CASS INFORMATION SYSTEMS INC
Form 10-K405
March 18, 2002

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, 2001

|_| 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, 2002, 3,202,822 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 $60,647,000 based upon the Nasdaq Stock Market closing price of $25.00 for March 5, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 15, 2002 is incorporated by reference in Part III hereof.

CASS INFORMATION SYSTEMS, INC.
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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 web, Internet and browser technology in all of its systems. It heavily utilizes electronic commerce in transferring over $9 billion of 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 for handling the billions of dollars of payments and the infrastructure for electronic funds transfers (EFT). The Company's wholly owned subsidiary, Cass Commercial Bank was organized as a Missouri trust company with banking powers 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 System

(the "FRB") in February 1983. The Company changed its name to Cass Information Systems, Inc. in January 2001. The Company owns 100% of the outstanding shares of common stock of Cass Commercial Bank. The principal offices of the Company are 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 three 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 for 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 bank holding company affiliates, many of which are larger and have greater resources than the Bank, and 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, MO area and church and church related institutions located in St. Louis, MO and other selected cities located throughout the United States.

Employees

The Company had 608 full-time and 74 part-time employees as of December 31, 2001. Of these employees, the bank subsidiary had 68 full-time and 6 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 see, 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.

Financial Information about Segments

The revenues from external customers, net income (loss) and total assets by segment, for the three years ended December 31, 2001 are set forth in Part II, Item 8, Note 12 of this report.

Statistical Disclosure by Bank Holding Companies

For the statistical disclosure by bank holding companies see Part II, 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 in to 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 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 2001.

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, 2002, there were 236 holders of record of the Company's common stock. High and low bid prices, as reported by Nasdaq, for each quarter of 2001 and 2000 were as follows:

		2001		2000	
		High	Low	High	Low
1st	Quarter	$ 23.500	$ 17.375	$ 21.188	$ 18.625
2nd	Quarter	21.000	17.125	21.500	19.000
3rd	Quarter	21.150	19.000	22.188	17.500
4th	Quarter	24.500	20.000	18.875	17.125

The Company paid cash dividends each quarter of 2001 and 2000. Dividends of $.20 per share were paid on March 15, June 15, September 15 and December 15 of 2001 and 2000.

See Item 8 under Notes 2 and 7 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, 2001. The selected financial data should be read in conjunction with the consolidated financial statements of the Company, and accompanying notes included in Item 8 of this report.

(Dollars in thousands, except per share data)	2001	2000	1999	199
Interest income on loans(1)	$29,069	$27,716	$20,371	$17,5
Interest income on debt and equity securities	4,323	5,264	4,722	6,6
Other interest income	2,790	4,085	5,782	5,8
Total interest income	36,182	37,065	30,875	30,0
Interest expense on deposits	3,863	5,165	4,357	4,2
Interest expense on short-term borrowings	9	20	9	
Total interest expense	3,872	5,185	4,366	4,2
Net interest income	32,310	31,880	26,509	25,7
Provision for loan losses	60	750	--	
Net interest income after provision	32,250	31,130	26,509	25,7
Noninterest income	23,243	21,114	21,444	22,4
Noninterest expense	44,729	41,236	38,344	36,6
Income before income tax expense	10,764	11,008	9,609	11,5
Income tax expense	3,739	3,861	3,411	4,1
Net income	$7,025	$7,147	$6,198	$7,4
Basic earnings per share	$2.18	$2.05	$1.63	$1.
Diluted earnings per share	2.15	2.02	1.61	1.
Dividends per share	.80	.80	.76	.
Dividend payout ratio	36.71%	38.95%	46.61%	37.
Average total assets	$572,724	$515,308	$491,450	$469,6
Average net loans	371,367	323,515	254,353	208,6
Average debt and equity securities	72,958	84,276	78,903	109,2
Average total deposits	214,954	186,684	190,661	176,7
Average total shareholders' equity	54,929	54,308	57,118	55,2
Return on average total assets	1.23%	1.39%	1.26%	1.
Return on average total shareholders' equity	12.79	13.16	10.85	13.
Average equity to assets ratio	9.59	10.54	11.62	11.
Equity to assets ratio at year-end	9.24	9.33	11.29	11.
Net interest margin	6.26	6.70	5.87	5.
Allowance for loan losses to loans at year-end	1.29	1.32	1.54	1.
Nonperforming assets to loans and foreclosed assets(2)	1.60	.30	.15	.
Net loan charge-offs to average loans outstanding	.01	.04	.06	.

1. Interest income on loans includes net loan fees.
2. Foreclosed assets include other real estate owned and the Company's investment in unconsolidated subsidiary, which are more fully explained in the section entitled Nonperforming Assets in Item 7. Excluding the investment in the unconsolidated subsidiary, the ratio 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 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 $43,999,000 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 nearly 2.5 million utility invoices representing over $1.7 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.

The 2000 results compared to 1999 include the following significant pre-tax components:

Net interest income after provision for loan losses increased $4,621,000 or 17.4% due to a $22,935,000 increase in average earning assets, a $69,220,000 increase in average loans outstanding and a rise in the general level of interest rates, which more than offset a $750,000 increase in the provision for loan losses.

Total noninterest income decreased $330,000 or 1.5% due to several factors. Total freight and utility payment and processing fees decreased $136,000 or .7% despite a $749,000 increase in revenue from utility payment and processing services. The decrease in revenue from freight payment and processing services was due to several factors. First, there was a decrease in non-recurring other miscellaneous freight fees. Second, there were continued anticipated decreases of some freight payment services that were part of a prior acquisition. Finally, a greater percentage of payment and processing revenue was obtained from investable balances generated rather than from fees. Bank service fees increased $238,000 or 20.7% due to a significant increase in the Bank's customer base.

Total noninterest expense increased $2,892,000 or 7.5% due to several factors. The most significant was the Company's investment in the utility processing area and in new freight processing capabilities. Due to the

rapid growth in the utility processing area, the Company was unable to leverage freight processing resources to the extent that was initially envisioned. As a result, a much larger investment in staff and processing support had to be made to accommodate the fast rate of growth. In addition, the Company invested heavily in Internet system capabilities and internal system development in the freight processing area that will allow greater growth in this area in the future.

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 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 6.26% compared to 6.70% in 2000. The following factors account for this increase in net interest income and decrease in net interest margin:

Total average earning assets increased $43,999,000 or 9.2% to $522,121,000. 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 services 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 the Company's highest yielding earning asset.

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%, the lowest level in nearly 40 years. The average yield on earning assets decreased to 7.00% in 2001 from 7.78% 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.

Net interest income in 2000 compared to 1999:

On a tax-equivalent basis, net interest income for 2000 totaled $32,111,000, an increase of $5,390,000 or 20.2% over 1999. The net interest margin for 2000 was 6.70% compared to 5.87% in 1999. The following factors account for this increase in net interest income and net interest margin:

Total average earning assets increased $22,935,000 or 5.0% to $478,122,000. This increase was due mainly to an increase in accounts and drafts payable resulting from an increase in dollars processed. This increase, combined with a rise in the general level of interest rates, contributed to the increase in net interest income.

Total average loans increased $69,220,000 or 26.8% to $327,962,000. This

increase was attributable to new business relationships and funded by the increase in payables along with a decrease in federal funds sold and other short-term investments. This increase in loans increased interest income and had a positive effect on the net interest margin due to the fact that loans are the Company's highest yielding earning asset.

Total average federal funds sold and other short-term investments decreased $51,658,000 or 43.9% to $65,884,000. Since these are the lowest yielding earning assets, decreases in average balances outstanding

can decrease interest income, but the reinvestment of these funds in higher yielding assets will increase the average yield on earning assets and therefore interest income and net interest margin.

The net interest margin increased primarily because of the increase in the general level of interest rates and a shift of earning assets from lower yielding federal funds sold and other short-term investments to higher yielding loans and securities. The average yield on earning assets increased to 7.78% in 2000 from 6.83% in 1999. The Company is positively affected by increases 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 adversely affected by decreases 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.

	2001			2000		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yiel Ra
Assets (1)						
Earning assets:						
Loans (2),(3):						
Taxable	$364,792	$28,435	7.79%	$320,801	$27,322	8.
Tax-exempt (4)	11,483	961	8.37	7,161	596	8.
Debt and equity securities (5):						
Taxable	71,885	4,276	5.95	83,083	5,205	6.
Tax-exempt (4)	1,073	70	6.52	1,193	88	7.
Federal funds sold and other short-term investments	72,888	2,790	3.83	65,884	4,085	6.
Total earning assets	522,121	36,532	7.00	478,122	37,296	7.
Nonearning assets:						
Cash and due from banks	23,448			21,366		

Premises and equipment, net	16,542			10,444		
Other assets	15,521			9,823		
Allowance for loan losses	(4,908)			(4,447)		
Total assets	$572,724			$515,308		
Liabilities And Shareholders' Equity (1)						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$56,124	$1,544	2.75%	$44,596	$1,961	4.
Savings deposits	53,757	1,761	3.28	55,979	2,885	5.
Time deposits of $100 or more	8,245	363	4.40	2,488	129	5.
Other time deposits	3,986	195	4.89	3,872	190	4.
Total interest-bearing deposits	122,112	3,863	3.16	106,935	5,165	4.
Short-term borrowings	362	9	2.49	272	20	7.
Total interest-bearing liabilities	122,474	3,872	3.16	107,207	5,185	4.
Noninterest-bearing liabilities:						
Demand deposits	92,842			79,749		
Accounts and drafts payable	294,608			267,963		
Other liabilities	7,871			6,081		
Total liabilities	517,795			461,000		
Shareholders' equity	54,929			54,308		
Total liabilities and shareholders' equity	$572,724			$515,308		
Net interest income		$32,660			$32,111	
Net interest margin			6.26%			6.
Interest spread			3.84%			2.

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 $301,000, $327,000 and $91,000 for 2001, 2000 and 1999, respectively.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%. The tax-equivalent adjustment was approximately $350,000, $231,000 and $212,000 for 2001, 2000 and 1999, respectively.
5. For purposes of these computations, yields on investment securities are computed as interest income divided by the average amortized cost of the investments.

Analysis of Net Interest Income Changes

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

(Dollars in thousands)	2001 Over 2000 Volume(1)	Rate(1)	Total	Volum
Increase (decrease) in interest income:				
Loans (2),(3):				
Taxable	$3,498	$(2,385)	$1,113	$5
Tax-exempt (4)	360	5	365	
Debt and equity securities:				
Taxable	(685)	(244)	(929)	
Tax-exempt (4)	(8)	(10)	(18)	
Federal funds sold and other short-term investments	395	(1,690)	(1,295)	(2
Total interest income	3,560	(4,324)	(764)	3
Interest expense on:				
Interest-bearing demand deposits	426	(843)	(417)	
Savings deposits	(111)	(1,013)	(1,124)	
Time deposits of $100 or more	256	(22)	234	
Other time deposits	5	--	5	
Short-term borrowings	5	(16)	(11)	
Total interest expense	581	(1,894)	(1,313)	
Net interest income	$2,979	$(2,430)	$549	$3

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 63% of the Company's total assets as of December 31, 2001 and generated $29,069,000 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, 2001.

Loans by Type
(At December 31)

(Dollars in thousands)	2001	2000	1999	1998
Commercial and industrial	$115,316	$136,482	$106,444	$95,663
Real estate:				
Mortgage	215,504	182,538	129,482	101,468
Construction	32,715	29,464	29,633	16,547
Industrial revenue bonds	6,155	15,804	7,265	5,951
Installment	1,787	2,533	1,541	2,458

Other	9,975	5,399	3,978	2,801
Total loans	$381,452	$372,220	$278,343	$224,888

Loans by Maturity
(At December 31)

(Dollars in thousands)	One Year or less	Over One Year Through Five Years: Fixed Rate	Over One Year Through Five Years: Floating Rate(1)	Over Five Years: Fixed Rate	Over Five Years: Float Rate
Commercial and industrial	$71,091	$33,224	$10,493	$508	
Real estate:					
Mortgage	18,344	186,454	6,621	4,085	
Construction	29,110	2,190	1,415	--	
Industrial revenue bonds	--	2,735	--	3,420	
Installment	1,584	203	--	--	
Other	7,149	2,766	--	60	
Total loans	$127,278	$227,572	$18,529	$8,073	

(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)/plant(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 business in which the customer operates. Intermediate term credit for machinery and equipment is generally loaned at some percentage of the value of the equipment purchased, again depending on the type of machinery or equipment purchased by the entity (e.g., less funds would be loaned on restaurant equipment which has a lower resale value than certain types of machinery which tend to hold their value). Long term credits are secured by the entities' building(s)/plant(s) and are generally loaned with a maximum 80% loan to value ratio.

Loans secured exclusively by real estate to businesses and churches are generally made with a maximum 80% loan to value ratio, again depending upon the Company's estimate of the resale value and ability for the property to generate cash flow. 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, 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.

Loan portfolio changes from December 31, 1999 to December 31, 2000:

Total loans increased $93,877,000 or 33.7% to $372,220,000. This increase was due mainly to the addition of new lending relationships in the Bank's privately held business banking services group and 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 $84,955,000, which represented a 29% increase over 1999. 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 $60,000 in 2001 and $750,000 in 2000 and no provision in 1999. The provision in 2001 was due to the Company's analysis of the allowance for loan losses in relation to potential losses in the loan portfolio. The provision for loan losses in 2000 was based on the increase in average loans outstanding and the increase in nonperforming loans. Loan charge-offs, net of recoveries, experienced by the Company were $51,000 in 2001, $135,000 in 2000 and $146,000 in 1999. The allowance for loan losses was $4,906,000 at December 31, 2001, compared to $4,897,000 at December 31, 2000 and $4,282,000 at December 31, 1999. The year-end 2001 allowance represented 1.29% of outstanding loans, compared to 1.32% at year-end 2000 and 1.54% at year-end 1999. From December 31, 2000 to December 31, 2001 the level of nonperforming loans decreased $659,000 from $1,131,000 to $472,000, which represents .12% of outstanding loans.

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 potential 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 specific component includes a review of each loan on the Company's classified or watch list in terms of collateral and possible loss exposure based on existing circumstances known to management and under current economic conditions. The general component relates to all other loans which are evaluated based on the loan grade assigned to the credit with a percentage of each grade allocated to the allowance for loan losses. The percentages are based on historical standards. The loan grades assigned to each credit are evaluated on an annual basis, unless circumstances require interim evaluation. Finally, 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.

Summary of Loan Loss Experience

	December 31,			
(Dollars in thousands)	2001	2000	1999	
Allowance at beginning of year	$4,897	$4,282	$4,428	$4
Loans charged-off:				
Commercial and industrial loans and industrial revenue bonds (IRB's)	110	183	255	
Real estate:				
Mortgage	--	--	--	
Construction	--	--	--	
Installment	--	--	1	
Total loans charged-off	110	183	256	
Recoveries of loans previously charged-off:				
Commercial, industrial and IRB's	59	48	109	
Real estate:				
Mortgage	--	--	--	
Construction	--	--	--	
Installment	--	--	1	
Total recoveries of loans previously charged-off	59	48	110	
Net loans charged-off	51	135	146	
Provision charged to expense	60	750	--	
Allowance at end of year	4,906	4,897	4,282	4
Loans outstanding:				
Average	$376,275	$327,962	$258,742	$213
December 31	381,452	372,220	278,343	224
Ratio of allowance for loan losses to loans outstanding:				
Average	1.30%	1.49%	1.65%	2
December 31	1.29%	1.32%	1.54%	1
Ratio of net charge-offs to average loans outstanding	.01%	.04%	.06%	

Allocation of allowance for loan losses(1):				
Commercial, industrial and IRB's	$2,129	$3,159	$3,844	$3
Real estate:				
Mortgage	2,442	416	19	
Construction	303	1,317	419	

Installment	10	5	--	
Other loans	22	--	--	
Total	$4,906	$4,897	$4,282	$4
Percent of categories to total loans:				
Commercial and industrial and IRB's	31.8%	40.9%	40.9%	4
Real estate:				
Mortgage	56.5	49.0	46.5	4
Construction	8.6	7.9	10.6	
Installment	.5	.7	.6	
Other	2.6	1.5	1.4	
Total	100.0%	100.0%	100.0%	10

(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 loans, which would have been recorded under the original terms of the loans, was approximately $65,000 for the year ended December 31, 2001. Of this amount, approximately $3,000 was actually recorded as interest income on such loans.

At December 31, 2001, 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, 2001, approximately $53,000 of loans not included in the table below were identified by management as having potential credit problems that raised doubts as to the ability of the borrowers to comply with the present loan repayment terms, which resulted in a total of $525,000 in impaired loans.

On January 2, 2001, the Bank foreclosed on certain operating assets relating to one borrower in order to protect the Bank's financial interest in that borrower. The Bank is currently in the process of stabilizing this business and will continue to operate the business as an unconsolidated subsidiary until it can be merged into another entity or sold. This subsidiary is a software company that provides the public sector with intergrated financial, property and human resource management systems. At December 31, 2001 the Bank's investment in this company was $5,110,000. Based on unaudited financial statements, this company generated $4,187,000 in revenues and incurred $5,211,000 in operating expenses for the year ended December 31, 2001.

On August 8, 2001, the Bank foreclosed on a loan to one borrower and is now carrying the property as other real estate owned at what management believes to be the fair value less cost to sell of the property of $600,000. The remaining balance of the loan was $110,000 and this was charged against the allowance for loan losses 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)	2001	2000	1999
Commercial, industrial and IRB's:			
Nonaccrual	$157	$84	$170
Contractually past due 90 days or more and still accruing	18	--	167
Renegotiated loans	--	--	70
Real estate-construction on nonaccrual	265	1,043	--
Real estate-mortgage:			
Nonaccrual	32	--	--
Contractually past due 90 days or more and still accruing	--	--	--
Installment loans contractually past due 90 days or more and still accruing	--	4	--
Total nonperforming loans	472	1,131	407
Total foreclosed assets(1)	5,710	--	--
Total nonperforming assets	$6,182	$1,131	$407

(1) Total foreclosed assets includes the Company's investment in an unconsolidated subsidiary of $5,110,000 and other real estate owned of $600,000. 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 fee revenue relating to the payment and processing of freight and utility invoices. 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, 2001, 2000 and 1999 are as follows:

	December 31	
(In thousands)	2001	2000
Transportation Information Services:		

Invoice Bill Volume	20,046	18,777
Invoice Dollar Volume	$7,415,821	$7,397,959
Utility Information Services:		
Invoice Bill Volume	2,481	1,730
Invoice Dollar Volume	$1,763,688	$1,062,848

In addition to payment processing revenue, 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 by the Bank in the form of fees that relate to the credit, depository, and cash management products of the Bank. Bank customers compensate the Bank for these services through fees, the maintenance of demand deposit balances, or both.

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 nearly 2.5 million utility invoices representing over $1.7 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 charges 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, 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 discontinuing the sale of the Company's rating software in 2001.

Noninterest income in 2000 compared to 1999 include the following significant pre-tax components:

Freight and utility payment and processing revenue decreased $136,000 or .7% to $18,090,000. Of the total payment and processing revenue, fees related to utility payment and processing increased $749,000 and fees relating to freight payment and processing services decreased $885,000. The increase in utility payment and processing fees relates the rapid expansion of the customer base. At the end of 2000 the Company was processing 1.7 million utility invoices representing over $1 billion of invoice value on an annualized basis. The decrease in revenue from freight payment and processing services was due to several factors. First, there was a decrease in non-recurring other miscellaneous freight fees. Second, there were continued anticipated decreases relating to some freight payment services that were part of a prior acquisition. Finally, the balance of compensation relating to the delivery of these services to the existing customer base shifted from service fees to increases in accounts and drafts payable.

Freight rating services revenue decreased $466,000 or 25.9% to $1,334,000 due to a change in the strategic direction of the Company from selling rating software to the development of a new Internet-based delivery system of carrier rates. This system will offer the shipping community an expanded level of features, capabilities and ease of access.

Service charges generated by the Bank increased $238,000 or 20.7% to $1,385,000. This increase was due primarily to the growth of the Bank's customer base.

Other miscellaneous noninterest income increased $34,000 or 12.5% to $305,000. This increase was due primarily to additional miscellaneous services provided by the Company to its customers.

Noninterest Expense

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

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

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 its 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 expenses increased $820,000 or 10.3% to $8,771,000. These increases relate mainly to 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 8 of this report.

Noninterest expense in 2000 compared to 1999 include the following significant pre-tax components:

Salaries and employee benefits increased $2,526,000 or 9.7% to $28,500,000. This increase was caused by several factors. First, additional staff was hired in utility payment processing in order to keep pace with the

growth in this area. Second, health insurance premiums increased and the Company changed health insurance carriers to provide additional benefits to employees. Third, an increase in profits resulted in an increase in bonus expenses. Finally, annual salary increases accounted for the remainder.

Occupancy expense decreased $22,000 or 1.2% to $1,758,000. Equipment expense increased $313,000 or 11.5% to $3,027,000. Other noninterest expenses increased $75,000 or 1.0% to $7,951,000. The increases in equipment expense and other noninterest expense relate mainly to 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 8 of this report.

Income Tax Expense

Income tax expense in 2001 totaled $3,739,000 compared to $3,861,000 in 2000 and $3,411,000 in 1999. When measured as a percent of income before income taxes, the Company's effective tax rate was 34.7% in 2001, 35.1% in 2000 and 35.5% in 1999.

Investment Portfolio

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 was caused by a decision to invest in higher yielding securities and fund expected future loan growth.

U.S. Government corporations and agencies 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 subdivisions 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.

Investment portfolio changes from December 31, 1999 to December 31, 2000:

U.S. Government Treasury securities decreased $12,026,000 or 28.4% to $30,247,000. This decrease was caused by the decision to increase the Company's liquidity given expected loan growth.

U.S. Government corporations and agencies decreased $2,006,000 or 5.1% to $37,263,000. This decrease was also due to the decision to fund expected loan growth.

There was no single issuer of securities in the investment portfolio at December 31, 2001 other than the U.S. Government and U.S. Government agencies and corporations, for which the aggregate amortized cost exceeded ten percent of total shareholders' equity.

Investment by Type

December 31

(Dollars in thousands)	2001	2000
U.S. Treasury securities	$12,284	$30,247
Obligations of U.S. Government corporations and agencies	77,313	37,263
State and political subdivisions	2,099	1,181
Stock of the Federal Home Loan Bank	433	433
Stock of the Federal Reserve Bank	201	201
Total investments	$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 Year
U.S. Treasury securities	$12,284	$--	$--	$--
U.S. Government corporations and agencies	6,096	18,552	50,630	2,035
State and political subdivisions(1)	274	260	1,565	--
Total investment in debt securities	$18,654	$18,812	$52,195	$2,035
Weighted average yield	6.20%	5.38%	5.81%	6.57%

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 increased $17,410,000 or 17.4% from $99,941,000 at December 31, 2000 to $117,351,000 at December 31, 2001. The average balance of these accounts increased $13,093,000 or 16.4% from $79,749,000 in 2000 to $92,842,000 in 2001. These increases relate to new business and to the fact that the earnings credit rate on noninterest-bearing demand deposits decreased with the decline in interest rates in general. 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 $112,725,000 at December 31, 2000 to $130,627,000 at December 31, 2001. The average balances of these deposits increased $15,177,000 or 14.2% from $106,935,000 in 2000 to $122,112,000 in 2001. 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 $11,046,000 or 3.6% from $302,840,000 at December 31, 2000 to $291,794,000 at December 31, 2001. The average balances of these funds increased $26,645,000 or 9.9% from $267,963,000 in 2000 to $294,608,000 in 2001.

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 increase in average balances can be attributed to the fact that the dollar amount of invoices processed and the time funds were available for investment increased.

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, 2001)

(Dollars in thousands)

Three months or less
Three to six months
Six to twelve months
Over twelve months
Total

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 $99,855,000 at December 31, 2001, a decrease of $16,076,000 or 13.9% from December 31, 2000. At December 31, 2001 these assets represented 16.6% 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 $92,330,000 at December 31, 2001, an increase of $23,005,000 or 33.2% from December 31, 2000. These assets represented 15.4% of total assets at December 31, 2001. Of this

total, 13% were U.S. treasury securities, 27% were U.S. government agencies, 57% were mortgage-backed securities and 3% were other securities. Of the total portfolio, 20% matures in one year, 20% matures in one to five years, and 60% matures in five or more years. 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 its reverse repurchase lines of credit.

The Bank has unsecured lines at correspondent banks to purchase federal funds up to a maximum of $20,341,000. Additionally, the Bank maintains a line of credit at an unaffiliated financial institution in the maximum amount of $60,000,000 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 $8,697,000 for the year ended December 31, 2001, compared to $12,311,000 for the year ended December 31, 2000. Net cash used in investing activities was $43,441,000 for the year ended December 31, 2001, compared with $86,709,000 for the year ended December 31, 2000. Net cash provided by financing activities for the year ended December 31, 2001 was $18,668,000, compared with $66,112,000 for the year ended December 31, 2000. The decrease in net cash used in investing activities relates primarily to the greater increase in loans during the year ended December 31, 2000 and a greater amount of debt and equity securities maturing during the year ended December 31, 2001, which was partially offset by the purchase of more debt and equity securities during the year. The decrease in net cash provided by financing activities relates primarily to a greater increase in accounts and drafts payable during 2000, which was offset by an increase in deposits.

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 on operating leases see 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, 2001 are as follows:

	Amount of Commitment Expiration pe	
(Dollars in thousands at December 31, 2001)	Total	Less than 1 year
Unused loan commitments	$28,644	$26,640
Standby letters of credit	6,026	3,499
Commercial letters of credit	111	111

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 significantly exceed all regulatory capital requirements, as evidenced by the capital ratios at December 31, 2001 as shown in Item 8, Note 2 of this report.

In 2001, cash dividends paid were $.80 per share for a total of $2,579,000, a 7.4% decrease over the prior year, which is attributable to the decrease in the number of shares outstanding. On December 21, 1999 the Board of Directors authorized a stock repurchase program that allowed the repurchase of up to 200,000 shares of common stock through December 31, 2000. On March 21, 2000 the Board of Directors authorized a 100,000 increase in the number of shares that could be purchased under the program. Along with the 300,000 shares authorized under the plan, the Board of Directors approved the repurchase of an additional 262,210 shares, including 161,700 purchased during 2001. Repurchases were made in the open market or through negotiated transactions from time to time depending on market conditions.

Shareholders' equity was $55,520,000 or 9.2% of total assets at December 31, 2001, an increase of $1,699,000 over the balance at December 31, 2000. This increase resulted from net income of $7,025,000, an increase in other comprehensive income of $363,000 and other items of $169,000, which was partially offset by cash dividends paid of $2,579,000 and repurchases of stock of $3,279,000.

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 2002.

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, 2001, unappropriated retained earnings of $2,472,000 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 July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations", and SFAS 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies criteria which intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 will also require 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, "Accounting for the Impairment or Disposal of Long-Lived Assets".

The Company is required to adopt the provisions of SFAS 141 immediately and SFAS 142 effective January 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-SFAS 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS 142.

SFAS 141 will require upon adoption of SFAS 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS 141 for recognition apart from goodwill. Upon adoption of SFAS 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

As of the date of adoption, the Company had unamortized goodwill in the amount of $223,000 which will be subject to the transition provisions of SFAS 141 and 142. Amortization expense related to goodwill was $30,000 for each of the years ended December 31, 2001 and 2000. The Company is evaluating its goodwill for impairment in accordance with SFAS 142 and does not believe adoption of that standard will have a material effect on its operations.

In October 2001, the FASB issued SFAS 144, which addresses financial accounting and reporting for the impairment of long-lived assets. While SFAS 144 supercedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," it retains many of the fundamental provisions of that statement. SFAS 144 also supercedes the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and

Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. By broadening the presentation of discontinued operations to include more disposal transactions, the FASB has enhanced management's ability to provide information that helps financial statement users to assess the effects of a disposal transaction on the ongoing operations of an entity. SFAS 144 is effective for fiscal years beginning after December 15, 2001 and interim financial periods within those fiscal years. Management believes that adopting SFAS 144 will not have a material impact on the consolidated financial statements.

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments

and Hedging Activities", which establishes standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", which defers the effective date of SFAS 133 from fiscal years beginning after June 15, 1999 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which addresses certain issues causing implementation difficulties. The Company has adopted SFAS 133, as amended, effective January 1, 2001, but since the Company does not participate in any derivative or hedging activities, SFAS 133, as amended, had no impact on the Company's consolidated financial position and results of operations, except for the transfer of all held-to-maturity securities into available-for-sale securities as of January 1, 2001 as permitted by SFAS 133. At the time of the transfer the book value of the securities transferred was $6,650,000 and the fair value was $6,682,000. The difference was an unrealized gain recorded net of tax as other comprehensive income.

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 4.7% from an immediate and sustained parallel decrease in interest rates of 100 basis points and increase 4.0% 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 5.5% from an immediate and sustained parallel decrease in interest rates of 100 basis points and increase 4.3% 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, 2001 for the various time periods indicated.

(Dollars in thousands)	Variable Rate	0-90 days	91-180 days	181-364 days

Earning assets:					
Loans:					
Taxable	$128,090	$ 8,525	$ 4,783	$ 4,409	$
Tax-exempt	--	--	--	--	
Debt and equity securities(1):					
Taxable	--	6,136	6,293	8,520	
Tax-exempt	--	--	--	--	
Other	634	--	--	--	
Federal funds sold and other short term investments	67,940	--	--	--	
Total earning assets	196,664	14,661	11,076	12,929	
Interest-sensitive liabilities:					
Money market accounts	43,599	--	--	--	
Now accounts	14,309	--	--	--	
Savings deposits	46,438	--	--	--	
Time deposits:					
$100 and more	--	14,477	2,042	3,936	
Less than $100	--	1,326	929	1,564	
Total interest-bearing liabilities	$104,346	$ 15,803	$ 2,971	$ 5,500	$
Interest sensitivity gap:					
Periodic	$ 92,318	$ (1,142)	$ 8,105	$ 7,429	$
Cumulative	92,318	91,176	99,281	106,710	
Ratio of interest-bearing assets to interest-bearing liabilities:					
Periodic	1.88x	0.93x	3.73x	2.35x	
Cumulative	1.88x	1.76x	1.81x	1.83x	

(1) Balances shown reflect earliest repricing date.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CASS INFORMATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December
(In thousands, except share and per share data)	2001
Assets	
Cash and due from banks	$ 31,915
Federal funds sold and other short-term investments	67,940
Cash and cash equivalents	99,855
Investment in debt and equity securities:	
Held-to-maturity, fair value of $6,682 at December 31, 2000	--

Available-for-sale, at fair value	92,330	
Total investment in debt and equity securities	92,330	
Loans	381,452	
Less: Allowance for loan losses	4,906	
Loans, net	376,546	
Premises and equipment, net	16,798	
Accrued interest receivable	2,627	
Investment in unconsolidated subsidiary	5,110	
Other assets	7,609	
Total assets	$ 600,875	$
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 117,351	$
Interest-bearing	130,627	
Total deposits	247,978	
Accounts and drafts payable	291,794	
Short-term borrowings	200	
Other liabilities	5,383	
Total liabilities	545,355	
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 4,000,000 shares issued	2,000	
Additional paid-in capital	4,997	
Retained earnings	63,623	
Accumulated other comprehensive income	522	
Common shares in treasury, at cost (818,185 and 665,089 shares at December 31, 2001 and 2000, respectively)	(15,597)	
Unamortized stock bonus awards	(25)	
Total shareholders' equity	55,520	
Total liabilities and shareholders' equity	$ 600,875	$

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 2001	2000
Interest Income:		
Interest and fees on loans	$ 29,069	$ 27,716
Interest and dividends on debt and equity securities:		
Taxable	4,276	5,205
Exempt from federal income taxes	47	59
Interest on federal funds sold and other short-term investments	2,790	4,085
Total interest income	36,182	37,065
Interest Expense:		
Interest on deposits	3,863	5,165
Interest on short-term borrowings	9	20
Total interest expense	3,872	5,185
Net interest income	32,310	31,880
Provision for loan losses	60	750
Net interest income after provision for loan losses	32,250	31,130
Noninterest Income:		
Information services revenue:		
Freight and utility payment and processing fees	20,142	18,090
Freight rating services fees	1,348	1,334
Bank service fees	1,522	1,385
Other	231	305
Total noninterest income	23,243	21,114
Noninterest Expense:		
Salaries and employee benefits	30,469	28,500
Occupancy expense	1,658	1,758
Equipment expense	3,831	3,027
Other	8,771	7,951
Total noninterest expense	44,729	41,236
Income before income tax expense	10,764	11,008
Income tax expense	3,739	3,861
Net income	$ 7,025	$ 7,147
Earnings per share:		
Basic	$2.18	$2.05
Diluted	$2.15	$2.02
Weighted average shares outstanding:		
Basic	3,228,605	3,485,789
Effect of stock options and awards	41,763	44,859
Diluted	3,270,368	3,530,648

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	2001	Decemb 20
Cash Flows From Operating Activities:		
Net income	$ 7,025	$ 7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,276	2
Amortization of stock bonus awards	80	
Provision for loan losses	60	
Deferred income tax expense (benefit)	761	
Decrease (increase) in accrued interest receivable	901	
Increase in pension liability	292	
Change in other assets	(469)	1
Change in other liabilities	(3,204)	1
Other operating activities, net	(25)	
Net cash provided by operating activities	8,697	12
Cash Flows From Investing Activities:		
Proceeds from maturities of debt and equity securities:		
Held-to-maturity	--	20
Available-for-sale	38,993	12
Purchase of debt and equity securities available-for-sale	(61,497)	(19
Net increase in loans	(14,088)	(94
Purchases of premises and equipment, net	(5,944)	(7
Investment in unconsolidated subsidiary	(905)	
Net cash used in investing activities	(43,441)	(86
Cash Flows From Financing Activities:		
Net increase in noninterest-bearing deposits	17,410	8
Net increase (decrease) in interest-bearing demand and savings deposits	(1,307)	15
Net increase (decrease) in time deposits	19,209	
Net increase (decrease) in accounts and drafts payable	(11,046)	52
Net increase (decrease) in short-term borrowings	200	
Cash proceeds from exercise of stock options	60	
Cash dividends paid	(2,579)	(2
Purchase of common shares for treasury	(3,279)	(7
Net cash provided by (used in) financing activities	18,668	66
Net decrease in cash and cash equivalents	(16,076)	(8
Cash and cash equivalents at beginning of period	115,931	124

Cash and cash equivalents at end of period	$ 99,855	$ 115
Supplemental information:		
Cash paid for interest	$ 3,877	$ 5
Cash paid for income taxes	3,352	4
Noncash transactions:		
Investment in unconsolidated subsidiary transferred from loans	$ 4,205	$
Other real estate transferred from loans	600	
Transfer of securities from held-to-maturity to available-for-sale	6,650	

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	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
Balance, December 31, 1998	2,000	4,796	51,505	387	(1,213)
Net income			6,198		
Cash dividends ($.76 per share)			(2,889)		
Purchase of 160,000 common shares for treasury					(3,711)
Other comprehensive income (loss):					
Net unrealized loss on debt securities available-for-sale, net of tax				(804)	
Issuance of 5,900 common shares pursuant to Stock Bonus Plan		87			61
Amortization of Stock Bonus Plan awards					
Exercise of stock options		(12)			93
Tax benefit on stock awards		216			
Balance, December 31, 1999	2,000	5,087	54,814	(417)	(4,770)
Comprehensive income for 1999					
Net income			7,147		
Cash dividends ($.80 per share)			(2,784)		
Purchase of 394,510 common shares for treasury					(7,828)
Other comprehensive income (loss):					
Net unrealized gain on debt securities available-for-sale, net of tax				576	
Issuance of 1,200 common shares pursuant to Stock Bonus Plan		2			22

Amortization of Stock Bonus Plan awards					
Exercise of stock options		(40)			96
Tax benefit on stock awards		10			
Balance, December 31, 2000	$ 2,000	$ 5,059	$ 59,177	$ 159	$ (12,480)
Comprehensive income for 2000					
Net income			7,025		
Cash dividends ($.80 per share)			(2,579)		
Purchase of 161,700 common shares for treasury					(3,279)
Other comprehensive income (loss):					
Net unrealized gain on debt securities available-for-sale, net of tax				397	
Minimum pension liability adjustment, net of tax				(34)	
Issuance of 600 common shares pursuant to Stock Bonus Plan					11
Amortization of Stock Bonus Plan awards					
Exercise of stock options		(91)			151
Tax benefit on stock awards		29			
Balance, December 31, 2001	$ 2,000	$ 4,997	$ 63,623	$ 522	$ (15,597)
Comprehensive income for 2001					

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1
Summary of Significant Accounting Policies

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 Company is subject to competition from other commercial concerns providing similar services to companies throughout the United States and Canada. 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 subsidiary bank. The Bank is subject to competition from other financial and nonfinancial institutions throughout the metropolitan St. Louis, Missouri area and other areas in which the Bank competes. Additionally, the Company and the Bank are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

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.

The accounting and reporting policies of the Company and its subsidiaries conform to accounting policies generally accepted in the United States of America. The following is a description of the more significant of those policies.

Basis of Presentation The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of intercompany transactions.

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 At the time of purchase, debt securities are classified into one of two categories: available-for-sale or held-to-maturity. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All equity securities, and debt securities not classified as held-to-maturity, are classified as available-for-sale.

Available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization of premiums or discounts. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and reported as accumulated other comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method.

A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings and results in the establishment of a new cost basis for the security.

The Bank is required to maintain an investment in the capital stock of the Federal Reserve Bank. The stock is recorded at cost, which represents redemption value. The Bank has elected to become a member of the Federal Home Loan Bank and has invested in its common stock which is recorded at cost, which represents redemption value.

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.

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 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 are 31 1/2 to 39 years for buildings, 8 to 10 years for leasehold improvements and 3 to 10 years for furniture, fixtures, equipment and software. Maintenance and repairs are charged to expense as incurred.

Investment in Unconsolidated Subsidiary 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 is currently stabilizing this business until it can be merged into another entity or sold, and is operating it as Government e-Management Solutions, Inc. It is accounted for as a foreclosed asset at the lower of cost or fair value less estimated costs to sell.

Other Real Estate Owned 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 premiums and discounts related to the fair value adjustments are amortized using the level-yield method.

Cost in excess of fair value of net assets acquired and fair value in excess of cost of net assets acquired are amortized on a straight-line basis over 3 to 15 years.

Periodically, the Company reviews its 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.

The Company adopted the provision 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 will also require 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, "Accounting for the Impairment or Disposal of Long-Lived Assets". At December 31, 2001 the Company had $223,000 of goodwill, which is included in other assets in the accompanying consolidated balance sheets.

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 Flows For purposes of the consolidated statements of cash flows, the Company considers due from banks, federal funds sold and other short-term investments to be cash equivalents.

Reclassifications Certain amounts in the 2000 and 1999 consolidated financial statements have been reclassified to conform with the 2001 presentation. Such reclassifications have no effect on previously reported net income.

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, 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 14, 2001, 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 principal 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, 2001, unappropriated retained earnings of $2,472,000 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 $761,000 and $2,053,000 at December 31, 2001 and 2000, respectively.

The Company and the Bank's actual and required capital amounts and ratios as of December 31, 2001 and 2000 are as follows:

(Dollars in thousands)	Actual Amount	Actual Ratio	Capital requirements Amount	Capital requirements Ratio	c p a A
At December 31, 2001					
Total capital (to risk-weighted assets):					
Cass Information Systems, Inc.	$54,537	12.22%	$35,718	8.00%	$
Cass Commercial Bank	25,363	11.41	17,787	8.00	
Tier I capital (to risk-weighted assets):					
Cass Information Systems, Inc.	$49,631	11.12%	$17,859	4.00%	$
Cass Commercial Bank	22,608	10.17	8,894	4.00	
Tier I capital (to average assets):					
Cass Information Systems, Inc.	$49,631	8.75%	$17,022	3.00%	$
Cass Commercial Bank	22,608	9.20	7,375	3.00	
At December 31, 2000					
Total capital (to risk-weighted assets):					
Cass Information Systems, Inc.	$57,712	13.55%	$34,076	8.00%	$
Cass Commercial Bank	26,064	13.38	15,586	8.00	
Tier I capital (to risk-weighted assets):					
Cass Information Systems, Inc.	$52,815	12.40%	$17,038	4.00%	$
Cass Commercial Bank	23,624	12.13	7,793	4.00	
Tier I capital (to average assets):					
Cass Information Systems, Inc.	$52,815	10.26%	$15,448	3.00%	$
Cass Commercial Bank	23,624	10.52	6,737	3.00	

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.

There were no securities classified as held-to-maturity at December 31, 2001. The amortized cost and fair values of debt securities classified as held-to-maturity at December 31, 2000 are as follows:

(In thousands)	2000 Amortized Cost	2000 Gross Unrealized Gains	2000 Gross Unrealized Losses	
U.S. Government Treasury securities	$ 2,004	$ --	$ --	$
Obligations of U.S. Government corporations and agencies	3,465	13	(3)	
State and political subdivisions	1,181	28	(6)	

Total	$ 6,650	$ 41	$ (9)	$

The amortized cost and fair values of debt and equity securities classified as available-for-sale at December 31, 2001 and 2000, are summarized as follows:

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

	2000			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Government Treasury securities	$ 27,975	$ 268	$ --	$
Obligations of U.S. Government corporations and agencies	33,825	95	(122)	
Total debt securities	61,800	363	(122)	
Stock in Federal Reserve Bank and Federal Home Loan Bank	634	--	--	
Total	$62,434	$ 363	$(122)	$

The amortized cost and fair value of debt and equity securities classified as available-for-sale at December 31, 2001, 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.

	2001	
(In thousands)	Amortized Cost	Fa Va

Due in 1 year or less	$ 18,249	$ 18
Due after 1 year through 5 years	18,742	18
Due after 5 years through 10 years	51,836	52
Due after 10 years	2,027	2
No stated maturity	634	
Total	$ 91,488	$ 92

The amortized cost of debt securities pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes was approximately $11,788,000 and $5,596,000 at December 31, 2001 and 2000, respectively.

There were no sales of debt and equity securities classified as available-for-sale in 2001, 2000 or 1999.

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, 2001 and 2000, is as follows:

(In thousands)	2001	20
Commercial and industrial	$ 115,316	$ 136
Real estate:		
Mortgage	128,651	117
Mortgage - Church & related	86,853	65
Construction	16,041	9
Construction - Church & related	16,674	19
Industrial revenue bonds	6,155	15
Installment	1,787	2
Other	9,975	5
Total	$ 381,452	$ 372

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, 2001, 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, 2001	$ 53
New loans	3,810
Payments	202
Aggregate balance, December 31, 2001	$ 3,661

A summary of the activity in the allowance for loan losses for 2001, 2000 and 1999 is as follows:

(In thousands)	2001	2000	19
Balance, January 1	$ 4,897	$ 4,282	$ 4,
Provision charged to expense	60	750	
Loans charged off	(110)	(183)	(
Recoveries of loans previously charged off	59	48	
Net loan charge-offs	(51)	(135)	(
Balance, December 31	$ 4,906	$ 4,897	$ 4,

A summary of impaired loans at December 31, 2001 and 2000, is as follows:

(In thousands)	2001	20
Nonaccrual loans	$ 454	$ 1,1
Impaired loans continuing to accrue interest	71	4,2
Total impaired loans	$ 525	$ 5,3

The allowance for loan losses on impaired loans was $211,000 and $271,000 at December 31, 2001 and 2000, respectively. Impaired loans with no related

allowance for loan losses totaled $314,000 and $5,123,000 at December 31, 2001 and 2000, respectively. The average balance of impaired loans during 2001 and 2000 was $1,206,000 and $1,476,000, respectively. On January 2, 2001 the Bank foreclosed on certain operating assets of one borrower that represented $4,205,000 of the impaired loan balance at December 31, 2000. The Bank is now operating the business as an unconsolidated subsidiary until it can be merged or sold to another entity.

A summary of interest income on impaired loans for 2001, 2000 and 1999 is as follows:

	2001		
(In thousands)	Nonaccrual Loans	Impaired Loans Continuing to Accrue interest	T
Income recognized	$ 3	$ 6	$
Interest income if interest had accrued	65	6	

	2000		
(In thousands)	Nonaccrual Loans	Impaired Loans Continuing to Accrue interest	T
Income recognized	$ 19	$ 87	$
Interest income if interest had accrued	123	87	

	1999		
(In thousands)	Nonaccrual Loans	Impaired loans Continuing to Accrue interest	
Income recognized	$ 1	$ 1	$
Interest income if interest had accrued	44	1	

Note 5
Premises and Equipment

A summary of premises and equipment at December 31, 2001 and 2000, is as follows:

(In thousands)	2001	20
Land	$ 873	$
Buildings	10,222	9,

Leasehold improvements	1,168	1,
Furniture, fixtures and equipment	17,017	19,
Purchased software	3,407	2,
Internally developed software	3,924	1,
	36,611	34,
Less accumulated depreciation and amortization	19,813	20,
Total	$ 16,798	$ 13,

Depreciation charged to expense in 2001, 2000 and 1999 amounted to $3,085,000, $2,275,000 and $1,993,000, 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, 2001:

(In thousands)	
2002	$ 268
2003	250
2004	242
2005	209
2006	42
2007	7
Total	$ 1,018

Rental expense for 2001, 2000 and 1999 was $761,000, $1,161,000 and $1,271,000, respectively.

Note 6
Interest-Bearing Deposits

Interest-bearing deposits consist of the following at December 31, 2001 and 2000:

(In thousands)	2001	20
NOW and Money Market Demand Accounts	$ 57,908	$ 49
Savings deposits	46,438	56
Time deposits:		
Less than $100	4,576	4
$100 or more	21,705	3
Total	$ 130,627	$ 112

Interest on deposits consist of the following for 2001, 2000 and 1999:

(In thousands)	2001	2000	19
NOW and Money Market Demand Accounts	$ 1,544	$ 1,961	$ 1,
Savings deposits	1,761	2,885	2,
Time deposits:			
Less than $100	195	190	
$100 or more	363	129	
Total	$ 3,863	$ 5,165	$ 4,

The scheduled maturities of certificates of deposit at December 31, 2001 and 2000, are summarized as follows:

	2001		2000	
(In thousands)	Amount	Percent of Total	Amount	P of
Due within:				
One year	$ 24,274	92.4%	$ 5,871	
Two years	1,027	3.9	1,037	
Three years	325	1.2	34	
Four years	55	.2	91	
Five years	--	--	39	
Over five years	600	2.3		
Total	$ 26,281	100.0%	$ 7,072	1

Note 7
Employee Benefits

The Company has a noncontributory defined benefit pension plan which covers substantially all of its employees. The Company's subsidiaries accrue and make 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 2001, 2000 and 1999 was $700,000, $386,000 and $784,000, respectively, and included the following components:

(In thousands)	2001	2000	19
Service cost - benefits earned during the year	$ 824	$ 747	$
Interest cost on projected benefit obligations	898	778	
Expected return on plan assets	(960)	(959)	(
Net amortization and deferral	(62)	(180)	
Net periodic pension cost	$ 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, 2001 and 2000, is as follows:

(In thousands)	2001	20
Benefit obligation:		
Balance, January 1	$ 11,931	$10,
Service cost	824	
Interest cost	898	
Actuarial loss (gain)	736	
Benefits paid	(223)	(
Balance, December 31	$14,166	$11,
Plan assets:		
Fair value, January 1	$ 12,089	$11,
Actual return	51	
Employer contribution	723	
Benefits paid	(223)	(
Fair value, December 31	$ 12,640	$12,
Funded status:		
Unfunded projected benefits obligation	$ (1,526)	$
Unrecognized prior service cost	12	
Unrecognized net gains	(536)	(2,
Accrued pension cost	$(2,051)	$(2,

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 7.25% and 4.00% in 2001, 7.50% and 4.00% in 2000 and 7.75% and 4.00% in 1999. The expected long-term rate of return on assets was 8.00% in 2001, 2000 and 1999.

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 2001, 2000 and 1999 for the supplemental executive

retirement plan was $220,000, $245,000 and $257,000 respectively, and included the following components:

(In thousands)	2001	2000	19
Service cost - benefits earned during the year	$ 11	$ 29	$
Interest cost on projected benefit obligations	120	131	
Net amortization and deferral	89	85	
Net periodic pension cost	$ 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, 2001 and 2000, is as follows:

(In thousands)	2001	20
Benefit obligation:		
Balance, January 1	$ 1,798	$ 1,
Service cost	11	
Interest cost	120	
Actuarial loss (gain)	(142)	
Balance, December 31	$ 1,787	$ 1,
Funded status:		
Unfunded projected benefits obligation	$ (1,787)	$(1,
Unrecognized prior service cost	587	
Unrecognized actuarial loss	336	
Accrued pension cost	(864)	(
Minimum liability adjustment	(638)	(
Accrued pension cost	$ (1,502)	$(1,

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 7.25% and 4.00% in 2001, 7.50% and 4.00% in 2000 and 7.75% and 4.00% in 1999.

The provisions of Financial Accounting Standards Board Statement No. 87, "Employers' Accounting for Pensions", require the Company to record an additional minimum liability of $638,000 and $533,000 at December 31, 2001 and 2000, 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 $587,000 and $533,000 at December 31, 2001 and 200, 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 2001, 2000 and 1999 was $1,588,000, $1,617,000 and $1,413,000, 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 2001, 2000 and 1999 were $260,000, $247,000 and $234,000, respectively.

The Company maintains a restricted stock bonus plan which provides for the issuance of up to 100,000 shares of the Company's common stock. 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 over the three-year vesting period. Amortization of the restricted stock bonus awards totaled $80,000, $81,000 and $68,000 for 2001, 2000 and 1999, respectively.

Changes in stock bonus shares outstanding were as follows:

	Shares	Weighted Fair Per
Balance at December 31, 1998	3,000	$25
Granted	5,900	25
Vested	(1,000)	25
Balance at December 31, 1999	7,900	25
Granted	1,200	20
Vested	(2,967)	25
Balance at December 31, 2000	6,133	24
Granted	600	19
Vested	(3,367)	24
Balance at December 31, 2001	3,366	$22

The Company also maintains a performance-based stock option plan which provides for the granting of options to acquire up to 400,000 shares of Company common stock. Options vest over a period not to exceed seven years, but the vesting period can be less based on the Company's attainment of certain financial operating performance criteria.

The following table summarizes stock options outstanding as of December 31, 2001:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life
$10.32	69,004	1.98
20.36	6,000	3.21
23.00	3,500	4.00
24.63	2,000	4.00
25.25	59,850	4.00
25.45	8,500	2.94

Changes in options outstanding were as follows:

	Shares	Weighted Exercis
Balance at December 31, 1998	109,900	$12
Granted	67,100	25
Exercised	(9,960)	10
Forfeited	(250)	10
Balance at December 31, 1999	166,790	17
Exercised	(5,370)	10
Balance at December 31, 2000	161,420	17
Exercised	(10,404)	10
Forfeited	(2,162)	20
Balance at December 31, 2001	148,854	$18

At December 31, 2001, 50,608 shares were exercisable with a weighted average exercise price of $11.59.

The Company accounts for stock-based compensation under the stock option plan in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), 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 Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). 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 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 used in 1999 were: an expected life of 7 years, dividend yield of 2.64%, expected volatility of 7.63% and risk-free interest rate of 6.31%. There were no additional grants in 2000 and 2001. The following table represents the effect on earnings and diluted earnings per share:

(In thousands, except per share data)	2001	2000	19
Net earnings as reported	$ 7,025	$ 7,147	$ 6,
Pro forma net earnings	6,956	7,076	6,
Diluted earnings per share as reported	2.15	2.02	1
Pro forma diluted earnings per share	2.13	2.00	1

Note 8
Other Noninterest Expense

Details of other noninterest expense for 2001, 2000 and 1999 are as follows:

(In thousands)	2001	2000	19
Postage, printing and supplies	$ 2,678	$ 2,375	$ 2,
Advertising and business development	1,280	1,407	1,
Professional fees	1,740	1,223	1,
Outside service fees	990	792	
Data processing services	416	499	
Telecommunications	605	635	
Other	1,062	1,020	1,
Total other noninterest expense	$ 8,771	$ 7,951	$ 7,

Note 9
Income Taxes

The components of income tax expense for 2001, 2000 and 1999 are as follows:

(In thousands)	2001	2000	19
Current:			
Federal	$ 2,571	$ 4,035	$ 3,
State	407	327	
Deferred	761	(501)	(
Total income tax expense	$ 3,739	$ 3,861	$ 3,

A reconciliation of expected income tax expense, computed by applying the effective federal statutory rate of 34% for 2001, 2000 and 1999 to income before income tax expense, to reported income tax expense is as follows:

(In thousands)	2001	2000	19

Expected income tax expense	$ 3,660	$ 3,743	$ 3,
(Reductions) increases resulting from:			
Tax-exempt interest	(229)	(150)	(
State taxes, net of federal benefit	269	216	
Other, net	39	52	
Total income tax expense	$ 3,739	$ 3,861	$ 3,

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000, are presented below:

(In thousands)	2001	20
Deferred tax assets:		
Allowance for loan losses	$ 1,124	$ 1
Accrued pension cost	716	
Premises and equipment	--	
Other	444	
Total deferred tax assets	2,284	2
Deferred tax liabilities:		
Unrealized gain on investment in debt and equity securities available for sale	(286)	
Discount accretion	(71)	
Premises and equipment	(645)	
Other	(209)	
Total deferred tax liabilities	(1,211)	
Net deferred tax assets	$ 1,073	$ 2

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, 2001 or 2000, 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 10
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 11
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 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.

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. 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.

Conditional commitments to extend credit, commercial letters of credit and standby letters of credit totaled approximately $28,644,000, $111,000 and $6,026,000, respectively, at December 31, 2001.

Following is a summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2001 and 2000:

	2001		2000	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	
Balance sheet assets:				
Cash and cash equivalents	$ 99,855	$ 99,855	$ 115,931	$
Investment in debt and equity securities	92,330	92,330	69,325	
Loans, net	376,546	379,249	367,323	
Accrued interest receivable	2,627	2,627	3,528	
Total	$ 571,358	$ 574,061	$ 556,107	$
Balance sheet liabilities:				
Deposits	$ 247,978	$ 248,159	$ 212,666	$
Accounts and drafts payable	291,794	291,794	302,840	
Short-term borrowings	200	200	--	
Accrued interest payable	88	88	93	
Total	$ 540,060	$ 540,241	$ 515,599	$

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 12
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 on pages 24 and 25 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, 2001, 2000 and 1999, is as follows:

(In thousands)	Transportation Information Services	Utility Information Services	Banking Services	Corporate and Eliminatio
2001				
Net interest income before provision for loan losses:				
External	$ 16,892	$ 3,276	$ 12,142	$ --
Internal	127	24	(151)	--
Noninterest income:				
External	17,262	4,450	1,531	--
Internal	--	--	1,412	(1,412
Provision for loan losses	25	5	30	--
Depreciation and amortization	2,300	516	425	35
Income taxes	1,319	25	2,419	(24
Net income	2,945	34	4,095	(49
Total assets	262,707	58,844	287,385	(8,061
2000				
Net interest income before provision for loan losses:				
External	$ 18,773	$ 1,719	$ 11,388	$ --
Internal	224	22	(246)	--
Noninterest income:				
External	17,500	2,228	1,386	--

Internal	--	--	1,131	(1,131
Provision for loan losses	275	25	450	--
Depreciation and amortization	2,033	61	444	33
Income taxes	2,292	(273)	1,891	(49
Net income	4,572	(572)	3,246	(99
Total assets	309,698	28,400	238,782	6
1999				
Net interest income before provision for loan losses:				
External	$ 15,729	$ N/A	$ 10,780	$ --
Internal	79	N/A	(79)	--
Noninterest income:				
External	20,274	N/A	1,170	--
Internal	--	N/A	168	(168
Provision for loan losses	--	N/A	--	--
Depreciation and amortization	2,102	N/A	301	30
Income taxes	1,570	N/A	1,886	(45
Net income	3,015	N/A	3,270	(87
Total assets	284,412	N/A	214,971	1,462

Note 13
SUPPLEMENTARY FINANCIAL INFORMATION
(Unaudited)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Four Quar
2001				
Interest income	$ 9,448	$ 9,051	$ 9,030	$ 8,6
Interest expense	1,446	952	825	6
Net interest income	8,002	8,099	8,205	8,0
Provision for loan losses	--	--	60	
Noninterest income	5,740	5,655	5,886	5,9
Noninterest expense	11,088	11,037	11,100	11,5
Income tax expense	904	942	1,035	8

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Four Quar
Net income	$ 1,750	$ 1,775	$ 1,896	$ 1,6
Net income per share:				
Basic earnings per share	$.53	$.55	$.60	$.
Diluted earnings per share	.53	.53	.59	.
2000				
Interest income	$ 8,405	$ 8,944	$ 9,460	$10,2
Interest expense	956	1,076	1,477	1,6

Net interest income	7,449	7,868	7,983	8,5
Provision for loan losses	100	150	100	4
Noninterest income	5,755	5,261	5,066	5,0
Noninterest expense	10,179	10,340	10,283	10,4
Income tax expense	1,069	919	946	9
Net income	$ 1,856	$ 1,720	$ 1,720	$ 1,8
Net income per share:				
Basic earnings per share	$.51	$.49	$.50	$.
Diluted earnings per share	.50	.49	.49	.

Note 14
Condensed Financial Information of Parent Company

Following are the condensed balance sheets of the Company (parent company only) as of December 31, 2001 and 2000, and the related condensed statements of income and cash flows for each of the years in the three-year period ended December 31, 2001.

	Condensed Balance Sheets December 31	
(In thousands)	2001	20
Assets:		
Cash and due from banks	$ 6,773	$ 1
Short-term investments	37,889	79
Investment in debt and equity securities:		
Held-to-maturity	--	6
Available-for-sale	77,651	45
Loans, net	178,347	185
Investment in Cass Commercial Bank	27,792	23
Premises and equipment, net	15,650	12
Other assets	7,501	8
Total assets	$ 351,603	$363
Liabilities and Shareholders' Equity:		
Accounts and drafts payable	$ 291,794	$ 302
Other liabilities	4,289	6
Total liabilities	296,083	309
Total shareholders' equity	55,520	53
Total liabilities and shareholders' equity	$ 351,603	$ 363

	Condensed Statements of Income December 31		
(In thousands)	2001	2000	19
Income from Cass Commercial Bank:			
Dividends	$ --	$ 5,497	$ 2,
Interest	253	364	
Management fees	827	692	
Income from subsidiary	1,080	6,553	3,
Information services revenue	21,490	19,424	20,
Net interest income after provision	19,055	19,242	15,
Other income	222	304	
Total income	41,847	45,523	39,
Expenses:			
Salaries and employee benefits	26,080	24,272	22,
Other expenses	11,517	9,883	9,
Total expenses	37,597	34,155	32,
Income before income tax and equity in undistributed income of subsidiary	4,250	11,368	7,
Income tax expense	1,320	1,970	1,
Income before undistributed income of subsidiary	2,930	9,398	5,
Equity in undistributed income (loss) of subsidiary	4,095	(2,251)	
Net income	$ 7,025	$ 7,147	$ 6,

	Condensed Statements of Cash Flows December 31		
(In thousands)	2001	2000	19
Cash flows from operating activities:			
Net income	$ 7,025	$ 7,147	$ 6,
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (income) loss of subsidiary	(4,095)	2,251	(
Net change in other assets	3,452	2,250	1,
Net change in other liabilities	(2,234)	2,112	
Amortization of stock bonus plan	80	81	
Other, net	375	538	
Net cash provided by operating activities	4,603	14,379	8,
Cash flows from investing activities:			
Decrease (increase) in securities	(25,603)	16,738	5,

Net decrease (increase) in loans	7,629	(67,717)	(59,
Purchases of premises and equipment, net	(5,625)	(6,785)	(1,
Net cash used in investing activities	(23,599)	(57,764)	(55,
Cash flows from financing activities:			
Net increase (decrease) in accounts and drafts payable	(11,046)	52,946	(
Cash dividends paid	(2,579)	(2,784)	(2,
Purchase of common shares for treasury	(3,279)	(7,828)	(3,
Other financing activities	60	56	
Net cash provided by (used in) financing activities	(16,844)	42,390	(7,
Net decrease in cash and cash equivalents	(35,840)	(995)	(54,
Cash and cash equivalents at beginning of year	80,502	81,497	135,
Cash and cash equivalents at end of year	$ 44,662	$ 80,502	$ 81,

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, 2001 and 2000, 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, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

St. Louis, Missouri
January 25, 2002

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 2002 Annual Meeting of Shareholders, a copy of which will be filed with the Securities and Exchange Commission 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 2002 Annual Meeting of Shareholders, a copy of which will be filed with the Securities and Exchange Commission 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 2002 Annual Meeting of Shareholders, a copy of which will be filed with the Securities and Exchange Commission 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 2002 Annual Meeting of Shareholders, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year.

PART IV.

ITEM 14. 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

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended December 31, 2001.

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 18, 2002 By

/s/ Lawrence A. Collett

Lawrence A. Collett
Chairman and Chief Executive Officer

Date: March 18, 2002 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 18, 2002 By

/s/ Bryan S. Chapell

		Bryan S. Chapell
Date: March 18, 2002	By	/s/ Lawrence A. Collett
		Lawrence A. Collett
Date: March 18, 2002	By	/s/ Thomas J. Fucoloro
		Thomas J. Fucoloro
Date: March 18, 2002	By	/s/ Harry J. Krieg
		Harry J. Krieg
Date: March 18, 2002	By	/s/ A.J. Signorelli
		A.J. Signorelli
Date: March 18, 2002	By	/s/ John J. Vallina
		John J. Vallina