**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

# FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________________ to ___________________

**Commission File No. 000-20827**

## 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) |

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| (Check one) | Large Accelerated Filer ____ | Accelerated Filer X |
| | Non-Accelerated Filer ____ | Smaller Reporting Company ____ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ____ No X

The number of shares outstanding of registrant's only class of stock as of May 4, 2012: Common stock, par value $.50 per share – 10,387,407 shares outstanding.

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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. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and other factors beyond our control, which may cause future performance to be materially different from expected performance summarized in the forward-looking statements. These risks, uncertainties and other factors are discussed in the section Part I, Item 1A, “Risk Factors” of the Company’s 2011 Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”), which may be updated from time to time in our future filings with the SEC. 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. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
(Dollars in Thousands except Share and Per Share Data)

| | March 31, 2012 (Unaudited) | December 31, 2011 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 10,144 | $ 12,579 |
| Interest-bearing deposits in other financial institutions | 89,902 | 123,551 |
| Federal funds sold and other short-term investments | 59,070 | 99,832 |
| Cash and cash equivalents | 159,116 | 235,962 |
| Securities available-for-sale, at fair value | 309,209 | 310,612 |
| Loans | 690,357 | 671,565 |
| Less: Allowance for loan losses | 12,947 | 12,954 |
| Loans, net | 677,410 | 658,611 |
| Premises and equipment, net | 9,274 | 9,587 |
| Investments in bank-owned life insurance | 14,506 | 14,375 |
| Payments in excess of funding | 65,625 | 61,378 |
| Goodwill | 11,590 | 7,471 |
| Other intangible assets, net | 3,699 | 161 |
| Other assets | 23,085 | 21,144 |
| Total assets | $ 1,273,514 | $ 1,319,301 |
| **Liabilities and Shareholders' Equity** | | |
| Liabilities: | | |
| Deposits | | |
| Noninterest-bearing | $ 125,500 | $ 131,956 |
| Interest-bearing | 390,416 | 416,412 |
| Total deposits | 515,916 | 548,368 |
| Accounts and drafts payable | 574,990 | 595,201 |
| Other liabilities | 19,229 | 15,184 |
| Total liabilities | 1,110,135 | 1,158,753 |
| 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 10,890,163 shares issued at both March 31, 2012 and December 31, 2011 | 5,445 | 5,445 |
| Additional paid-in capital | 80,744 | 80,971 |
| Retained earnings | 93,996 | 89,853 |
| Common shares in treasury, at cost (507,045 shares at March 31, 2012 and 532,233 shares at December 31, 2011) | (12,525) | (12,968) |
| Accumulated other comprehensive loss | (4,281) | (2,753) |
| Total shareholders' equity | 163,379 | 160,548 |
| Total liabilities and shareholders' equity | $ 1,273,514 | $ 1,319,301 |

See accompanying notes to unaudited consolidated financial statements.

**CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
(Unaudited)
(Dollars in Thousands except Per Share Data)

| | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 |
|---|---|---|
| **Fee Revenue and Other Income:** | | |
| Information services payment and processing revenue | $ 16,487 | $ 14,347 |
| Bank service fees | 298 | 352 |
| Gains on sales of securities | 966 | — |
| Other | 132 | 133 |
| Total fee revenue and other income | 17,883 | 14,832 |
| **Interest Income:** | | |
| Interest and fees on loans | 8,940 | 10,253 |
| Interest and dividends on securities: | | |
| Taxable | 10 | 5 |
| Exempt from federal income taxes | 2,510 | 2,477 |
| Interest on federal funds sold and other short-term investments | 129 | 169 |
| Total interest income | 11,589 | 12,904 |
| **Interest Expense:** | | |
| Interest on deposits | 838 | 1,206 |
| Total interest expense | 838 | 1,206 |
| Net interest income | 10,751 | 11,698 |
| Provision for loan losses | 200 | 450 |
| Net interest income after provision for loan losses | 10,551 | 11,248 |
| Total net revenue | 28,434 | 26,080 |
| **Operating Expense:** | | |
| Salaries and employee benefits | 15,561 | 13,706 |
| Occupancy | 532 | 648 |
| Equipment | 863 | 847 |
| Amortization of intangible assets | 139 | 27 |
| Other operating | 3,246 | 2,906 |
| Total operating expense | 20,341 | 18,134 |
| Income before income tax expense | 8,093 | 7,946 |
| Income tax expense | 2,185 | 2,227 |
| Net Income | $ 5,908 | $ 5,719 |
| Basic Earnings Per Share | $ .57 | $ .55 |
| Diluted Earnings Per Share | .56 | .55 |

See accompanying notes to unaudited consolidated financial statements.

**CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(Unaudited)
(Dollars in Thousands)

| | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 |
|---|---|---|
| Net income | $ 5,908 | $ 5,719 |
| Other comprehensive income: | | |
| Net unrealized (loss) gain on securities available-for-sale, net of tax | (903) | 803 |
| Reclassification adjustments for gains included in net income, net of tax | (628) | — |
| Foreign currency translation adjustments | 3 | — |
| Comprehensive income | $ 4,380 | $ 6,522 |

See accompanying notes to unaudited consolidated financial statements.

**CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Unaudited)
(Dollars in Thousands)

| | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Net income | $ 5,908 | $ 5,719 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,515 | 1,091 |
| Gains on sales of securities | (966) | — |
| Provision for loan losses | 200 | 450 |
| Stock-based compensation expense | 351 | 350 |
| Increase in income tax liability | 1,770 | 1,868 |
| Increase in pension liability | 129 | 60 |
| Other operating activities, net | 903 | (808) |
| Net cash provided by operating activities | 9,810 | 8,730 |
| **Cash Flows From Investing Activities:** | | |
| Proceeds from sales of securities available-for-sale | 14,659 | 501 |
| Proceeds from maturities of securities available-for-sale | 2,950 | 5,385 |
| Purchase of securities available-for-sale | (18,490) | (9,027) |
| Net increase in loans | (18,999) | (953) |
| Increase in payments in excess of funding | (4,247) | (7,931) |
| Purchases of premises and equipment, net | (168) | (465) |
| Acquisition of waste expense management service company's assets | (7,798) | — |
| Net cash used in investing activities | (32,093) | (12,490) |
| **Cash Flows From Financing Activities:** | | |
| Net (decrease) increase in noninterest-bearing demand deposits | (6,456) | 13,282 |
| Net decrease in interest-bearing demand and savings deposits | (14,130) | (8,170) |
| Net (decrease) increase in time deposits | (11,866) | 1,946 |
| Net decrease in accounts and drafts payable | (20,211) | (1,952) |
| Cash dividends paid | (1,765) | (1,505) |
| Distribution of stock awards, net | (135) | (113) |
| Net cash (used in) provided by financing activities | (54,563) | 3,488 |
| Net decrease in cash and cash equivalents | (76,846) | (272) |
| Cash and cash equivalents at beginning of period | 235,962 | 138,929 |
| Cash and cash equivalents at end of period | $ 159,116 | $ 138,657 |
| Supplemental information: | | |
| Cash paid for interest | $ 842 | $ 1,186 |
| Cash paid for income taxes | 293 | 365 |

See accompanying notes to unaudited consolidated financial statements.

**CASS INFORMATION SYSTEMS, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
(Unaudited)

Note 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. All share and per share data have been restated to give effect to the 10% stock dividend issued on December 15, 2011. For further information, refer to the audited consolidated financial statements and related footnotes included in Cass Information System, Inc.'s (the "Company" or "Cass") Annual Report on Form 10-K for the year ended December 31, 2011.

Note 2 – Intangible Assets

The Company accounts for intangible assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, "Goodwill and Other Intangible Assets," which requires that intangibles with indefinite useful lives be tested annually for impairment and those with finite useful lives be amortized over their useful lives.

In January 2012, the Company acquired the assets of Waste Reduction Consultants, Inc., ("WRC") and recorded intangible assets of $3,183,000 for the customer list, $261,000 for two non-compete agreements and software of $234,000.

Details of the Company's intangible assets are as follows:

| | March 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| ***(In thousands)*** | **Gross Carrying Amount** | **Accumulated Amortization** | **Gross Carrying Amount** | **Accumulated Amortization** |
| Assets eligible for amortization: | | | | |
| Customer lists | 3,933 | (696) | 750 | (589) |
| Non-compete agreements | 261 | (13) | – | – |
| Software | 234 | (20) | – | – |
| Unamortized intangible assets: | | | | |
| Goodwill | 11,817 | (227) | 7,698 | (227) |
| Total intangible assets | $ 16,245 | $ (956) | $ 8,448 | $ (816) |

The customer lists are amortized over seven and ten years; the non-compete agreements over five years; and, software over three years. Amortization of intangible assets amounted to $139,000 for the three-month period ended March 31, 2012 and $27,000 for the three-month period ended March 31, 2011. Estimated amortization of intangibles over the next five years is as follows: $556,000 in 2012, $502,000 in 2013, $449,000 in 2014, and $371,000 in both 2015 and 2016.

Note 3 – Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the sum of the weighted-average number of common shares outstanding and the weighted-average number of potential common shares outstanding. There were no anti-dilutive shares in the three months ended March 31, 2012 or 2011. The calculations of basic and diluted earnings per share are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| ***(In thousands, except share and per share data)*** | **2012** | **2011** |
| Basic | | |
| Net income | $ 5,908 | $ 5,719 |
| Weighted-average common shares outstanding | 10,335,655 | 10,292,305 |
| Basic earnings per share | $ .57 | $ .55 |
| Diluted | | |
| Net income | $ 5,908 | $ 5,719 |
| Weighted-average common shares outstanding | 10,335,655 | 10,292,305 |
| Effect of dilutive restricted stock, stock options and stock appreciation rights | 159,634 | 139,515 |
| Weighted-average common shares outstanding assuming dilution | 10,495,289 | 10,431,820 |
| Diluted earnings per share | $ .56 | $ .55 |

Note 4 – Stock Repurchases

The Company maintains a treasury stock buyback program pursuant to which the Board of Directors has authorized the repurchase of up to 330,000 shares of the Company's common stock. The Company did not repurchase any shares during the three-month periods ended March 31, 2012 and 2011. As of March 31, 2012, 330,000 shares remained available for repurchase under the program. Repurchases are made in the open market or through negotiated transactions from time to time depending on market conditions.

Note 5 – Industry Segment Information

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

The Information Services segment provides freight, utility, telecommunication and environmental invoice processing and payment services to large corporations. The Banking Services segment provides banking services primarily to privately-held businesses and churches.

The Company's accounting policies for segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. 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 fair value.

Substantially all revenue originates from and all long-lived assets are located within North America, and no revenue from any customer of any segment exceeds 10% of the Company's consolidated revenue.

Assets represent actual assets owned by Information Services and there is no allocation methodology used. Loans are sold by Banking Services to Information Services to create liquidity when the Bank's loan-to-deposit ratio is greater than 100%. Segment interest from customers is the actual interest earned on the loans owned by Information Services and Banking Services, respectively.

Summarized information about the Company's operations in each industry segment is as follows:

| ***(In thousands)*** | **Information Services** | **Banking Services** | **Corporate, Eliminations and Other** | **Total** |
|---|---|---|---|---|
| *Quarter Ended March 31, 2012* | | | | |
| Total Revenues: | | | | |
| Revenue from customers | $ 22,548 | $ 5,886 | $ — | $ 28,434 |
| Intersegment income (expense) | 2,540 | 428 | (2,968) | — |
| Net income | 5,734 | 2,031 | (1,857) | 5,908 |
| Goodwill | 11,454 | 136 | — | 11,590 |
| Other intangible assets, net | 3,699 | — | — | 3,699 |
| Total assets | 693,352 | 590,458 | (10,296) | 1,273,514 |
| *Quarter Ended March 31, 2011* | | | | |
| Total Revenues: | | | | |
| Revenue from customers | $ 19,846 | $ 6,234 | $ — | $ 26,080 |
| Intersegment income (expense) | 2,626 | 457 | (3,083) | — |
| Net income | 3,552 | 2,167 | — | 5,719 |
| Goodwill | 7,335 | 136 | — | 7,471 |
| Other intangible assets, net | 241 | — | — | 241 |
| Total assets | 615,586 | 591,457 | (7,023) | 1,200,020 |

Note 6 – Loans by Type

A summary of loan categories is as follows:

| *(In thousands)* | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Commercial and industrial | $ 155,914 | $ 136,916 |
| Real estate | | |
| Commercial: | | |
| Mortgage | 140,517 | 140,848 |
| Construction | 11,081 | 9,067 |
| Church, church-related: | | |
| Mortgage | 348,683 | 347,726 |
| Construction | 33,941 | 36,497 |
| Other | 221 | 511 |
| Total loans | $ 690,357 | $ 671,565 |

The following table presents the aging of loans by loan categories at March 31, 2012 and December 31, 2011:

| | Performing | | | Nonperforming | | |
|---|---|---|---|---|---|---|
| *(In thousands)* | Current | 30-59 Days | 60-89 Days | 90 Days and Over | Non Accrual | Total Loans |
| *March 31, 2012* | | | | | | |
| Commercial and industrial | $ 155,862 | $ — | $ — | $ — | $ 52 | $ 155,914 |
| Real estate | | | | | | |
| Commercial: | | | | | | |
| Mortgage | 133,131 | 23 | — | — | 7,363 | 140,517 |
| Construction | 11,081 | — | — | — | — | 11,081 |
| Church, church-related: | | | | | | |
| Mortgage | 348,469 | — | — | — | 214 | 348,683 |
| Construction | 33,941 | — | — | — | — | 33,941 |
| Other | 221 | — | — | — | — | 221 |
| Total | $ 682,705 | $ 23 | $ — | $ — | $ 7,629 | $ 690,357 |
| *December 31, 2011* | | | | | | |
| Commercial and industrial | $ 136,850 | $ — | $ 10 | $ — | $ 56 | $ 136,916 |
| Real estate | | | | | | |
| Commercial: | | | | | | |
| Mortgage | 139,249 | 137 | — | 29 | 1,433 | 140,848 |
| Construction | 9,067 | — | — | — | — | 9,067 |
| Church, church-related: | | | | | | |
| Mortgage | 347,506 | — | — | — | 220 | 347,726 |
| Construction | 36,497 | — | — | — | — | 36,497 |
| Other | 511 | — | — | — | — | 511 |
| Total | $ 669,680 | $ 137 | $ 10 | $ 29 | $ 1,709 | $ 671,565 |

The following table presents the credit exposure of the loan portfolio by internally assigned credit grade as of March 31, 2012 and December 31, 2011:

| *(In thousands)* | Loans Subject to Normal Monitoring[1] | Performing Loans Subject to Special Monitoring[2] | Nonperforming Loans Subject to Special Monitoring[2] | Total Loans |
|---|---|---|---|---|
| *March 31, 2012* | | | | |
| Commercial and industrial | $ 151,692 | $ 4,170 | $ 52 | $ 155,914 |
| Real estate | | | | |
| Commercial: | | | | |
| Mortgage | 125,936 | 7,218 | 7,363 | 140,517 |
| Construction | 11,081 | — | — | 11,081 |
| Church, church-related: | | | | |
| Mortgage | 346,214 | 2,255 | 214 | 348,683 |
| Construction | 33,941 | — | — | 33,941 |
| Other | 221 | — | — | 221 |
| Total | $ 669,085 | $ 13,643 | $ 7,629 | $ 690,357 |
| *December 31, 2011* | | | | |
| Commercial and industrial | $ 132,475 | $ 4,385 | $ 56 | $ 136,916 |
| Real estate | | | | |
| Commercial: | | | | |
| Mortgage | 125,850 | 13,536 | 1,462 | 140,848 |
| Construction | 9,067 | — | — | 9,067 |
| Church, church-related: | | | | |
| Mortgage | 336,727 | 10,779 | 220 | 347,726 |
| Construction | 36,497 | — | — | 36,497 |
| Other | 511 | — | — | 511 |
| Total | $ 641,127 | $ 28,700 | $ 1,738 | $ 671,565 |

1 Loans subject to normal monitoring involve borrowers of acceptable-to-strong credit quality and risk, who have the apparent ability to satisfy their loan obligation.

2 Loans subject to special monitoring possess some credit deficiency or potential weakness which requires a high level of management attention.

Impaired loans consist primarily of nonaccrual loans, loans greater than 90 days past due and still accruing interest and troubled debt restructurings, both performing and non-performing. Troubled debt restructuring involves the granting of a concession to a borrower experiencing financial difficulty resulting in the modification of terms of the loan, such as changes in payment schedule or interest rate. Management measures impairment in accordance with FASB ASC 310, “Allowance for Credit Losses.” At March 31, 2012 and December 31, 2011, all impaired loans were evaluated based on the fair value of the collateral. The fair value of the collateral is based upon an observable market price or current appraised value and therefore, the Company classifies these assets as nonrecurring Level 2. Loans delinquent 90 days or more and still accruing interest at March 31, 2012 and December 31, 2011 were $0 and $29,000, respectively. Loans classified as troubled debt restructuring were $0 and $4,479,000 at March 31, 2012 and December 31, 2011, respectively. There are two foreclosed loans with a book value of $1,689,000 which have been recorded as other real estate owned (included in other assets) as of March 31, 2012 and December 31, 2011.

The following table presents the recorded investment and unpaid principal balance for impaired loans at March 31, 2012 and December 31, 2011:

| *(In thousands)* | Recorded Investment | Unpaid Principal Balance | Related Allowance for Loan Losses |
|---|---|---|---|
| *March 31, 2012* | | | |
| Commercial and industrial: | | | |
| Nonaccrual | $ 52 | $ 52 | $ 26 |
| Troubled debt restructurings still accruing | — | — | — |
| Real estate | | | |
| Commercial – Mortgage: | | | |
| Nonaccrual | 7,363 | 7,363 | 1,148 |
| Past due 90 days or more and still accruing | — | — | — |
| Troubled debt restructurings still accruing | — | — | — |
| Church – Mortgage: | | | |
| Nonaccrual | 214 | 214 | 115 |
| Total impaired loans | $ 7,629 | $ 7,629 | $ 1,289 |
| *December 31, 2011* | | | |
| Commercial and industrial: | | | |
| Nonaccrual | $ 56 | $ 56 | $ 28 |
| Troubled debt restructurings still accruing | 83 | 83 | 8 |
| Real estate | | | |
| Commercial – Mortgage: | | | |
| Nonaccrual | 1,433 | 1,433 | 149 |

| | | | |
|---|---|---|---|
| Past due 90 days or more and still accruing | 29 | 29 | — |
| Troubled debt restructurings still accruing | 4,396 | 4,396 | 766 |
| Church – Mortgage: | | | |
| Nonaccrual | 220 | 220 | 115 |
| Total impaired loans | $ 6,217 | $ 6,217 | $ 1,066 |

A summary of the activity in the allowance for loan losses from December 31, 2011 to March 31, 2012 is as follows:

| ***(In thousands)*** | **December 31, 2011** | **Charge-Offs** | **Recoveries** | **Provision** | **March 31, 2012** |
|---|---|---|---|---|---|
| Commercial and industrial | $ 2,594 | $ — | $ 47 | $ 97 | $ 2,738 |
| Real estate | | | | | |
| Commercial: | | | | | |
| Mortgage | 4,776 | 254 | — | 391 | 4,913 |
| Construction | 167 | — | — | 29 | 196 |
| Church, church-related: | | | | | |
| Mortgage | 4,797 | | | (164) | 4,633 |
| Construction | 616 | — | — | (152) | 464 |
| Other | 4 | — | — | (1) | 3 |
| Total | $ 12,954 | $ 254 | $ 47 | $ 200 | $ 12,947 |

Note 7 – Commitments and Contingencies

In the normal course of business, the Company is party to activities that contain credit, market and operational risks 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. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. The Company's maximum potential exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, commercial letters of credit and standby letters of credit is represented by the contractual amounts of those instruments. At March 31, 2012 and December 31, 2011, no amounts have been accrued for any estimated losses for these instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commercial and standby letters of credit are conditional commitments issued by the Company or its subsidiaries to guarantee the performance of a customer to a third party. These off-balance sheet financial instruments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At March 31, 2012 the balance of unused loan commitments, standby and commercial letters of credit were $11,475,000, $16,408,000, and $3,985,000, respectively. Since some of the financial instruments may expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. Commitments to extend credit and letters of credit are subject to the same underwriting standards as those financial instruments included on the consolidated balance sheets. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of the credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally accounts receivable, inventory, residential or income-producing commercial property or equipment. In the event of nonperformance, the Company or its subsidiaries may obtain and liquidate the collateral to recover amounts paid under its guarantees on these financial instruments.

The following table summarizes contractual cash obligations of the Company related to operating lease commitments and time deposits at March 31, 2012:

| | **Amount of Commitment Expiration per Period** | | | | |
|---|---|---|---|---|---|
| ***(In thousands)*** | **Total** | **Less than 1 year** | **1-3 Years** | **3-5 Years** | **Over 5 Years** |
| Operating lease commitments | $ 1,504 | $ 585 | $ 750 | $ 169 | $ — |
| Time deposits | 119,215 | 108,379 | 8,232 | 2,604 | — |
| Total | $ 120,719 | $ 108,964 | $ 8,982 | $ 2,773 | $ — |

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 8 – Stock-Based Compensation

The 2007 Omnibus Incentive Stock Plan (the "Omnibus Plan") permits the issuance of up to 968,000 shares of the Company's common stock in the form of stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units and performance awards. The Company issues shares out of treasury stock for these awards. During the three months ended March 31, 2012, 21,516 restricted shares and 83,968 SARs were granted under the Omnibus Plan.

The Company also continues to maintain its other stock-based incentive plans for the restricted common stock previously awarded and the options previously issued and still outstanding. These plans have been superseded by the Omnibus Plan and accordingly, any available restricted stock and stock option grants not yet issued have been cancelled.

*Restricted Stock*
Restricted shares are amortized to expense over the three-year vesting period. As of March 31, 2012, the total unrecognized compensation expense related to non-vested common stock was $1,492,000 and the related weighted-average period over which it is expected to be recognized is approximately 1.3 years.

Following is a summary of the activity of the restricted stock:

| | Three Months Ended March 31, 2012 | |
|---|---|---|
| | **Shares** | **Fair Value** |
| Balance at December 31, 2011 | 52,470 | $ 29.86 |
| Granted | 21,516 | 36.92 |
| Vested | (20,894) | 27.36 |
| Forfeited | — | — |
| Balance at March 31, 2012 | 53,092 | $ 33.70 |

*Stock Options*
Stock options vest and expire over a period not to exceed seven years. As of March 31, 2012, the total unrecognized compensation expense related to non-vested stock options was $14,000, and the related weighted-average period over which it is expected to be recognized is approximately .8 years. Following is a summary of the activity of the stock options during the three-month period ended March 31, 2012:

| | **Shares** | **Weighted-Average Exercise Price** | **Average Remaining Contractual Term Years** | **Aggregate Intrinsic Value *(In thousands)*** |
|---|---|---|---|---|
| Outstanding at December 31, 2011 | 30,628 | $ 17.79 | .84 | $ 545 |
| Exercised | 12,101 | 16.26 | | |
| Outstanding at March 31, 2012 | 18,527 | $ 18.79 | .77 | $ 392 |
| Exercisable at March 31, 2012 | 18,527 | $ 18.79 | .77 | $ 392 |

The total intrinsic value of options exercised was $268,000 and $140,000, for the three-month periods ended March 31, 2012 and 2011, respectively. Following is a summary of the activity of the non-vested stock options during the three-month period ended March 31, 2012:

| | **Shares** | **Weighted-Average Grant Date Fair Value** |
|---|---|---|
| Non-vested at December 31, 2011 | 3,674 | $ 2.69 |
| Vested | 3,674 | 2.69 |
| Non-vested at March 31, 2012 | — | $ 0.00 |

*SARs*

SARs vest over a three-year period, with one-third of the shares vesting and becoming exercisable each year on the anniversary date of the grant, and they expire 10 years from the grant date. As of March 31, 2012, the total unrecognized compensation expense was $4,738,000 and the related weighted-average period over which it is expected to be recognized is 2.2 years. Following is a summary of the activity of the Company's SARs program for the three-month period ended March 31, 2012:

| | Shares | Weighted-Average Exercise Price | Average Remaining Contractual Term Years | Aggregate Intrinsic Value *(In thousands)* |
|---|---|---|---|---|
| Outstanding at December 31, 2011 | 332,586 | $ 26.87 | 7.42 | $ 3,166 |
| Granted | 83,968 | 36.92 | | |
| Exercised | (12,657) | 25.35 | | |
| Outstanding at March 31, 2012 | 403,897 | 29.01 | 7.77 | 4,420 |
| Exercisable at March 31, 2012 | 256,366 | $ 25.62 | 6.79 | $ 3,673 |

Following is a summary of the activity of non-vested SARs during the three-month period ended March 31, 2012:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Non-vested at December 31, 2011 | 144,321 | $ 29.35 |
| Granted | 83,968 | 36.92 |
| Vested | (80,758) | 27.49 |
| Non-vested at March 31, 2012 | 147,531 | $ 34.89 |

The Company uses the Black-Scholes pricing model to determine the fair value of the SARs at the date of grant. Following are the assumptions used to estimate the per share fair value of SARs granted:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2012 | 2011 |
| Risk-free interest rate | 1.38% | 2.70% |
| Expected life | 7 yrs. | 7 yrs. |
| Expected volatility | 29.39% | 27.86% |
| Expected dividend yield | 1.84% | 1.77% |

The risk-free interest rate is based on the zero-coupon U.S. Treasury yield for the period equal to the expected life of the SARs at the time of the grant. The expected life was derived using the historical exercise activity. The Company uses historical volatility for a period equal to the expected life of the rights using average monthly closing market prices of the Company's stock as reported on The Nasdaq Global Market. The expected dividend yield is based on the Company's current rate of annual dividends.

Note 9 – Defined Pension Plans

The Company has a noncontributory defined benefit pension plan, which covers most of its employees. The Company accrues and makes contributions designed to fund normal service costs on a current basis using the projected unit credit with service proration method to amortize prior service costs arising from improvements in pension benefits and qualifying service prior to the establishment of the plan over a period of approximately 30 years. Disclosure information is based on a measurement date of December 31 of the corresponding year. The following table represents the components of the net periodic pension costs:

| *(In thousands)* | Estimated 2012 | Actual 2011 |
|---|---|---|
| Service cost – benefits earned during the year | $ 2,688 | $ 2,073 |
| Interest cost on projected benefit obligation | 2,532 | 2,423 |
| Expected return on plan assets | (3,968) | (3,314) |
| Net amortization and deferral | 1,396 | 603 |
| Net periodic pension cost | $ 2,648 | $ 1,785 |

Pension costs recorded to expense were $665,000 and $466,000 for the three-month periods ended March 31, 2012 and 2011, respectively. The increase in pension costs is primarily due to additional employees for the year ended December 31, 2011. The Company made a contribution of $750,000 to the plan during the three-month period ended March 31, 2012 and expects to contribute at least an additional $2,250,000 in 2012.

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 and its 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 following table represents the components of the net periodic pension costs for 2011 and an estimate for 2012:

| ***(In thousands)*** | **Estimated 2012** | **Actual 2011** |
|---|---|---|
| Service cost – benefits earned during the year | $ 134 | $ 89 |
| Interest cost on projected benefit obligation | 329 | 295 |
| Net amortization | 422 | 250 |
| Net periodic pension cost | $ 885 | $ 634 |

Pension costs recorded to expense were $224,000 and $158,000 for the three-month periods ended March 31, 2012 and 2011, respectively.

Note 10 – Income Taxes

As of March 31, 2012, the Company's unrecognized tax benefits were approximately $2,188,000, of which $1,587,000 would, if recognized, affect the Company's effective tax rate. As of December 31, 2011, the Company's unrecognized tax benefits were approximately $2,069,000, of which $1,496,000 would, if recognized, affect the Company's effective tax rate. During the next twelve months, the Company may realize a reduction of its unrecognized tax benefits of approximately $456,000 due to the lapse of federal and state statutes of limitations.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The Company had $112,000 and $95,000 of gross interest accrued as of March 31, 2012 and December 31, 2011 respectively. There were no penalties for unrecognized tax benefits accrued at March 31, 2012 and December 31, 2011.

The Company is subject to income tax in the U.S. federal jurisdiction, numerous state jurisdictions, and a foreign jurisdiction. U.S. federal income tax returns for tax years 2008 through 2010 remain subject to examination by the Internal Revenue Service. In addition, the Company is subject to state tax examinations for the tax years 2007 through 2010.

Note 11 – Investment in Securities

Investment securities available-for-sale are recorded at fair value on a recurring basis. The Company's investment securities available-for-sale are measured at fair value using Level 2 valuations. The market evaluation utilizes several sources which include "observable inputs" rather than "significant unobservable inputs" and therefore falls into the Level 2 category. The amortized cost, gross unrealized gains, gross unrealized losses and fair value of investment securities are summarized as follows:

| | **March 31, 2012** | | | |
|---|---|---|---|---|
| ***(In thousands)*** | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| State and political subdivisions | $ 288,537 | $ 17,816 | $ 394 | $ 305,959 |
| Certificates of deposit | 3,250 | — | — | 3,250 |
| Total | $ 291,787 | $ 17,816 | $ 394 | $ 309,209 |

| | **December 31, 2011** | | | |
|---|---|---|---|---|
| ***(In thousands)*** | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| State and political subdivisions | $ 287,585 | $ 19,797 | $ 20 | $ 307,362 |
| Certificates of deposit | 3,250 | — | — | 3,250 |
| Total | $ 290,835 | $ 19,797 | $ 20 | $ 310,612 |

The fair values of securities with unrealized losses are as follows:

| | March 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| *(In thousands)* | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated Fair value | Unrealized losses |
| State and political subdivisions | $ 25,593 | $ 394 | $ — | $ — | $ 25,593 | $ 394 |
| Certificates of deposit | — | — | — | — | — | — |
| Total | $ 25,593 | $ 394 | $ — | $ — | $ 25,593 | $ 394 |

| | December 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| *(In thousands)* | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated Fair value | Unrealized Losses |
| State and political subdivisions | $ 4,362 | $ 20 | $ — | $ — | $ 4,362 | $ 20 |
| Certificates of deposit | — | — | — | — | — | — |
| Total | $ 4,362 | $ 20 | $ — | $ — | $ 4,362 | $ 20 |

There were 30 securities (none greater than 12 months) in an unrealized loss position as of March 31, 2012. There were 7 securities (none greater than 12 months) in an unrealized loss position as of December 31, 2011. All unrealized losses were reviewed to determine whether the losses were other than temporary. Management believes that all unrealized losses are temporary since they were market driven, and the Company has the ability and intent to hold these securities until maturity.

The amortized cost and fair value of investment securities 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.

| | March 31, 2012 | |
|---|---|---|
| *(In thousands)* | Amortized Cost | Fair Value |
| Due in 1 year or less | $ 8,119 | $ 8,220 |
| Due after 1 year through 5 years | 48,415 | 52,210 |
| Due after 5 years through 10 years | 120,163 | 128,348 |
| Due after 10 years | 115,090 | 120,431 |
| Total | $ 291,787 | $ 309,209 |

There was one security for $3,250,000 pledged to secure public deposits and for other purposes at March 31, 2012.

Proceeds from sales of investment securities classified as available for sale were $14,659,000 and $501,000 for the first three months of 2012 and 2011, respectively. There were $966,000 gross realized gains for the first three months of 2012 and no gross realized gains or losses for the first three months of 2011.

Note 12 – Fair Value of Financial Instruments

Following is a summary of the carrying amounts and fair values of the Company’s financial instruments:

| | March 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| *(In thousands)* | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Balance sheet assets: | | | | |
| Cash and cash equivalents | $ 159,116 | $ 159,116 | $ 235,962 | $ 235,962 |
| Investment securities | 309,209 | 309,209 | 310,612 | 310,612 |
| Loans, net | 677,410 | 683,080 | 658,611 | 665,348 |
| Accrued interest receivable | 5,876 | 5,876 | 6,125 | 6,125 |
| Total | $ 1,151,611 | $ 1,157,281 | $ 1,211,310 | $ 1,218,047 |
| Balance sheet liabilities: | | | | |
| Deposits | $ 515,916 | $ 516,430 | $ 548,368 | $ 548,985 |
| Accounts and drafts payable | 574,990 | 574,990 | 595,201 | 595,201 |
| Accrued interest payable | 155 | 155 | 159 | 159 |
| Total | $ 1,091,061 | $ 1,091,575 | $ 1,143,728 | $ 1,144,345 |

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

*Cash and Other Short-term Instruments* – For cash and cash equivalents, accrued interest receivable, accounts and drafts payable 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 Securities* – The fair value is measured using Level 2 valuations.

*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 or the benefit derived from the customer relationship inherent in existing deposits.

There were no transfers between Levels 1 and 2 of the fair value hierarchy for the three months ended March 31, 2012 and 2011. No financial instruments are measured using Level 3 inputs for the three months ended March 31, 2012 and 2011.

Note 13 – Subsequent Events

In accordance with FASB ASC 855, "Subsequent Events," the Company has evaluated subsequent events after the consolidated balance sheet date of March 31, 2012 and there were no events identified that would require additional disclosures to prevent the Company's consolidated financial statements from being misleading.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

Cass provides payment and information processing services to large manufacturing, distribution and retail enterprises from its offices/locations in St. Louis, Missouri, Columbus, Ohio, Boston, Massachusetts, Greenville, South Carolina, Wellington, Kansas, Breda, Netherlands and Jacksonville, Florida. The Company's services include freight invoice rating, payment processing, auditing, and the generation of accounting and transportation information. Cass also processes and pays utility invoices, which include electricity, gas and telecommunications expenses, and is a provider of telecom expense management solutions. Cass extracts, stores, and presents information from freight, utility, telecommunication and environmental invoices, assisting its customers' transportation, energy, environmental and information technology managers in making decisions that will enable them to improve operating performance. The Company receives data from multiple sources, electronic and otherwise, and processes the data to accomplish the specific operating requirements of its customers. It then provides the data in a central repository for access and archiving. The data is finally transformed into information through the Company's databases that allow client interaction as required and provide Internet-based tools for analytical processing. The Company also, through Cass Commercial Bank, its St. Louis, Missouri based bank subsidiary (the "Bank"), provides banking/loan services in the St. Louis metropolitan area, Orange County, California, and other selected cities in the United States. In addition to supporting the Company's payment operations, the Bank provides banking services to its target markets, which include privately-owned businesses and churches and church-related ministries.

The specific payment and information processing services provided to each customer are developed individually to meet each customer's requirements, which can vary greatly. In addition, the degree of automation such as electronic data interchange, imaging, and web-based solutions varies greatly among customers and industries. These factors combine so that pricing varies greatly among the customer base. In general, however, Cass is compensated for its processing services through service fees and investment of account balances generated during the payment process. The amount, type, and calculation of service fees vary greatly by service offering, but generally follow the volume of transactions processed. Interest income from the balances generated during the payment processing cycle is affected by the amount of time Cass holds the funds prior to payment and the dollar volume processed. Both the number of transactions processed and the dollar volume processed are therefore key metrics followed by management. Other factors will also influence revenue and profitability, such as changes in the general level of interest rates, which have a significant effect on net interest income. The funds generated by these processing activities are invested in overnight investments, investment grade securities, and loans generated by the Bank. The Bank earns most of its revenue from net interest income, or the difference between the interest earned on its loans and investments and the interest paid on its deposits and other borrowings. The Bank also assesses fees on other services such as cash management services.

Industry-wide factors that impact the Company include the willingness of large corporations to outsource key business functions such as freight, utility, telecommunication and environmental payment and audit. The benefits that can be achieved by outsourcing transaction processing and the management information generated by Cass' systems can be influenced by factors such as the competitive pressures within industries to improve profitability, the general level of transportation costs, deregulation of energy costs, and consolidation of telecommunication providers. Economic factors that impact the Company include the general level of economic activity that can affect the volume and size of invoices processed, the ability to hire and retain qualified staff, and the growth and quality of the loan portfolio. As economic conditions continued to slowly improve in 2012, the number and total dollar volumes of transactions processed increased, thereby increasing fee revenue, interest income, and liquidity. The general level of interest rates also has a significant effect on the revenue of the Company. As discussed in greater detail in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in the Company's 2011 Annual Report on Form 10-K, a decline in the general level of interest rates can have a negative impact on net interest income.

In January 2011, Cass opened an office in Breda, Netherlands, to support the Company's multinational information processing clients. The revenues, expenditures and assets related to this office did not account for a significant portion of the Company's business during the three months ended March 31, 2011 and 2012 and the current activities are not significant enough to pose substantial risk.

On January 6, 2012, the Company acquired the assets of WRC, one of the fastest-growing providers of environmental expense management services. This acquisition positions the Company to expand its portfolio of services for controlling facility-related expenses and accelerates Cass' leadership position as a back-office business processor. The results of operations for this new service are included in the Information Services business segment.

Currently, management views Cass' major opportunity as the continued expansion of its payment and information processing service offerings and customer base. Management intends to accomplish this by maintaining the Company's leadership position in applied technology, which when combined with the security and processing controls of the Bank, makes Cass unique in the industry.

**Critical Accounting Policies**

The Company has prepared the consolidated financial statements in this report in accordance with the FASB Accounting Standards Codification ("ASC"). In preparing the consolidated financial statements, management makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates have been generally accurate in the past, have been consistent and have not required any material changes. There can be no assurances that actual results will not differ from those estimates. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position have been discussed with the Audit Committee of the Board of Directors and are described below.

*Allowance for Loan Losses*. The Company performs periodic and systematic detailed reviews of its loan portfolio to assess overall collectability. The level of the allowance for loan losses reflects management's estimate of the collectability of the loan portfolio. Although these estimates are based on established methodologies for determining allowance requirements, actual results can differ significantly from estimated results. These policies affect both segments of the Company. The impact and associated risks related to these policies on the Company's business operations are discussed in the "Provision and Allowance for Loan Losses" section of this report. The Company's estimates have been materially accurate in the past, and accordingly, we expect to continue to utilize the present processes.

*Impairment of Assets*. The Company periodically evaluates certain long-term assets such as intangible assets including goodwill, foreclosed assets and assets held for sale for impairment. Generally, these assets are initially recorded at cost, and recognition of impairment is required when events and circumstances indicate that the carrying amounts of these assets will not be recoverable in the future. If impairment occurs, various methods of measuring impairment may be called for depending on the circumstances and type of asset, including quoted market prices, estimates based on similar assets, and estimates based on valuation techniques such as discounted projected cash flows. The Company had no impairment of goodwill and intangible assets for the three months ended March 31, 2012 or for the fiscal year ended December 31, 2011, and management does not anticipate any future impairment loss. Investment securities available-for-sale are measured at fair value as calculated by an independent research firm. The market evaluation utilizes several sources which include "observable inputs" rather than "significant unobservable inputs." These policies affect both segments of the Company and require significant management assumptions and estimates that could result in materially different results if conditions or underlying circumstances change.

*Income Taxes*. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in the Company's financial statements or tax returns such as the realization of deferred tax assets or changes in tax laws or interpretations thereof. In addition, the Company is subject to the continuous examination of its income tax returns by the Internal Revenue Service and other taxing authorities. In accordance with FASB ASC 740, "Income Taxes," the Company has unrecognized tax benefits related to tax positions taken or expected to be taken. See Note 10 to the financial statements.

*Pension Plans.* The amounts recognized in the consolidated financial statements related to pension plans are determined from actuarial valuations. Inherent in these valuations are assumptions, including expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2011, rate of increase in future compensation levels and mortality rates. These assumptions are updated annually and are disclosed in Note 10 to the consolidated financial statements filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes in the Company's long-term rate of return assumptions for the past three fiscal years ended December 31 and management believes they are not reasonably likely to change in the future. Pursuant to FASB ASC 715, "Compensation – Retirement Benefits," the Company has recognized the funded status of its defined benefit postretirement plan in its balance sheet and has recognized changes in that funded status through comprehensive income. The funded status is measured as the difference between the fair value of the plan assets and the projected benefit obligation as of the date of its fiscal year-end.

**Results of Operations**

The following paragraphs more fully discuss the results of operations and changes in financial condition for the three-month period ended March 31, 2012 ("First Quarter of 2012") compared to the three-month period ended March 31, 2011 ("First Quarter of 2011"). The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes and with the statistical information and financial data appearing in this report as well as the Company's 2011 Annual Report on Form 10-K. Results of operations for the First Quarter of 2012 are not necessarily indicative of the results to be attained for any other period.

**Net Income**

The following table summarizes the Company's operating results:

| | First Quarter of | | |
|---|---|---|---|
| ***(In thousands except per share data)*** | **2012** | **2011** | **% Change** |
| Net income | $ 5,908 | $ 5,719 | 3.3% |
| Diluted earnings per share | $ .56 | $ .55 | 1.8% |
| Return on average assets | 1.79% | 1.86% | |
| Return on average equity | 14.69% | 16.23% | |

**Fee Revenue and Other Income**

The Company’s fee revenue is derived mainly from transportation and utility processing and payment fees. As the Company provides its processing and payment services, it is compensated by service fees which are typically calculated on a per-item basis and by the accounts and drafts payable balances generated in the payment process which can be used to generate interest income. Processing volumes related to fees and accounts and drafts payable were as follows:

| | First Quarter of | | |
|---|---|---|---|
| ***(In thousands)*** | **2012** | **2011** | **% Change** |
| Transportation Core Invoice Transaction Volume* | 6,873 | 6,670 | 3.04% |
| Transportation Invoice Dollar Volume | $ 5,382,091 | $ 4,568,930 | 17.80% |
| Utility Transaction Volume | 3,607 | 3,358 | 7.42% |
| Utility Transaction Dollar Volume | $ 2,592,486 | $ 2,689,235 | (3.60)% |
| Payment and Processing Fees | $ 16,487 | $ 14,347 | 14.92% |

* Core invoices exclude parcel shipments.

First Quarter of 2012 compared to First Quarter of 2011:

Transportation transaction and dollar volumes were up 3% and 18%, respectively, due to new business and improved activity from existing customers. Utility transaction volumes rose 7% due to new business and improved activity from existing customers, while utility dollar volumes fell 4% due to the unseasonably mild winter temperatures experienced across much of the U.S.

Bank service fees decreased $54,000, or 15% and other income decreased $1,000. There were $966,000 gains on sales of securities in First Quarter 2012 and no gains or losses on sales of securities in the First Quarter of 2011.

**Net Interest Income**

Net interest income is the difference between interest earned on loans, investments, and other earning assets and interest expense on deposits and other interest-bearing liabilities. Net interest income is a significant source of the Company’s revenues. The following table summarizes the changes in net interest income and related factors:

| | First Quarter of | | |
|---|---|---|---|
| ***(In thousands)*** | **2012** | **2011** | **% Change** |
| Average earnings assets | $ 1,193,752 | $ 1,149,715 | 3.83% |
| Average interest-bearing liabilities | 402,859 | 409,071 | (.02)% |
| Net interest income* | 12,102 | 13,033 | (7.14)% |
| Net interest margin* | 4.08% | 4.60% | |
| Yield on earning assets* | 4.36% | 5.02% | |
| Rate on interest bearing liabilities | .84% | 1.20% | |

* Presented on a tax-equivalent basis assuming a tax rate of 35%.

First Quarter of 2012 compared to First Quarter of 2011:

First Quarter 2012 average earning assets increased approximately $44,037,000, or 4%, compared to the same period in the prior year (see discussion in the following paragraphs). The yield on earning assets and the tax equivalent net interest margin both decreased in 2012 as the general level of interest rates remained low.

Total average loans decreased $27,813,000, or 4%, to $677,890,000 for the First Quarter of 2012 as compared to the First Quarter of 2011. This decrease was the result of intense competition from other lenders. Average investment securities increased $35,963,000, or 14%, to $293,353,000 as the Company took advantage of buying opportunities in the market.

Total average interest-bearing deposits for the First Quarter of 2012 decreased $6,210,000, or 2%, to $402,859,000 compared to the First Quarter of 2011. Accounts and drafts payable increased $58,688,000, or 11%, as freight and utility payment processing activities increased.

For more information on the changes in net interest income, please refer to the tables that follow.

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

The following table shows the 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.

| | First Quarter of 2012 | | | First Quarter of 2011 | | |
|---|---|---|---|---|---|---|
| *(In thousands)* | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| **Assets**[1] | | | | | | |
| Earning assets | | | | | | |
| Loans[2, 3]: | | | | | | |
| Taxable | $ 677,183 | $ 8,939 | 5.31% | $ 704,737 | $ 10,249 | 5.90% |
| Tax-exempt[4] | 707 | 1 | .57 | 966 | 6 | 2.52 |
| Investment securities[5]: | | | | | | |
| Taxable | 981 | 6 | 2.46 | 928 | 5 | 2.19 |
| Tax-exempt[4] | 289,122 | 3,861 | 5.37 | 256,462 | 3,810 | 6.02 |
| Certificates of deposit | 3,250 | 4 | .50 | — | — | — |
| Interest-bearing deposits in other financial institutions | 116,553 | 87 | .30 | 62,287 | 66 | .43 |
| Federal funds sold and other short-term investments | 105,956 | 42 | .16 | 124,335 | 103 | .34 |
| Total earning assets | 1,193,752 | 12,940 | 4.36 | 1,149,715 | 14,239 | 5.02 |
| Non-earning assets | | | | | | |
| Cash and due from banks | 12,224 | | | 11,464 | | |
| Premises and equipment, net | 9,539 | | | 9,679 | | |
| Bank-owned life insurance | 14,426 | | | 14,267 | | |
| Goodwill and other intangibles | 13,187 | | | 7,728 | | |
| Other assets | 95,990 | | | 62,954 | | |
| Allowance for loan losses | (12,964) | | | (12,074) | | |
| Total assets | $ 1,326,154 | | | $ 1,243,733 | | |
| **Liabilities and Shareholders' Equity**[1] | | | | | | |
| Interest-bearing liabilities | | | | | | |
| Interest-bearing demand deposits | $ 254,042 | $ 444 | .70% | $ 218,525 | $ 556 | 1.03% |
| Savings deposits | 22,566 | 39 | .70 | 24,831 | 64 | 1.05 |
| Time deposits >=$100 | 43,868 | 137 | 1.26 | 53,609 | 184 | 1.39 |
| Other time deposits | 82,383 | 218 | 1.06 | 112,104 | 402 | 1.45 |
| Total interest-bearing deposits | 402,859 | 838 | .84 | 409,069 | 1,206 | 1.20 |
| Short-term borrowings | — | — | — | 2 | — | — |
| Total interest bearing liabilities | 402,859 | 838 | .84 | 409,071 | 1,206 | 1.20 |
| Non-interest bearing liabilities | | | | | | |
| Demand deposits | 137,034 | | | 130,406 | | |
| Accounts and drafts payable | 608,482 | | | 549,794 | | |
| Other liabilities | 16,027 | | | 11,534 | | |
| Total liabilities | 1,164,402 | | | 1,100,805 | | |
| Shareholders' equity | 161,752 | | | 142,928 | | |
| Total liabilities and shareholders' equity | $ 1,326,154 | | | $ 1,243,733 | | |
| Net interest income | | $ 12,102 | | | $ 13,033 | |
| Net interest margin | | | 4.08% | | | 4.60% |
| Interest spread | | | 3.52 | | | 3.83 |

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 Note 1 to the Company's 2011 consolidated financial statements, filed with the Company's 2011 Annual Report on Form 10-K.
3. Interest income on loans includes net loan fees of $70,000 and $238,000 for the First Quarter of 2012 and 2011, respectively.

4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 35%. The tax-equivalent adjustment was approximately $1,351,000 and $1,335,000 for the First Quarter of 2012 and 2011, 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 periods due to changes in volume and interest rates. That portion of the change in interest attributable to the combined rate/volume variance has been allocated to rate and volume changes in proportion to the absolute dollar amounts of the change in each.

| | First Quarter of 2012 Over First Quarter of 2011 | | |
|---|---|---|---|
| *(In thousands)* | **Volume** | **Rate** | **Total** |
| Increase (decrease) in interest income: | | | |
| Loans[1, 2]: | | | |
| Taxable | $ (369) | $ (941) | $ (1,310) |
| Tax-exempt[3] | (1) | (4) | (5) |
| Investment securities: | | | |
| Taxable | — | 1 | 1 |
| Tax-exempt[3] | 479 | (428) | 51 |
| Certificates of deposit | 2 | 2 | 4 |
| Interest-bearing deposits in other financial institutions | 45 | (24) | 21 |
| Federal funds sold and other short-term investments | (13) | (48) | (61) |
| Total interest income | 143 | (1,442) | (1,299) |
| Interest expense on: | | | |
| Interest-bearing demand deposits | 83 | (195) | (112) |
| Savings deposits | (5) | (20) | (25) |
| Time deposits >=$100 | (31) | (16) | (47) |
| Other time deposits | (91) | (93) | (184) |
| Total interest expense | (44) | (324) | (368) |
| Net interest income | 187 | (1,118) | (931) |

1. Average balances include nonaccrual loans.
2. Interest income includes net loan fees.
3. Interest income is presented on a tax-equivalent basis assuming a tax rate of 35%.

**Provision and Allowance for Loan Losses**

A significant determinant of the Company's operating results is the provision for loan losses. There was a $200,000 and $450,000 provision for loan losses during the First Quarter of 2012 and the First Quarter of 2011, respectively. As discussed below, the Company continually analyzes the outstanding loan portfolio based on the performance, financial condition and collateralization of the credits. There were net loan charge offs of $207,000 in the First Quarter of 2012 compared to $36,000 in recoveries for the same period in 2011.

The allowance for loan losses at March 31, 2012 was $12,947,000 and at December 31, 2011 was $12,954,000. The ratio of allowance for loan losses to total loans outstanding at March 31, 2012 was 1.88% compared to 1.93% at December 31, 2011. Nonperforming loans were $7,629,000, or 1.11%, of total loans at March 31, 2012 compared to $1,738,000, or .26%, of total loans at December 31, 2011. These loans, which are also considered impaired, consisted of six nonaccrual loans to borrowers in financial trouble. Nonperforming loans at December 31, 2011 consisted of four nonaccrual loans. Total nonperforming loans increased $7,090,000 from March 31, 2011. This increase was due to the addition of four loans and the write-off of two loans.

In addition to the loans discussed above, at March 31, 2012, loans totaling $6,886,000 not included in the table below were identified by management as subject to special monitoring. These loans possess some credit deficiency or potential weakness which requires a high level of management attention.

The allowance for loan losses has been established and is maintained to absorb probable losses in the loan portfolio. An ongoing assessment of risk of loss is performed to determine if the current balance of the allowance is adequate to cover probable losses in the portfolio. A charge or credit is made to expense to cover any deficiency or reduce any excess, as required. The current methodology employed to determine the appropriate allowance consists of two components, specific and general. The Company develops specific allowances on commercial, commercial real estate, and construction loans based on individual review of these loans and an estimate of the borrower’s ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available. The general component relates to all other loans, which are evaluated based on loan grade. The loan grade assigned to each loan is typically evaluated on an annual basis, unless circumstances require interim evaluation. The Company assigns an allowance amount consistent with each loan's rating category. The allowance amount is based on derived loss experience over prescribed periods. In addition to the amounts derived from the loan grades, a portion is added to the general allowance 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 in the banking industry; and trends in risk rating changes. As part of their examination process, federal and state agencies review the Company's methodology for maintaining the allowance for loan losses and the related balance. These agencies may require the Company to increase the allowance for loan losses based on their judgments and interpretations about information available to them at the time of their examination.

**Summary of Asset Quality**

The following table presents information pertaining to the Company's provision for loan losses and analysis of the allowance for loan losses:

| | First Quarter of | |
|---|---|---|
| ***(In thousands)*** | **2012** | **2011** |
| Allowance at beginning of period | $ 12,954 | $ 11,891 |
| Provision charged to expense | 200 | 450 |
| Loans charged off | (254) | — |
| Recoveries on loans previously charged off | 47 | 36 |
| Net recoveries (loans charged off) | (207) | 36 |
| Allowance at end of period | $ 12,947 | $ 12,377 |
| Loans outstanding: | | |
| Average | $ 677,890 | $ 705,703 |
| March 31 | 690,357 | 709,622 |
| Ratio of allowance for loan losses to loans outstanding: | | |
| Average | 1.91% | 1.75% |
| March 31 | 1.88 | 1.74 |
| Nonperforming loans: | | |
| Nonaccrual loans | $ 7,629 | $ 539 |
| Loans past due 90 days or more | — | — |
| Renegotiated loans | — | — |
| Total nonperforming loans | $ 7,629 | $ 539 |
| Foreclosed assets | 1,689 | 1,910 |
| Nonperforming loans as a % of average loans | 1.11% | .08% |

The Bank had two properties carried as other real estate owned of $1,689,000 and $1,910,000 as of March 31, 2012 and 2011, respectively.

**Operating Expense**

Total operating expenses for the First Quarter of 2012 were up $2,207,000, or 12%, compared to the First Quarter of 2011.

Salaries and benefits expense for the First Quarter of 2012 increased $1,855,000, or 14%, compared to the First Quarter of 2011 due to higher payroll and pension expenses.

Occupancy expense for the First Quarter of 2012 decreased $116,000, or 18%, to $532,000 from the First Quarter of 2011 as maintenance and repair costs and rental expense declined with the consolidation of bank branches.

Equipment expense for the First Quarter of 2012 increased $16,000, or less than 2%, compared to the First Quarter of 2011.

Amortization of intangible assets increased $112,000 for the First Quarter of 2012 over 2011 due to the purchase of the assets of WRC.

Other operating expenses for the First Quarter of 2012 increased $340,000, or 12%, compared to the First Quarter of 2011 due to an increase in promotional expense and additional litigation expense.

Income tax expense for the First Quarter of 2012 decreased $42,000, or 2%, compared to the First Quarter of 2011. The effective tax rate was 27% and 28% for the First Quarters of 2012 and 2011, respectively.

**Financial Condition**

Total assets at March 31, 2012 were $1,273,514,000, a decrease of $45,787,000, or 3%, from December 31, 2011. The most significant changes in asset balances during this period were a decrease of $76,846,000 in cash and cash equivalents offset by an increase in loans of $18,792,000. Changes in federal funds sold and other short-term investments reflect the Company's daily liquidity position and are affected by the changes in the other asset balances and changes in deposit and accounts and drafts payable balances.

Total liabilities at March 31, 2012 were $1,110,135,000, a decrease of $48,618,000, or 4%, from December 31, 2011. Total deposits at March 31, 2012 were $515,916,000 a decrease of $32,452,000, or 6%, from December 31, 2011. Accounts and drafts payable at March 31, 2012 were $574,990,000, a decrease of $20,210,000, or 3%, from December 31, 2011. Total shareholders' equity at March 31, 2012 was $163,379,000, a $2,831,000, or 2%, increase from December 31, 2011.

Accounts and drafts payable will fluctuate from period-end to period-end due to the payment processing cycle, which results in lower balances on days when funds are disbursed and higher balances on days when funds are received. For this reason, average balances are a more meaningful measure of accounts and drafts payable (for average balances refer to the tables under the "Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rate and Interest Differential" section of this report).

The increase in total shareholders' equity resulted from net income of $5,908,000, plus $216,000 from stock-based bonuses off-set by an increase in other comprehensive loss of $1,528,000 and dividends paid of $1,765,000 ($.17 per share).

**Liquidity and Capital Resources**

The balance of liquid assets consists of cash and cash equivalents, which include cash and due from banks, interest-bearing deposits in other financial institutions, federal funds sold and other short-term investments, and was $159,116,000 at March 31, 2012, a decrease of $77,000,000, or 33%, from December 31, 2011. At March 31, 2012, these assets represented 12% of total assets. These funds are the Company's and its subsidiaries' primary source of liquidity to meet future expected and unexpected loan demand, depositor withdrawals or reductions in accounts and drafts payable.

Secondary sources of liquidity include the investment portfolio and borrowing lines. Total investment in securities was $309,209,000 at March 31, 2012, a decrease of $1,403,000, or less than 1%, from December 31, 2011. These assets represented 24% of total assets at March 31, 2012. Of this total, 99% were state and political subdivision securities. Of the total portfolio, 3% mature in one year, 17% mature in one to five years, and 80% mature in five or more years.

The Bank has unsecured lines of credit at correspondent banks to purchase federal funds up to a maximum of $88,000,000 at the following banks: Bank of America, $20,000,000; US Bank, $20,000,000; Wells Fargo Bank, $15,000,000; Frost National Bank, $10,000,000; PNC Bank, $12,000,000; UMB Bank, $5,000,000; and JPM Chase Bank, $6,000,000. The Company has secured lines of credit with the Federal Home Loan Bank of $123,158,000 collateralized by commercial mortgage loans. The Company also has a secured federal funds line of credit of $29,750,000 with the UMB Bank. There were no amounts outstanding under any line of credit as of March 31, 2012 or December 31, 2011.

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 other commercial products of the Bank. The accounts and drafts payable generated by the Company has also historically been a stable source of funds. The Company is part of the Certificate of Deposit Account Registry Service ("CDARS"). Time deposits include $75,023,000 of CDARS deposits which offer the Bank's customers the ability to maximize FDIC insurance coverage. The Company uses this program to retain or attract deposits from existing customers.

Net cash flows provided by operating activities were $9,810,000 for the First Quarter of 2012 compared with $8,730,000 for the First Quarter of 2011. This increase is attributable to the increases in net income of $189,000 and the increase in depreciation and amortization of $424,000 offset by gains on sales of securities of $966,000 and the other normal fluctuations in asset and liability accounts of $1,433,000. Net cash flows from investing and financing activities fluctuate greatly as the Company actively manages its investment and loan portfolios and customer activity influences changes in deposit and accounts and drafts payable balances. Other causes for the changes in these account balances are discussed earlier in this report. Due to the daily fluctuations in these account balances, the analysis of changes in average balances, also discussed earlier in this report, can be more indicative of underlying activity than the period-end balances used in the statements of cash flows. Management anticipates that cash and cash equivalents, maturing investments and cash from operations will continue to be sufficient to fund the Company's operations and capital expenditures in 2012, which are estimated to be less than $3,000,000.

The Company faces market risk to the extent that its net interest income and fair market value of equity are affected by changes in market interest rates. For information regarding the market risk of the Company's financial instruments, see Item 3, "Quantitative and Qualitative Disclosures about Market Risk."

There are several trends and uncertainties that may impact the Company's ability to generate revenues and income at the levels that it has in the past. In addition, these trends and uncertainties may impact available liquidity. Those that could significantly impact the Company include the general levels of interest rates, business activity, and energy costs as well as new business opportunities available to the Company.

As a financial institution, a significant source of the Company's earnings is generated from net interest income. Therefore, the prevailing interest rate environment is important to the Company's performance. A major portion of the Company's funding sources are the non-interest bearing accounts and drafts payable generated from its payment and information processing services. Accordingly, higher levels of interest rates will generally allow the Company to earn more net interest income. Conversely, a lower interest rate environment will generally tend to depress net interest income. The Company actively manages its balance sheet in an effort to maximize net interest income as the interest rate environment changes. This balance sheet management impacts the mix of earning assets maintained by the Company at any point in time. For example, in the low interest rate environment currently faced by the Company, short-term relatively lower rate liquid investments are reduced in favor of longer term relatively higher yielding investments and loans.

The overall level of economic activity can have a significant impact on the Company's ability to generate revenues and income, as the volume and size of customer invoices processed may increase or decrease. Higher levels of economic activity increase both fee income (as more invoices are processed) and balances of accounts and drafts payable.

The relative level of energy costs can impact the Company's earnings and available liquidity. Higher levels of energy costs will tend to increase transportation and utility invoice amounts resulting in a corresponding increase in accounts and drafts payable. Increases in accounts and drafts payable generate higher interest income and improve liquidity.

New business opportunities are an important component of the Company's strategy to grow earnings and improve performance. Generating new customers allows the Company to leverage existing systems and facilities and grow revenues faster than expenses.

Risk-based capital guidelines require the Company to meet a minimum total capital ratio of 8.0%, of which at least 4.0% must consist of Tier 1 capital. Tier 1 capital generally consists of (a) common shareholders' equity (excluding the unrealized market value adjustments on the available-for-sale securities), (b) qualifying perpetual preferred stock and related surplus subject to certain limitations specified by the FDIC, (c) minority interests in the equity accounts of consolidated subsidiaries less (d) goodwill, (e) mortgage servicing rights within certain limits, and (f) any other intangible assets and investments in subsidiaries that the FDIC determines should be deducted from Tier 1 capital. The FDIC also requires a minimum leverage ratio of 3.0%, defined as the ratio of Tier 1 capital less purchased mortgage servicing rights to total assets, for banking organizations deemed the strongest and most highly rated by banking regulators. A higher minimum leverage ratio is required of less highly rated banking organizations. Total capital, a measure of capital adequacy, includes Tier 1 capital, allowance for loan losses, and debt considered equity for regulatory capital purposes.

The Company and the Bank continue to exceed all regulatory capital requirements, as evidenced by the following capital amounts and ratios:

| | **March 31, 2012** | | **December 31, 2011** | |
|---|---|---|---|---|
| ***(In thousands)*** | **Amount** | **Ratio** | **Amount** | **Ratio** |
| Total capital (to risk-weighted assets) | | | | |
| Cass Information Systems, Inc. | $ 163,483 | 18.38% | $ 166,605 | 19.03% |
| Cass Commercial Bank | 68,919 | 13.03% | 66,851 | 12.71% |
| Tier I capital (to risk-weighted assets) | | | | |
| Cass Information Systems, Inc. | $ 152,343 | 17.13% | $ 155,638 | 17.78% |
| Cass Commercial Bank | 62,279 | 11.78% | 60,248 | 11.46% |
| Tier I capital (to average assets) | | | | |
| Cass Information Systems, Inc. | $ 152,343 | 11.62% | $ 155,638 | 11.53% |
| Cass Commercial Bank | 62,279 | 10.12% | 60,248 | 9.49% |

**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.

**Impact of New and Not Yet Adopted Accounting Pronouncements**

None.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, the Company manages its interest rate risk through measurement techniques that include gap analysis and a simulation model. As part of the risk management process, asset/liability management policies are established and monitored by management. The policy objective is to limit the change in annualized net interest income to 15% from an immediate and sustained parallel change in interest rates of 200 basis points. Based on the Company's most recent evaluation, management does not believe the Company's risk position at March 31, 2012 has changed materially from that at December 31, 2011.

**ITEM 4. CONTROLS AND PROCEDURES**

The Company’s management, under the supervision and with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report and concluded that, as of such date, these controls and procedures were effective.

There were no changes in the First Quarter of 2012 in the Company's internal control over financial reporting identified by the Company’s principal executive officer and principal financial officer in connection with their evaluation that materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended).

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Company has included in Part I, Item 3 of its Annual Report on Form 10-K for the year ended December 31, 2011 disclosure regarding certain legal proceedings. On September 28, 2010, Asentinel LLC (“Asentinel”) filed a lawsuit in the United States District Court for the Western District of Tennessee against the Company, AnchorPoint, Inc. (“AnchorPoint”) and Veramark Technologies, Inc. (“Veramark”), alleging infringement of two Asentinel patents by the Company. The lawsuit and all claims were settled by mutual agreement and the suit was dismissed with prejudice on April 11, 2012. There were no material developments with regard to the other proceeding during the three months ended March 31, 2012.

All other legal proceedings and actions involving the Company are of an ordinary and routine nature and are incidental to the operations of the Company. Management believes the outcome of all proceedings will not have a material effect on the businesses or financial conditions of the Company or its subsidiaries.

**ITEM 1A. RISK FACTORS**
The Company has included in Part I, Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2011, a description of certain risks and uncertainties that could affect the Company's business, future performance or financial condition (the "Risk Factors"). There are no material changes to the Risk Factors as disclosed in the Company's 2011 Annual Report on Form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**
None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**
None.

**ITEM 4. MINE SAFETY DISCLOSURES**
None.

**ITEM 5. OTHER INFORMATION**
(a) None.
(b) There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors implemented in the First Quarter of 2012.

**ITEM 6. EXHIBITS**

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

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

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

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

Exhibit 101.INS XBRL Instance Document

Exhibit 101.SCH XBRL Taxonomy Extension Schema Document

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CASS INFORMATION SYSTEMS, INC.

DATE: May 4, 2012

By /s/ Eric H. Brunngraber

Eric H. Brunngraber
President and Chief Executive Officer
(Principal Executive Officer)

DATE: May 4, 2012

By /s/ P. Stephen Appelbaum

P. Stephen Appelbaum
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 31.1**

## CERTIFICATIONS

I, Eric H. Brunngraber, certify that:

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

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 4, 2012

/s/ Eric H. Brunngraber

Eric H. Brunngraber
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATIONS**

I, P. Stephen Appelbaum, certify that:

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

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 4, 2012

/s/ P. Stephen Appelbaum

P. Stephen Appelbaum
Executive Vice President and Chief
Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

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

In connection with the Quarterly Report of Cass Information Systems, Inc. (“the Company”) on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric H. Brunngraber, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Eric H. Brunngraber
Eric H. Brunngraber
President and Chief Executive Officer
(Principal Executive Officer)
May 4, 2012

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

**Exhibit 32.2**

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

In connection with the Quarterly Report of Cass Information Systems, Inc. ("the Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, P. Stephen Appelbaum, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ P. Stephen Appelbaum

P. Stephen Appelbaum
Executive Vice President and Chief
Financial Officer
(Principal Financial and Accounting Officer)
May 4, 2012

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