proxy Statement for its 2003 Annual Meeting of Shareholders, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and transactions is incorporated herein by reference from the Company's definitive Proxy Statement for its 2003 Annual Meeting of Shareholders, a copy of which will be filed with the SEC no later than 120 days after the close of the fiscal year.

ITEM 14. CONTROLS AND PROCEDURES

The Company maintains controls and procedures designed to ensure that the information it is required to disclose in the reports it files with the SEC is recorded, processed, summarized and reported to management, including the Chief Executive Officer and Chief Financial Officer within the time periods specified in the rules of the SEC. The Company's Chief Executive and Chief Financial Officers have reviewed and evaluated these controls within 90 days of the filing of this report and based on their evaluation believe that these procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

Since the date of the most recent evaluation of the Company's internal controls by the Chief Executive and Chief Financial Officers, there have been no significant changes in such controls or in other factors that could have significantly affected those controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

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

(3) Exhibits

3.1	Restated Articles of Incorporation of Registrant, incorporated by reference to Exhibit 4.1 to Form S-8 Registration Statement No. 333-44499, filed with the SEC on January 20, 1998
3.2	Bylaws of Registrant, incorporated by reference to Exhibit 4.2 to Form S-8 Registration Statement No. 333-44499, filed with the SEC on January 20, 1998
10.1	1995 Restricted Stock Bonus Plan, as amended to January 19, 1999, including form of Restriction Agreement, incorporated by reference to Exhibit 4.3 to Post-Effective Amendment No. 2 to Form S-8 Registration Statement No. 33-91456, filed with the SEC on February 16, 1999
10.2	1995 Performance-Based Stock Option Plan, as amended to January 19, 1999, including forms of Option Agreements, incorporated by reference to Exhibit 4.3 to Post-Effective Amendment No. 2 to Form S-8 Registration Statement No. 33-91568, filed with the SEC on February 16, 1999
21	Subsidiaries of registrant
23	Consent of KPMG LLP
99.1	Exhibit 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Exhibit 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended December 31, 2002.

SIGNATURES

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

CASS INFORMATION SYSTEMS, INC.

Date: March 10, 2003 By /s/ Lawrence A. Collett

Lawrence A. Collett
Chairman and Chief Executive Officer

Date: March 10, 2003 By /s/ Eric H. Brunngraber

Eric H. Brunngraber
Vice President-Secretary
(Chief Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on the dates indicated by the following persons on behalf of the Company and in their capacity as a member of the Board of Directors of the Company.

Date: March 10, 2003 By /s/ Robert J. Bodine

Robert J. Bodine

Date: March 10, 2003 By /s/ Eric H. Brunngraber

Eric H. Brunngraber

Date: March 10, 2003 By /s/ Bryan S. Chapell

Bryan S. Chapell

Date: March 10, 2003 By /s/ Lawrence A. Collett

Lawrence A. Collett

Date: March 10, 2003 By /s/ Thomas J. Fucoloro

Thomas J. Fucoloro

Date: March 10, 2003 By /s/ Harry J. Krieg

Harry J. Krieg

Date: March 10, 2003 By /s/ Howard A. Kuehner

Howard A. Kuehner

Date: March 10, 2003 By /s/ Jake Nania

Jake Nania

Date: March 10, 2003 By /s/ Irving A. Shepard

Irving A. Shepard

Date: March 10, 2003 By /s/ A. J. Signorelli

A. J. Signorelli

Date: March 10, 2003 By /s/ Bruce E. Woodruff

Bruce E. Woodruff

CERTIFICATIONS

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

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Lawrence A. Collett
- -----------------------------------
Lawrence A. Collett
Chairman and Chief Executive Officer
March 10, 2003

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

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Eric H. Brunngraber
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Eric H. Brunngraber
Vice President - Secretary
(Chief Financial and Accounting Officer)
March 10, 2003

Exhibit 21

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

Name & Address	State of Incorporation
Cass Commercial Bank 13001 Hollenberg Drive Bridgeton, Missouri 63044	Missouri
Cass Information Systems, Inc.(1) 13001 Hollenberg Drive Bridgeton, Missouri 63044	Missouri
Government e-Management Solutions, Inc.(2) 121 Hunter Avenue Suite 100 St. Louis, MO 63124	Missouri

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

(2) Government e-Management Solutions, Inc. was reported as an unconsolidated subsidiary through December 31, 2002 and consolidated into the operations of the Company effective January 1, 2003.

Exhibit 23

Independent Auditors' Consent

The Board of Directors
Cass Information Systems, Inc.:

We consent to the incorporation by reference in the registration statements No. 33-91456, No. 33-91568, and No. 333-44499 on Form S-8 of Cass Information Systems, Inc. (Cass) of our report dated January 23, 2003, relating to the consolidated balance sheets of Cass Information Systems, Inc. and subsidiaries as of December 31, 2002 and 2001, 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, 2002, which report appears in the December 31, 2002 annual report on Form 10-K of Cass.

/s/ KPMG LLP

St. Louis, Missouri
March 10, 2003

Exhibit 99.1

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

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

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

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

/s/ Lawrence A. Collett

Lawrence A. Collett
Chairman and Chief Executive Officer
March 10, 2003

Exhibit 99.2

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

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

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

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

/s/ Eric H. Brunngraber

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Eric H. Brunngraber
Vice President - Secretary
(Chief Financial and Accounting Officer)
March 10, 2003