SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED MARCH 31, 1997
COMMISSION FILE NO. 2-80070

CASS COMMERCIAL CORPORATION

INCORPORATED UNDER THE LAWS OF MISSOURI
I.R.S. EMPLOYER IDENTIFICATION NO. 43-1265338

13001 HOLLENBERG DRIVE, BRIDGETON, MISSOURI 63044

TELEPHONE: (314) 506-5500

Indicate by check mark whether the registrant 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, and has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares outstanding of registrant's only class of stock as of March 31, 1997: Common stock, par value $.50 per share - 3,858,548 shares outstanding.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

PART I, ITEM 1

CASS COMMERCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | (IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA) | |
|---|---|---|
| | MARCH 31 1997 | DECEMBER 31 1996 |
| **ASSETS** | | |
| Cash and due from banks | $ 17,583 | $ 10,256 |
| Federal funds sold and other short-term investments | 28,000 | 56,900 |
| Cash and cash equivalents | 45,583 | 67,156 |
| Investments in debt and equity securities: | | |
| Held-to-maturity, estimated market value of $110,551 and $118,362 at March 31, 1997 and December 31, 1996, respectively | 111,491 | 118,313 |
| Available-for-sale, at estimated market value | 50,406 | 41,354 |
| Total investments in debt and equity securities | 161,897 | 159,667 |
| Loans, net of unearned income | 208,153 | 197,775 |
| Less: Allowance for loan losses | 4,731 | 4,396 |
| Loans, net | 203,422 | 193,379 |
| Premises and equipment, net | 9,206 | 8,079 |
| Accrued interest receivable | 3,421 | 3,366 |
| Other assets | 11,851 | 6,675 |
| Total assets | $435,380 | $438,322 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing | 79,007 | 62,244 |
| Interest-bearing | 98,789 | 115,261 |
| Total deposits | 177,796 | 177,505 |
| Accounts and drafts payable | 199,080 | 204,690 |
| Short-term borrowings | 3,261 | 2,476 |
| Other liabilities | 6,824 | 5,870 |
| Total liabilities | 386,961 | 390,541 |
| Stockholders' Equity: | | |
| Preferred stock, par value $.50 per share; 2,000,000 shares authorized and no shares issued | -- | -- |
| Common stock, par value $.50 per share and 20,000,000 shares authorized at March 31, 1997 and December 31, 1996; and 4,000,000 shares issued | 2,000 | 2,000 |
| Surplus | 4,740 | 4,740 |
| Retained earnings | 43,297 | 42,376 |
| Common shares in treasury, at cost (141,452 shares at March 31,1997 and December 31, 1996) | (1,284) | (1,284) |
| Unrealized holding gain (loss) on investments in debt and equity securities available-for-sale | (206) | 105 |
| Unamortized stock bonus awards | (128) | (156) |
| Total stockholders' equity | 48,419 | 47,781 |
| Total liabilities and stockholders' equity | $435,380 | $438,322 |

See accompanying notes to consolidated financial statements.

CASS COMMERCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | (In Thousands Except Per Share Data) THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | 1997 | 1996 |
| INTEREST INCOME: | | |
| Interest and fees on loans | $4,220 | $3,830 |
| Interest on debt securities: | | |
| Taxable | 2,385 | 2,211 |
| Exempt from federal income taxes | 19 | 15 |
| Interest on federal funds sold and other short-term investments | 427 | 582 |
| Total interest income | 7,051 | 6,638 |
| INTEREST EXPENSE: | | |
| Interest on deposits | 1,003 | 1,057 |
| Interest on short-term borrowings | 25 | 38 |
| Total interest expense | 1,028 | 1,095 |
| Net interest income | 6,023 | 5,543 |
| Provision for loan losses | 245 | -- |
| Net interest income after provision for loan losses | 5,778 | 5,543 |
| NONINTEREST INCOME: | | |
| Information services revenues: | | |
| Freight payment and processing revenue | 4,240 | 4,542 |
| Freight rating services income | 592 | 904 |
| Service charges on deposit accounts | 141 | 127 |
| Other | 171 | 172 |
| Total noninterest income | 5,144 | 5,745 |
| NONINTEREST EXPENSE: | | |
| Salaries and employee benefits | 5,814 | 6,071 |
| Occupancy expense | 533 | 518 |
| Equipment expense | 661 | 622 |
| Other | 1,739 | 1,856 |
| Total noninterest expense | 8,747 | 9,067 |
| Income before income tax expense | 2,175 | 2,221 |
| Income tax expense | 752 | 746 |
| Net income | $1,423 | $1,475 |
| Net income per share | $ .36 | $ .38 |

See accompanying notes to consolidated financial statements.

CASS COMMERCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| (IN THOUSANDS) THREE MONTHS ENDED MARCH 31 | 1997 | 1996 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 1,423 | $ 1,475 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 600 | 601 |
| Amortization of stock bonus awards | 28 | 28 |
| Provision for loan losses | 245 | -- |
| (Increase) decrease in accrued interest receivable | (55) | 222 |
| Other operating activities, net | (4,098) | (324) |
| Net cash provided by (used in) operating activities | (1,857) | 2,002 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Proceeds from maturities of debt securities: | | |
| Held-to-maturity | 6,766 | 2,895 |
| Available-for-sale | 267 | 865 |
| Purchases of debt and equity securities: | | |
| Held-to-maturity | -- | (727) |
| Available-for-sale | (9,835) | (12,000) |
| Net increase in loans | (10,378) | (11,783) |
| Recoveries of loans previously charged off, net | 90 | 19 |
| Purchases of premises and equipment | (1,590) | (459) |
| Net cash used in investing activities | (14,680) | (21,190) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Net increase (decrease) in demand, interest-bearing demand and savings deposits | 882 | (5,734) |
| Net increase (decrease) in time deposits | (591) | 534 |
| Net decrease in accounts and drafts payable | (5,610) | (172) |
| Net increase (decrease) in short-term borrowings | 785 | (694) |
| Dividends paid | (502) | (443) |
| Net cash used in financing activities | (5,036) | (6,509) |
| Net decrease in cash and cash equivalents | (21,573) | (25,697) |
| Cash and cash equivalents at beginning of period | 67,156 | 90,342 |
| Cash and cash equivalents at end of period | $ 45,583 | $ 64,645 |
| Supplemental information: | | |
| Cash paid for interest | $ 1,074 | $ 1,097 |
| Net taxes paid | $ 170 | $ 97 |

See accompanying notes to consolidated financial statements.

CASS COMMERCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1997

Note 1 - Basis of Presentation

Cass Commercial Corporation (the Company) provides a full range of banking services to individual, corporate and institutional customers, with a primary focus on privately held companies, through its wholly owned subsidiary bank, Cass Bank & Trust Company (the Bank). The Bank is subject to competition from other financial and nonfinancial institutions throughout the metropolitan St. Louis, Missouri area. Additionally, the Company and the Bank are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

The Company also provides information services through its wholly owned subsidiary, Cass Information Systems, Inc. (CIS). These logistics-related services include processing and payment of freight charges, preparation of transportation management reports, auditing of freight charges and rating of freight shipments. CIS is subject to competition from other commercial concerns providing similar services to companies throughout the United States and Canada. The consolidated balance sheet caption, "Accounts and Drafts Payable", consists of obligations related to freight bill payment services which are performed for customers.

The accompanying unaudited consolidated financial statements have been prepared in accordance with 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 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. Operating results for the period ended March 31, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

Note 2 - Impact Of New Accounting Pronouncements

During June 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 125). SFAS 125 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial-components approach that focuses on control. It distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. Under the financial-components approach, after a transfer of financial assets, an entity recognizes all financial and servicing assets it controls and liabilities it has incurred and derecognizes financial assets it no longer controls and liabilities that have been extinguished. The financial-components approach focuses on the assets and liabilities that exist prior to the transfer. Many of these assets and liabilities are components of financial assets that existed prior to the transfer. If a transfer does not meet the criteria for a sale, the transfer is accounted for as a secured borrowing with pledge of collateral.

SFAS 125 extends the "available-for-sale" or "trading" approach in Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS 115) to nonsecurity financial assets that can contractually be prepaid or otherwise settled in such a way that the holder of the asset would not recover substantially all of its recorded investment. Thus, non-security financial assets (no matter how acquired) such as loans, other receivables, interest-only strips or residual interests in securitization trusts that are subject to prepayment risk that could prevent recovery of substantially all of the recorded amount are to be reported at fair value with the change in fair value accounted for depending on the asset's classification as "available-for-sale" or "trading". SFAS 125 also amends SFAS 115 to prevent a security from being classified as held-to-maturity if the security can be prepaid or otherwise settled in such a way that the holder of the security would not recover substantially all of its recorded investment.

SFAS 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is to be applied prospectively. Earlier or retroactive application is not permitted. Also, the extension of the SFAS 115 approach to certain nonsecurity financial assets and the amendment to SFAS 115 is effective for financial assets held on or acquired after January 1, 1997. Reclassifications that are necessary because of the amendment do not call into question an entity's intent to hold other debt securities to maturity in the future. The adoption of SFAS 125 on January 1, 1997 did not have a material impact on the Company's financial statements.

In February 1997, the FASB issued Statement of Financial Accounting Standards No.128, Earnings per Share (SFAS 128) establishing standards for computing and presenting earnings per share (EPS). SFAS 128 simplifies existing standards for computing EPS and makes them comparable to international standards. It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the components of basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. SFAS 128 is effective for financial statements issued for periods ending after December 31, 1997, including interim periods, and requires restatement of all prior-period EPS data presented. The Company does not believe the adoption of SFAS 128 will have a material effect on its financial condition or results of operations.

Note 3 - Stock Split

Cass Commercial Corporation announced a two-for-one stock split in the form of a 100% stock dividend payable March 15, 1997 to stockholders of record as of March 5, 1997. All share data in this report has been adjusted to reflect such stock dividend.

Note 4 - Earnings Per Share

Average common and common stock equivalents outstanding for the three month periods ended March 31, 1997 and 1996 were 3,919,096 and 3,893,182, respectively. The weighted average number of common stock equivalents is calculated using the treasury stock method.

Note 5 - Stock Option Plan / Stock Bonus Plan

During May 1995, the Company's Board of Directors established the 1995 Performance-Based Stock Option Plan (the Option Plan) and the 1995 Restricted Stock Bonus Plan (the Bonus Plan). These plans were adopted to aid the Company in securing and retaining qualified personnel. The Option Plan provides for the granting of options on up to 400,000 shares of the Company's common stock. As of March 31, 1997, options for 120,000 shares had been awarded under the Option Plan at an option price of $10.31 per share. These options vest over a period not to exceed seven years, but the vesting period can be less based on the Company's attainment of certain financial operating performance criteria. The Bonus Plan provides for the issuance of up to 100,000 shares of the Company's common stock. As of March 31, 1997, an aggregate of 32,000 shares of the Company's common stock had been awarded to five participants. Interest in the shares of common stock awarded under the Bonus Plan are subject to forfeiture and vest ratably over a three year period. Common stock awarded under the Bonus Plan is accounted for through the establishment of a contra stockholders' equity account. This contra stockholders' equity account is amortized against income over the vesting period of the stock awards.

Note 6 - Reclassifications

Certain amounts in the 1996 consolidated financial statements have been reclassified to conform with the 1997 presentation. Such reclassifications have no effect on previously reported net income.

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

### Net Income

Cass Commercial Corporation (the Company) operates in two primary business segments through its two wholly owned subsidiaries, Cass Bank and Trust Company (Cass Bank), which operates as a commercial bank, and Cass Information Systems, Inc. (CIS), an information services company, whose operations include the processing and payment of freight charges, preparation of transportation management reports, auditing of freight charges and rating of freight shipments. The Company had net income of $1,423,000 for the three-month period ended March 31,1997 (the "First Three Months of 1997") compared to net income of $1,475,000 for the three-month period ended March 31,1996 (the "First Three Months of 1996").

The following paragraphs more fully discuss the changes in financial condition and results of operations for the First Three Months of 1997 compared to the First Three Months of 1996. Such information is provided on a consolidated basis for the Company, Cass Bank and CIS, with expanded disclosures for specific effects CIS's operations have on particular account captions.

### Net Interest Income

The Company's tax-equivalent net interest margin on earning assets increased in the First Three Months of 1997 to 6.23% from 5.96% in the First Three Months of 1996. The prime rate increased from 8.25% in February 1996 to 8.50% in March 1997. The Company is positively affected by increases in the level of interest rates due to the fact that its rate sensitive assets significantly exceed its rate sensitive liabilities. Conversely, the Company is adversely affected by decreases in the level of interest rates. This is primarily due to the noninterest-bearing liabilities generated by CIS in the form of accounts and drafts payable (See interest sensitivity gap measurement under the section entitled "Asset/Liability Management Program"), as well as a significant portion of the Company's loan portfolio bearing a floating rate of interest.

The increase of $17,714,000 in average earning assets, net of interest-bearing liabilities, coupled with an increase in the net interest margin resulted in an increase in net tax-equivalent interest income of $496,000 in the First Three Months of 1997 compared to the First Three Months of 1996. The mix of earning assets changed in the First Three Months of 1997 compared to the First Three Months of 1996 with an increase of $23,626,000 in the average balance of loans and a decrease of $10,960,000 in federal funds sold and other short-term investments. See Table 1 on page 7 for further explanation of the changes in net interest income for the First Three Months of 1997 compared to the First Three Months of 1996.

TABLE 1: CONSOLIDATED AVERAGE BALANCE SHEETS AND NET INTEREST INCOME ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1996
(TAX-EQUIVALENT BASIS, IN THOUSANDS)

| | AVERAGE BALANCE | | AVERAGE YIELD/RATE | | INTEREST INCOME/EXPENSE | | NET CHANGE | INCREASE(DECREASE) DUE TO CHANGE IN | |
|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 | | VOLUME | RATE |
| **ASSETS** | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans | $203,814 | $180,188 | 8.44% | 8.55% | $4,243 | $3,838 | $ 405 | $ 454 | $ (49) |
| Investment in debt and equity securities | 156,717 | 148,913 | 6.25 | 6.02 | 2,414 | 2,235 | 179 | 104 | 75 |
| Federal funds sold and other short-term investments | 33,847 | 44,807 | 5.12 | 5.21 | 427 | 582 | (155) | (144) | (11) |
| Total interest-earning assets | 394,378 | 373,908 | 7.28 | 7.14 | 7,084 | 6,655 | 429 | 414 | 15 |
| Nonearning assets: | | | | | | | | | |
| Cash and due from banks | 16,517 | 17,196 | | | | | | | |
| Premises and equipment | 8,893 | 8,278 | | | | | | | |
| Other assets | 10,202 | 10,224 | | | | | | | |
| Allowance for loan losses | (4,447) | (6,365) | | | | | | | |
| Total assets | 425,543 | 403,241 | | | | | | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Interest-bearing demand deposits | 30,861 | 22,019 | 3.43 | 3.32 | 261 | 182 | 79 | 73 | 6 |
| Savings deposits | 59,219 | 62,427 | 4.31 | 4.74 | 629 | 737 | (108) | (39) | (69) |
| Time deposits of $100,000 or more | 3,385 | 4,579 | 5.27 | 5.43 | 44 | 62 | (18) | (16) | (2) |
| Other time deposits | 5,569 | 5,777 | 5.02 | 5.28 | 69 | 76 | (7) | (3) | (4) |
| Total interest-bearing deposits | 99,034 | 94,802 | 4.11 | 4.47 | 1,003 | 1,057 | (54) | 15 | (69) |
| Short-term borrowings | 1,980 | 3,456 | 5.12 | 4.41 | 25 | 38 | (13) | (18) | 5 |
| Total interest-bearing liabilities | 101,014 | 98,258 | 4.13 | 4.47 | 1,028 | 1,095 | (67) | (3) | (64) |
| Noninterest-bearing liabilities: | | | | | | | | | |
| Demand deposits | 62,173 | 56,051 | | | | | | | |
| Accounts and drafts payable | 207,300 | 197,981 | | | | | | | |
| Other liabilities | 6,652 | 7,339 | | | | | | | |
| Total liabilities | 377,139 | 359,629 | | | | | | | |
| Stockholders' equity | 48,404 | 43,612 | | | | | | | |
| Total liabilities and stockholders' equity | $425,543 | $403,241 | | | | | | | |
| Net interest income | | | | | $6,056 | $5,560 | $ 496 | $ 417 | $ 79 |
| Net yield on interest-earning assets | | | 6.23% | 5.96% | | | | | |

(CONTINUED)

AVERAGE BALANCES, INTEREST AND RATES, Continued

NOTES:

For purposes of these computations, nonaccrual loans are included in the average loan amounts outstanding.

Interest income on loans includes net fees of $1,000 and $8,000 for the First Three Months of 1997 and 1996, respectively.

Income is presented on a tax-equivalent basis assuming a tax rate of 34%. The tax-equivalent adjustment was approximately $33,000 and $17,000 for the First Three Months of 1997 and 1996, respectively.

## Provision for Loan Losses

A significant determinant of the Company's operating results is the level of loan losses and the provision for loan losses. The Company charged $245,000 to earnings to provide for loan losses for the First Three Months of 1997. There was no charge to earnings to provide for loan losses for the First Three Months of 1996. The quality of the loan portfolio has continued to remain strong. The level of nonperforming loans, at .14% of average loans, remains well below industry standards. Nonperforming loans are covered over 16 times by the allowance for loan losses at March 31, 1997. The Company experienced a net recovery of $90,000 in the First Three Months of 1997. Management made the decision to make a provision for loan losses in the First Three Months of 1997 based on the loan growth experienced.

Factors which influence management's determination of the adequacy of the allowance for loan losses, among other things, include: evaluation of each nonperforming and/or classified loan to determine the estimated loss exposure under existing circumstances known to management; evaluation of all potential problem loans identified in light of possible loss exposure based upon existing circumstances known to management; analysis of the loan portfolio with regard to potential future loss exposure on loans to specific customers and/or industries; current economic conditions; and, an overall review of the loan portfolio in light of past loan loss experience.

At March 31, 1997, impaired loans totalled $1,617,000 which includes $294,000 of nonaccrual loans. The allowance for loan losses on impaired loans was $830,000 at March 31, 1997. The average balance of impaired loans during the First Three Months of 1997 was $1,739,000.

The allowance for loan losses at March 31, 1997 was $4,731,000 and at December 31, 1996 was $4,396,000. The allowance for loan losses at March 31, 1997 represents 2.27% of total loans outstanding compared to 2.22% at December 31, 1996.

The following table presents information as of and for the three-month period ended March 31, 1997 and 1996 pertaining to the Company's provision for loan losses and analysis of the allowance for loan losses.

| | Three Months Ended March 31 | |
|---|---|---|
| | 1997 | 1996 |
| | (dollars expressed in thousands) | |
| Allowance at beginning of period | $ 4,396 | $ 6,358 |
| Provision for loan losses charged to expense | 245 | -- |
| Loans charged off | -- | (1) |
| Recoveries on loans previously charged off | 90 | 20 |
| Net loan recoveries | 90 | 19 |
| Allowance at end of period | $ 4,731 | $ 6,377 |
| Loans outstanding: | | |
| Average | $203,814 | $180,188 |
| March 31 | 208,153 | 185,976 |
| Ratio of allowance for loan losses to loans outstanding: | | |
| Average | 2.32% | 3.54% |
| March 31 | 2.27% | 3.43% |
| Nonperforming loans: | | |
| Nonaccrual loans | $ 294 | $ 264 |
| Loans past due 90 days or more | -- | 46 |
| Total | $ 294 | $ 310 |
| Nonperforming loans as a percent of average loans | .14% | .17% |

## Noninterest Income

Noninterest income is principally derived from service fees generated by CIS's Payment Systems and Software Systems Groups. Total noninterest income for the the First Three Months of 1997 decreased $601,000 (10.5%) from the First Three Months of 1996.

CIS's Payment Systems Group experienced a decrease in processing revenues of $302,000 (6.6%) in the First Three Months of 1997 compared to the First Three Months of 1996. This decrease resulted primarily from termination fees of $265,000 received from three clients in the First Three Months of 1996. The volume of accepted new business proposals remains strong and should result in increasing revenues in CIS's Payment Systems Group as new accounts are placed in service throughout the remainder of 1997.

CIS's Freight Rating Services Group experienced a decrease in revenues of $312,000 (34.5%) in the First Three Months of 1997 compared to the First Three Months of 1996. This decrease resulted primarily from a decline in software sales. Sales revenue from the AS400 version of the rating system software has been in a declining stage as the product is being migrated to the new client server technology.

## Noninterest Expense

Total noninterest expense for the First Three Months of 1997 decreased $320,000 (3.5%) from the First Three Months of 1996.

Salaries and benefits expense decreased $257,000 (4.2%) in the First Three Months of 1997 compared to the First Three Months of 1996. Systems development costs of nearly $250,000, related to the client server technology, were capitalized in the First Three Months of 1997.

Equipment expense increased $39,000 (6.3%) in the First Three Months of 1997 compared to the First Three Months of 1996. CIS's Payment Systems Group experienced an increase of $30,000 in the First Three Months of 1997 which resulted from expansion of its processing system.

Other noninterest expense decreased $117,000 (6.3%) in the First Three Months of 1997 compared to the First Three Months of 1996. This decrease is attributable to several items including a decrease of $46,000 in travel and entertainment, a decrease of $45,000 in printing and supply expense and a decrease of $36,000 in telecommunication expense.

## Balance Sheet Analysis

Federal funds sold and other short-term investments decreased from $56,900,000 at December 31, 1996 to $28,000,000 at March 31, 1997. The average balance of these accounts was $33,847,000 in the First Threee Months of 1997 compared to $44,807,000 in the First Three Months of 1996. The decrease in the average balance of these accounts has resulted from a deployment of funds to increased loan balances. See Table 1 on page 7 for a presentation of average balances.

Total loans increased $10,378,000 (5.2%) from $197,775,000 at December 31, 1996 to $208,153,000 at March 31, 1997. The average balances of loans increased $23,626,000 (13.1%) from $180,188,000 in the First Three Months of 1996 to $203,814,000 in the First Three Months of 1997. Loan demand and new business volume increased throughout 1996 and has continued into the First Three Months of 1997.

Investments in debt and equity securities increased $2,230,000 (1.4%) from $159,667,000 at December 31, 1996 to $161,897,000 at March 31, 1997. The average balance of investment securities increased $7,804,000 (5.2%) from $148,913,000 in the First Three Months of 1996 to $156,717,000 in the First Three Months of 1997.

Total earning assets decreased $8,965,000 (2.1%) from $424,598,000 at December 31, 1996 to $415,633,000 at March 31, 1997. The average balance of earning assets increased $20,470,000 (5.5%) from $373,908,000 in the First Three Months of 1996 to $394,378,000 in the First Three Months of 1997. This increase was funded by an increase of $9,319,000 in the average balance of accounts and drafts payable and an increase of $8,842,000 in interest-bearing demand deposits.

Other assets increased from $6,675,000 at December 31, 1996 to $11,851,000 at March 31,1997. The average balance of other assets remained relatively unchanged from the First Three Months of 1996. The increase at March 31, 1997 resulted from an increase in freight funds receivable.

Interest-bearing deposits decreased from $115,261,000 at December 31, 1996 to $98,789,000 at March 31, 1997. The average balances of these deposits increased $4,232,000 (4.5%) from $94,802,000 in the First Three Months of 1996 to $99,034,000 in the First Three Months of 1997. The most significant increase in these deposits occurred in interest-bearing commercial money market accounts.

Noninterest-bearing deposits increased $16,763,000 (26.9%) from $62,244,000 at December 31, 1996 to $79,007,000 at March 31, 1997. The average balance of these accounts increased $6,122,000 (10.9%) from $56,051,000 in the First Three Months of 1996 to $62,173,000 in the First Three Months of 1997 which reflects the results of increased business development efforts at Cass Bank.

Accounts and drafts payable generated by CIS in its freight payment operations decreased $5,610,000 (2.7%) from $204,690,000 at December 31, 1996 to $199,080,000 at March 31, 1997. The average balances of these funds increased $9,319,000 (4.7%) from $197,981,000 for the First Three Months of 1996 to $207,300,000 in the First Three Months of 1997. This increase has resulted from new business placed in service in the latter half of 1996 and in the First Three Months of 1997.

## Liquidity

As of March 31, 1997, approximately 57% of the Company's loan portfolio was composed of commercial loans, of which 75% represented loans maturing within one year. As of the same date, real estate loans, primarily commercial, represented approximately 41% of the total and of these, 22% represented balances maturing within one year. Approximately 2% of the loan portfolio is represented by installment loans.

The liquidity of the Company is primarily represented by cash and due from banks of $17,583,000 and federal funds sold and other short-term investments of $28,000,000 at March 31, 1997. Included in this caption are $3,000,000 invested in money market funds consisting of short-term U.S. Government and agency issues.

Investments in debt and equity securities represented approximately 37% of total assets at March 31, 1997. Of the U.S. Government securities in the Company's investment portfolio, which represented 77% of the total, 14% have maturities of less than one year. U.S. Government Agencies and Corporations represented 22% of the total. Obligations of states and political subdivisions constituted 1% of the investment portfolio at March 31, 1997. There were no sales of debt securities in the First Three Months of 1997. Of the total portfolio, over 85% of the securities have maturities of five years or less. These securities provide the Company longer term liquidity than its primary sources, cash and due from banks and other short-term instruments. Additionally, short-term liquidity could be satisfied, if necessary, by the sale of certain debt securities maintained as available-for-sale; however, the Company does not foresee any such short-term liquidity needs.

The funds provided by Cass Bank consist of a sizable volume of core deposits. Historically, the Company has been a net provider of federal funds. During the First Three Months of 1997, the Company was a net provider of federal funds, averaging nearly $8,832,000 in net funds sold. The Company was able to meet its liquidity requirements in the First Three Months of 1997 through the growth of deposit accounts and the liquid nature of federal funds sold and other short-term investments.

## Asset/Liability Management Program

The Company's earning assets significantly exceed its interest-bearing liabilities. This is primarily due to the noninterest-bearing liabilities generated by CIS in the form of accounts and drafts payable. Within this framework, the Company's asset/liability management program strives to maintain an appropriate balance between rate-sensitive assets and liabilities. The primary goal of the Company is to maintain a level of earning assets net of interest-bearing liabilities which will produce a relatively high net interest margin compared to other financial institutions. The Company's Investment Committee monitors the sensitivity of its subsidiaries' assets and liabilities with respect to changes in interest rates and repricing opportunities, and directs the overall acquisition and allocation of funds.

The following table presents the Company's rate sensitive position at March 31, 1997 for the various time frames indicated.

| | VARIABLE RATE | THREE MONTHS OR LESS | OVER THREE THROUGH SIX MONTHS | OVER SIX THROUGH TWELVE MONTHS | OVER ONE THROUGH FIVE YEARS | OVER FIVE YEARS | TOTAL |
|---|---|---|---|---|---|---|---|
| | | | (Dollars expressed in thousands) | | | | |
| Interest-earning assets: | | | | | | | |
| Loans | $ 93,636 | $ 4,082 | $ 3,971 | $16,389 | $ 89,440 | $ 635 | $208,153 |
| Investment in debt and equity securities | -- | -- | 6,008 | 12,153 | 120,171 | 23,565 | 161,897 |
| Federal funds sold and other short-term investments | 28,000 | -- | -- | -- | -- | -- | 28,000 |
| Total interest-earning assets | $121,636 | $ 4,082 | $ 9,979 | $28,542 | $209,611 | $ 24,200 | $398,050 |
| Interest-bearing liabilities: | | | | | | | |
| Interest-bearing transaction accounts | $ 89,988 | $ -- | $ -- | $ -- | $ -- | $ -- | $ 89,988 |
| Time deposits-$100,000 or more | -- | 859 | 1,205 | 1,138 | 110 | -- | 3,312 |
| Other time deposits | -- | 1,392 | 1,557 | 1,390 | 1,150 | -- | 5,489 |
| Short-term borrowings | 3,261 | -- | -- | -- | -- | -- | 3,261 |
| Total interest-bearing liabilities | $ 93,249 | $ 2,251 | $ 2,762 | $ 2,528 | $ 1,260 | $ -- | $102,050 |
| Interest sensitivity gap: | | | | | | | |
| Periodic | $ 28,387 | $ 1,831 | $ 7,217 | $26,014 | $208,351 | $ 24,200 | $296,000 |
| Cumulative | 28,387 | 30,218 | 37,435 | 63,449 | 271,800 | 296,000 | |
| Ratio of interest-sensitive assets to interest-sensitive liabilities: | | | | | | | |
| Periodic | 1.30x | 1.81x | 3.61x | 11.29x | 166.36x | -- | 3.90x |
| Cumulative | 1.30x | 1.32x | 1.38x | 1.63x | 3.66x | 3.90x | 3.90x |

## Capital Resources

Stockholders' equity was $48,419,000 or 11.10% of total assets at March 31, 1997, an increase of $638,000 over the amount at December 31, 1996. This increase resulted from net income of $1,423,000; dividends paid of $502,000 ($.13 per share); unrealized holding losses of $311,000; and the amortization of the stock bonus plan of $28,000. Primary capital, including the allowance for loan losses, reached $53,150,000 at March 31, 1997 or 12.02% of total assets compared to $52,177,000 or 11.90% of total assets at December 31, 1996.

Subsidiary dividends are the principal source of funds for payment of dividends by the Company to its stockholders. The only restrictions on dividends are those dictated by regulatory capital requirements and prudent and sound banking principles.

The Company and its banking subsidiary continue to significantly exceed all regulatory capital requirements, as evidenced by the following capital ratios at March 31, 1997:

| | Company Consolidated | Cass Bank |
|---|---|---|
| Leverage Ratio | 11.11% | 11.20% |
| Tangible Capital Ratio | 12.00 | 11.90 |
| Primary Capital | 12.02 | 11.90 |
| Risk Based Capital: | | |
| Tier I | 18.43 | 14.96 |
| Tier II | 19.63 | 15.73 |

## Inflation

Inflation can impact the financial position and results of the operations of financial institutions because financial institutions hold monetary assets and monetary liabilities. Monetary assets and liabilities are those which can be converted into a fixed number of dollars, and include cash, investments, loans and deposits. The Company's consolidated balance sheets, as is typical of financial institutions, reflect a net positive monetary position (monetary assets exceeding 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 financial institution.

PART II

Item 1. LEGAL PROCEEDINGS

None

Item 2. CHANGES IN SECURITIES

None

Item 3. DEFAULTS IN SENIOR SECURITIES

None

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

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) None

(b) Cass Commercial Corporation filed Form 8-K on February 18, 1997 which announced the stock split in the form of a 100% stock dividend on March 15, 1997.

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 COMMERCIAL CORPORATION

DATE: May 7, 1997 By Lawrence A. Collett
--------------------------------------------
Lawrence A. Collett
Chairman and Chief Executive Officer

DATE: May 7, 1997 By Lawrence L. Frieben
--------------------------------------------
Lawrence L. Frieben
Vice President-Secretary
(Chief Financial and Accounting Officer)

9
1,000

3-MOS
DEC-31-1997
JAN-01-1997
MAR-31-1997
17,583
8,000
25,000
0
50,406
111,491
110,551
208,153
4,731
440,380
182,796
3,261
6,824
0
0
0
2,000
46,419
440,380
4,220
2,404
427
7,051
1,003
1,028
6,023
245
0
8,747
2,175
2,175
0
0
1,423
.36
.36
6.23
294
0
0
0
4,396
0
90
4,731
4,731
0
0

Amount available at year end only.