UNITED STATES
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, 2004
Commission File No. 2-80070

CASS INFORMATION SYSTEMS, INC.

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 |_|

Indicate by check mark whether the registrant is an accelerated filer (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 April 30, 2004: Common stock, par value $.50 per share - 3,683,272 shares outstanding.

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

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Forward-looking Statements - Factors That May Affect Future Results

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31 2004	December 31 2003
Assets		
Cash and due from banks	$ 14,045	$ 17,754
Federal funds sold and other short-term investments	25,075	44,613
Cash and cash equivalents	39,120	62,367
Investment in debt and equity securities available-for-sale, at fair value	65,023	69,147
Loans	460,110	469,032
Less: Allowance for loan losses	5,709	5,506
Loans, net	454,401	463,526
Premises and equipment, net	13,256	13,538
Bank owned life insurance	10,831	10,709
Goodwill	3,150	3,150
Other intangible assets, net	1,862	1,940
Other assets	16,140	15,319
Total assets	$ 603,783	$ 639,696
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 98,059	$ 114,634
Interest-bearing	170,636	157,794
Total deposits	268,695	272,428
Accounts and drafts payable	259,626	293,769
Short-term borrowings	107	123
Other liabilities	8,946	8,584
Total liabilities	537,374	574,904
Shareholders' Equity:		
Preferred stock, par value $.50 per share; 2,000,000 shares authorized and no shares issued	--	--
Common stock, par value $.50 per share; 20,000,000 shares authorized and 4,494,510 and 4,160,110 shares issued at March 31, 2004 and December 31, 2003, respectively	2,247	2,080
Additional paid-in capital	19,314	8,466
Retained earnings	59,850	69,695
Common shares in treasury, at cost (813,058 shares at March 31, 2004 and 824,598 shares at December 31, 2003)	(16,214)	(16,442)
Unamortized stock bonus awards	(171)	(129)
Accumulated other comprehensive income	1,383	1,122
Total shareholders' equity	66,409	64,792
Total liabilities and shareholders' equity	$ 603,783	$ 639,696

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 2004	Three Months Ended March 31 2003
Fee Revenue and Other Income:		
Freight and utility payment and processing revenue	$ 7,598	$ 6,969
Software revenue	1,179	1,796
Bank service fees	414	426
Gains on sales of investment securities	441	--
Other	135	129
Total fee revenue and other income	9,767	9,320
Interest Income:		
Interest and fees on loans	6,454	6,416
Interest and dividends on debt and equity securities:		
Taxable	97	188
Exempt from federal income taxes	427	435
Interest on federal funds sold and other short-term investments	162	100
Total interest income	7,140	7,139
Interest Expense:		
Interest on deposits	567	451
Interest on short-term borrowings	--	9
Total interest expense	567	460
Net interest income	6,573	6,679
Provision for loan losses	200	90
Net interest income after provision for loan losses	6,373	6,589
Operating Expense:		
Salaries and employee benefits	9,157	9,352
Occupancy	458	436
Equipment	1,025	1,161
Other operating	2,842	2,846
Total operating expense	13,482	13,795
Income before income tax expense	2,658	2,114
Income tax expense	811	596
Net income	$ 1,847	$ 1,518
Earnings per share*:		
Basic	$ .50	$ .41
Diluted	$ .50	$ .41
Weighted average shares outstanding*:		
Basic	3,668,393	3,698,252
Effect of stock options and awards	40,026	37,134
Diluted	3,708,419	3,735,386

* Earnings per share and weighted average shares outstanding for three months ended March 31, 2003 have been restated to reflect the 10% stock dividend issued in March 2004.

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 2004	Three Months Ended March 31 2003
Cash Flows From Operating Activities:		
Net income	$ 1,847	$ 1,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,046	1,191
Gains on sales of investment securities	(441)	--
Provision for loan losses	200	90
Amortization of stock bonus awards	20	10
Tax benefit from exercise of stock options and bonuses	85	--
Decrease in accrued interest receivable	27	129
Deferred income tax benefit	(474)	(46)
Increase in pension liability	296	292
Increase in income tax liability	662	275
Change in other assets	(268)	63
Change in other liabilities	(583)	(299)
Other operating activities, net	--	8
Net cash provided by operating activities	2,417	3,231
Cash Flows From Investing Activities:		
Proceeds from sales of investment securities available-for-sale	12,052	--
Proceeds from maturities of debt and equity securities available-for-sale	3,200	3,144
Purchase of debt and equity securities available-for-sale	(10,407)	--
Net decrease in loans	8,550	2,609
Purchases of premises and equipment, net	(571)	(1,039)
Net cash provided by investing activities	12,824	4,714
Cash Flows From Financing Activities:		
Net decrease in noninterest-bearing demand deposits	(16,575)	(17,232)
Net (decrease) increase in interest-bearing demand and savings deposits	(7,128)	758
Net increase in time deposits	19,970	890
Net (decrease) increase in accounts and drafts payable	(34,143)	40,583
Net decrease in short-term borrowings	(16)	(27,429)
Cash proceeds from exercise of stock options	111	--
Cash paid for stock dividend fractional shares	(4)	--
Cash dividends paid	(703)	(707)
Net cash used in financing activities	(38,488)	(3,137)
Net (decrease) increase in cash and cash equivalents	(23,247)	4,808
Cash and cash equivalents at beginning of period	62,367	30,006
Cash and cash equivalents at end of period	$ 39,120	$ 34,814
Supplemental information:		
Cash paid for interest	$ 513	$ 440
Cash paid for income taxes	660	182

See accompanying notes to unaudited consolidated financial statements.

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and related footnotes included in the Cass Information System, Inc.'s ("the Company") Annual Report on Form 10-K for the year ended December 31, 2003.

Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the 2004 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity. All share and per share data for 2003 has been restated to reflect the 10% stock dividend issued in March 2004.

Note 2 - Impact of New Accounting Pronouncements

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46R), which addresses how a business enterprise should evaluate whether it has controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FIN 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," issued in January 2003. Companies are required to apply FIN 46R to variable interest entities (VIEs) created after December 31, 2003. For variable interest in VIEs created before January 1, 2004, FIN 46R will be applied beginning on January 1, 2005. The Company is currently not a primary beneficiary of a VIE and therefore adoption of FIN 46R did not have a material impact on its consolidated financial statements.

In November 2003, the Emerging Issues Task Force (EITF) reached a consensus on certain disclosure requirements under EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The new disclosure requirements apply to investments in debt and marketable equity securities that are accounted under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," and SFAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Effective for fiscal years ending after December 15, 2003 companies are required to disclose information about debt or marketable equity securities with market values below carrying values. The Company currently only has one security in an unrealized loss position with a fair value of $2,009,000 and an unrealized loss of $1,000. This security is a U.S. Treasury security that was purchased in the second half of 2003 and therefore has been in an unrealized loss position for less than one year and the loss is considered temporary.

In December 2003, the FASB issued SFAS 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," which increases the disclosure requirements of the original statement by requiring more details about pension plan assets, benefit obligations, cash flows, benefit costs and related information and also requires companies to disclose various elements of pension and postretirement benefit costs in interim-period financial statements for quarters beginning after December 15, 2003. Additional disclosures pertaining to benefit payments are required for fiscal years ending after June 30, 2004. The disclosure requirements of SFAS 132 (Revised 2003) that are required for quarters beginning after December 15, 2003 are included in Note 11 of this report.

Note 3 - Loans by Type

(In Thousands)	March 31, 2004	December 31, 2003
Commercial and industrial	$104,398	$103,638
Real estate:		
Mortgage	178,231	184,221
Mortgage - Churches & Related	142,079	145,929
Construction	5,085	2,920
Construction - Churches & Related	18,816	16,378
Industrial revenue bonds	5,328	5,373
Installment	1,954	1,911
Other	4,219	8,662
Total loans	$460,110	$469,032

Note 4 - Stock Repurchases

The Company maintains a treasury stock buyback program and as of September 30, 2003 was authorized by the Board of Directors to repurchase up to 100,000 shares of its common stock. The Company did not repurchase any stock during the First Quarter of 2004 or 2003. Repurchases are made in the open market or through negotiated transactions from time to time depending on market conditions.

Note 5 - Comprehensive Income

For the three-month periods ended March 31, 2004 and 2003, unrealized gains and losses on debt and equity securities available-for-sale were the Company's only other comprehensive income component. Comprehensive income for the three-month periods ended March 31, 2004 and 2003 is summarized as follows:

	Three Months Ended March 31	
(In Thousands)	2004	2003
Net income	$ 1,847	$ 1,518
Other comprehensive income:		
Net unrealized gain on debt and equity securities available-for-sale, net of tax	552	96
Less: reclassification adjustment for realized gains on sales of debt and equity securities, available-for-sale, included in net income, net of tax	(291)	--
Total other comprehensive income	261	96
Total comprehensive income	$ 2,108	$ 1,614

Note 6 - Industry Segment Information

The services provided by the Company are classified into four reportable segments: Transportation Information Services, Utility Information Services, Banking Services and Government Software 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 Transportation Information Services segment provides freight invoice rating, payment, auditing, cost accounting and transportation information services to large corporate shippers. The Utility Information Services segment processes and pays utility invoices, including electricity, gas, water and telecommunications, for large corporate entities that have many locations or are heavy users of energy. The Banking Services segment provides banking services primarily to privately-held businesses and churches. The Government Software Services segment provides the public sector with integrated financial, property and human resource management systems through the Bank's wholly-owned subsidiary, Government e-Management Solutions, Inc. (GEMS).

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, 2003. 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.

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

Summarized information about the Company's operations in each industry segment for the three month periods ended March, 2004 and 2003, is as follows:

(In Thousands)	Transportation Information Services	Utility Information Services	Banking Services	Governmental Software Services	Corporate and Eliminations	Total
Quarter Ended March 31, 2004						
Total Revenues:						
Revenue from customers	$ 8,170	$ 3,621	$ 3,170	$ 1,179	$ --	$ 16,140
Intersegment revenue	13	6	355	--	(374)	--
Net Income (Loss)	630	784	859	(426)	--	1,847
Total Assets	237,494	64,362	301,670	6,175	(5,918)	603,783
Goodwill	223	--	--	2,927	--	3,150
Other intangible assets, net	--	--	--	1,458	404	1,862
Quarter Ended March 31, 2003						
Total Revenues:						
Revenue from customers	$ 7,898	$ 2,757	$ 3,458	$ 1,796	$ --	$ 15,909
Intersegment revenue	58	15	295	--	(368)	--
Net Income	177	262	1,047	32	--	1,518
Total Assets	238,373	59,593	278,538	6,878	(12,415)	570,967
Goodwill	223	--	--	2,927	--	3,150
Other intangible assets, net	--	--	--	1,769	379	2,148

Note 7 - Intangible Assets

The Company accounts for intangible assets in accordance with SFAS 142, "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. Intangible assets for the periods ended March 31, 2004 and December 31, 2003 are as follows:

(In Thousands)	March 31, 2004	December 31, 2003
Goodwill	$3,150	$3,150
Customer list	754	768
Software	704	768
Minimum pension liability	404	404
Other intangible assets, net	1,862	1,940
Total intangible assets	$5,012	$5,090

Customer list and software are amortized over 15 years and 4 years, respectively. The minimum pension liability was recorded in accordance with SFAS 87, "Employers' Accounting for Pensions", which requires the Company to record an additional minimum pension liability by the amount of which the accumulated benefit obligation exceeds the sum of the fair value of plan assets and accrued amount previously recorded and offset this liability by an intangible asset to the extent of previously unrecognized prior service costs. The liability and corresponding intangible asset are adjusted annually.

Amortization of intangible assets amounted to $78,000 for both the three-month periods ended March 31, 2004 and 2003. Estimated amortization of intangibles over the next five years is as follows: $311,000 in 2004, 2005 and 2006 and $55,000 in 2007 and 2008.

Note 8 - Equity Investments in Non-Marketable Securities

During 2003, the Company converted its $2,000,000 investment in a private imaging company from a convertible debenture into common stock. As part of the conversion, the Company committed to invest an additional $1,100,000 if certain conditions were met. The total investment of the Company in this entity was $3,100,000 at March 31, 2004 and $2,908,000 at December 31, 2003. At March 31, 2004 the Company had a 19.93% ownership interest in this entity and the Chairman and CEO of the Company was a member of the entity's Board of Directors. No business has been transacted between the companies during the year.

The Company made its initial investment in this entity in 2001 through a convertible debenture. The business has since performed poorly and during 2003 received a commitment of an additional $3,000,000 from a new non-affiliated majority owner, in addition to the Company's additional commitment. The new majority owner is currently in the process of stabilizing the business and improving its financial performance. Should this business fail to meet its objectives, the Company's investment could be subject to future impairment. If the sales goals of this business are significantly exceeded, an additional investment may also be required.

This investment, along with $355,000 of other investments in non-marketable securities, is included in other assets on the Company's consolidated balance sheets.

Note 9 - Commitments and Contingencies

In the normal course of business, the Company is party to activities that contain credit, market and operational risk that are not reflected in whole or in part in the Company's consolidated financial statements. Such activities include traditional off-balance sheet credit-related financial instruments and commitments under operating leases. 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, 2004, no amounts have been accrued for any estimated losses for these instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These off-balance sheet financial instruments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The approximate remaining term of commercial and standby letters of credit range from less than 1 to 3 years. Since some of the financial instruments may expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. Commitments to extend credit and letters of credit are subject to the same underwriting standards as those financial instruments included on the consolidated balance sheets. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of the credit, is based on management's credit evaluation of the borrower. Collateral held varies, but is generally accounts receivable, inventory, residential or income-producing commercial property or equipment. In the event of nonperformance, the Company may obtain and liquidate the collateral to recover amounts paid under its guarantees on these financial instruments.

Summarized credit-related financial instruments, including both commitments to extend credit and letters of credit and operating lease commitments at March 31, 2004 are as follows:

	Amount of Commitment Expiration per Period		
(In Thousands)	Total	Less than 1 year	1-3 Years
Unused loan commitments	$23,967	$21,949	$ 2,018
Standby letters of credit	4,062	360	3,702
Commercial letters of credit	814	814	--
Operating lease commitments	620	413	207

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 10 - Stock-Based Compensation

The Company maintains two stock-based compensation plans, a stock bonus plan and a stock option plan. Upon issuance of shares in the stock bonus plan a contra shareholders' equity amount is recorded for the fair value of the shares at the time of issuance and this amount is amortized to expense over the three-year vesting period. The stock option plan is accounted for under APB 25, "Accounting for Stock Issued to Employees", and accordingly the Company recognizes no compensation expense as the price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. The Company elected not to adopt the recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation", as amended by SFAS 148. An entity that continues to apply APB 25 shall disclose certain pro forma information as if the fair value-based accounting method in SFAS 123 had been used to account for stock-based compensation costs. The required disclosure provisions of SFAS 123, as amended by SFAS 148, are provided in the table below. The Company uses the Black-Scholes option-pricing model to determine the fair value of the stock options at the date of grant. There were 5,871 and 12,000 options granted in the First Quarter of 2004 and 2003, respectively. The following table represents the effect on basic and diluted earnings per share and weighted average assumptions used for the periods ended March 31, 2004 and 2003:

	Three Months Ended March 31	
(In Thousands, except per share data)	2004	2003
Net income:		
As reported	$ 1,847	$ 1,518
Add: Stock based compensation expense included in reported net income, net of tax	13	7
Less: Stock based compensation expense determined under the fair value based method for all awards, net of tax	(20)	(18)
Pro forma net income	$ 1,840	$ 1,507
Net income per common share:		
Basic, as reported	$ .50	$ .41
Basic, pro forma	.50	.41
Diluted, as reported	.50	.41
Diluted, pro forma	.50	.40
Weighted average assumptions:		
Risk-free interest rate	3.31%	3.34%
Expected life	7 yrs.	7 yrs.
Expected volatility	15%	15%
Dividend yield	2.52%	3.39%

Note 11 - 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 for the three-month periods ended March 31, 2004 and 2003:

(In Thousands, except per share data)	Estimated 2004	Actual 2003
Service cost - benefits earned during the year	$ 1,126	$ 979
Interest cost on projected benefit obligation	1,245	1,105
Expected return on plan assets	(1,234)	(1,055)
Net amortization	68	13
Net periodic pension cost - annual	1,205	1,042
Net periodic pension cost - three months ended March 31	$ 301	$ 261

Pension costs recorded to expense were $260,000 and $237,000 for the First Quarter of 2004 and 2003, respectively. The Company has not made any contribution to the plan for the three-month period ended March 31, 2004, but is expecting to contribute approximately $1,038,000 in 2004.

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

The following table represents the components of the net periodic pension costs of the unfunded plan for the three-month periods ended March 31, 2004 and 2003:

(In Thousands, except per share data)	Estimated 2004	Actual 2003
Service cost - benefits earned during the year	$ --	$ (24)
Interest cost on projected benefit obligation	110	107
Net amortization	62	62
Net periodic pension cost - annual	172	145
Net periodic pension cost - three months ended March 31	$ 43	$ 36

Pension costs recorded to expense were $36,000 and $47,000 for the First Quarter of 2004 and 2003, respectively.

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

Overview

Cass Information Systems, Inc. provides payment and information processing services to national manufacturing, distribution and retail enterprises from its processing centers in St. Louis, Missouri, Columbus, Ohio, and Boston, Massachusetts. The Company's services include freight invoice rating, payment processing, auditing, and the generation of cost accounting and transportation information. Cass also processes and pays utility invoices, including electricity, gas and telecommunications. Cass extracts, stores and presents information from freight and utility invoices, assisting our customers' transportation and energy managers in making decisions that will enable them to improve their 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 its St. Louis, Missouri based bank subsidiary, provides banking services in the St. Louis metropolitan area and other selected cities in the United States. In addition to supporting the Company's payment operations, it also provides banking services to its target markets, which include privately owned businesses and churches. The Company, through the Bank's subsidiary, Government e-Management Solutions, Inc. (GEMS), also develops and licenses integrated financial, property and human resource management systems to the public sector.

The specific payment and information processing services provided to each customer are developed individually to meet each customer's specific requirements. These requirements can vary greatly from customer to customer. In addition, the degree of automation such as electronic data interchange (EDI), imaging, and web-enhanced 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 account balances that are 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 have a significant influence on revenue and profitability however, such as changes in the general level of interest rates which has a significant affect 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 expense on its deposits. The Bank also assesses fees on other services such as cash management services. GEMS earns its revenue from the license of its enterprise software solutions and fees for its installation and maintenance.

Industry-wide factors that impact the Company include the acceptance by large corporations of the outsourcing of key business functions such as freight and utility payment. 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 and the deregulation of energy costs. 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 our loan portfolio. The general level of interest rates has a significant affect on the revenue of the Company. Finally, the general fiscal condition of the counties and municipalities that can benefit from GEMS' enterprise software can impact licenses sold and related revenue.

Currently, management views Cass' major opportunity and challenge as the continued expansion of its payment and information processing service offerings and customer base. Management intends to accomplish this by maintaining our lead in applied technology, which, when combined with the security and processing controls of the Company's Bank, makes Cass unique in the industry. This trend has been positive over the past years and management anticipates that this should continue in 2004. The low level of interest rates has had a significant negative impact on net income over the past few years. While management doesn't anticipate that these rates will rise in the near term, the Company is well positioned to take advantage of rising rates when they occur. Management has been pleased with the growth in software revenue generated by GEMS during the past three years and is making additional investments to continue this trend. Management intends to continue to refine risk management practices, monitor and manage the quality of the loan portfolio and maintain a strong financial and liquidity position.

Critical Accounting Policies

The Company has prepared all of the consolidated financial information in this report in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing the consolidated financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates have been generally accurate in the past, they 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 all segments of the Company with the exception of governmental software services. The impact and associated risks related to these policies on our business operations are discussed in the " Allowance and Provision for Loan Losses" section of this report.

Impairment of Assets. Management periodically evaluates certain long-term assets such as intangible assets including goodwill, foreclosed assets, internally developed software and investments in private equity securities 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. Assets held for sale are carried at the lower of cost or fair value less costs to sell. These policies affect all segments of the Company and require significant management assumptions and estimates that could result in materially different results if conditions or underlying circumstances change.

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, 2004 (the "First Quarter of 2004") compared to the three-month period ended March 31, 2003 (the "First Quarter of 2003"). 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 2003 Annual Report on Form 10-K. Results of operations for the First Quarter of 2004 are not necessarily indicative of the results to be attained for any other period.

Net Income

The Company's net income was $1,847,000 for the First Quarter of 2004, a $329,000 or 22% increase compared to net income of $1,518,000 for the First Quarter of 2003. Diluted earnings per share were $.50 for the First Quarter of 2004, a 22.0% increase compared to $.41 for the First Quarter of 2003. The increase in net income in the First Quarter of 2004 over the First Quarter of 2003 was primarily a result of an increase in payment and processing revenue, gains on the sales of investment securities and a decrease in operating expenses. This was partially offset by a decrease in net interest income, due to lower interest rates and a decrease in software revenues. Return on average assets for the First Quarter of 2004 was 1.13% compared to 1.04% for the First Quarter of 2003. Return on average equity for the First Quarter of 2004 was 11.52% compared to 10.13% for the First Quarter of 2003.

Fee Revenue and Other Income

Fee revenue is principally derived from freight and utility payment and processing fees. Processing volumes related to these fees for the three-month periods ended March 31, 2004 and 2003 are as follows:

(In Thousands)	Three Months Ended March 31 2004	2003	% Change
Transportation Information Services:			
Invoice Bill Volume	5,429	5,666	(4.2%)
Invoice Dollar Volume	$2,221,646	$2,053,912	8.2%
Payment and Processing Fees	$ 4,946	$ 4,969	(.5%)
Utility Information Services:			
Invoice Bill Volume	1,284	1,033	24.3%
Invoice Dollar Volume	$ 934,361	$ 825,361	13.2%
Payment and Processing Fees	$ 2,652	$ 2,000	32.6%

Fees from the Transportation Information Services remained relatively flat. The decrease in transactions (invoice bill volume) exceeded the decrease in payment and processing fees due to a change in the mix of invoices processed over the same period last year. The percentage of small dollar, electronic transactions decreased and was replaced by larger dollar transactions that required a higher level of processing and produced greater fees. The increase in volumes and fees from the Utility Information Services division increased primarily due to new customers as the growth of this relatively new segment continues. Software revenue is down $617,000 or 34% from the First Quarter of 2003 primarily due to reduced license fee revenue generated from new customers. Although revenue generated by GEMS increased in each of the past three years, sales were off significantly in the First Quarter of 2004. Demand for software in the governmental sector has softened from last year. At this time management feels that this is a temporary condition. Bank service fees for the First Quarter of 2004 decreased a modest $12,000 or 3% compared to the First Quarter of 2003. Net gains of $441,000 were recognized on the sales of securities with proceeds of $12,052,000 during the First Quarter of 2004 and no gains were recognized in the First Quarter of 2003. Other income increased $6,000 in the First Quarter of 2004 compared with the First Quarter of 2003.

Net Interest Income

First Quarter of 2004 compared to First Quarter of 2003:

The Company's tax-equivalent net interest income decreased 2% or $113,000 from $6,939,000 to $6,826,000. The tax-equivalent net interest margin decreased from 5.27% to 4.58%. The decline in the general level of interest rates from a prime rate of 9.50% at the beginning of 2001 to the current rate of 4.00% continues to have an impact on the Company's net interest income and margin. The average yield on earning assets decreased to 4.96% in the First Quarter of 2004 from 5.62% in 2003. The Company is negatively affected by decreases in the level of interest rates due to the fact that its rate sensitive assets significantly exceed its rate sensitive liabilities. Conversely, the Company is positively affected by increases in the level of interest rates. This is primarily due to the noninterest-bearing liabilities generated by the Company in the form of accounts and drafts payable. Changes in interest rates will affect some earning assets such as federal funds sold and floating rate loans immediately and some earning assets, such as fixed rate loans and municipal bonds, over time.

The Company partially offset the decrease in net interest income through an increase in earning assets. Total average earning assets increased $64,911,000 or 12% to $599,227,000. This increase was funded by both an increase in accounts and drafts payable due to the increase in payments processed and an increase in bank deposits due to the expansion of the Banks' customer base.

Total average loans increased $29,360,000 or 7% to $463,461,000. This increase was attributable to new business relationships and was funded by the increase in accounts and drafts payable and growth in bank deposits. Although not enough to offset the decline in the level of interest rates, this increase in loans had a positive effect on interest income and the net interest margin due to the fact that loans are one of the Company's highest yielding earning assets for any given maturity.

Total average investment in debt and equity securities decreased $1,506,000 or 2% to $64,638,000. Total average federal funds sold and other short-term investments increased $37,057,000 or 109% to $71,128,000. This increase provides additional liquidity and positions the Company to take advantage of higher interest rates should they occur. For more information on the changes in net interest income please refer to the tables on pages 14 and 15.

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

The following table shows the condensed average balance sheets for each of the periods reported, the 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 2004	Interest		First Quarter 2003	Interest	
(Dollars in Thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets (1)						
Earning assets:						
Loans (2),(3):						
Taxable	$ 458,116	$6,387	5.61%	$ 428,352	$ 6,345	6.01%
Tax-exempt (4)	5,345	101	7.60	5,749	108	7.62
Debt and equity securities (5):						
Taxable	23,785	97	1.64	26,584	188	2.87
Tax-exempt (4)	40,853	646	6.36	39,560	658	6.75
Federal funds sold and other short-term investments	71,128	162	.92	34,071	100	1.19
Total earning assets	599,227	7,393	4.96	534,316	7,399	5.62
Nonearning assets:						
Cash and due from banks	18,857			18,976		
Premises and equipment, net	13,474			15,833		
Intangible assets	5,063			5,349		
Other assets	26,016			22,141		
Allowance for loan losses	(5,560)			(5,327)		
Total assets	$ 657,077			$ 591,288		

Liabilities And Shareholders' Equity (1)

Interest-bearing liabilities:						
Interest-bearing demand deposits	56,611	79	.56%	$ 54,777	$ 117	.87%
Savings deposits	30,387	51	.68	35,772	82	.93
Time deposits of $100 or more	48,454	267	2.22	42,666	213	2.02
Other time deposits	34,672	170	1.97	5,715	39	2.77
Total interest-bearing deposits	170,124	567	1.34	138,930	451	1.32
Short-term borrowings	118	--	--	2,574	9	1.42
Total interest-bearing liabilities	170,242	567	1.34	141,504	460	1.32
Noninterest-bearing liabilities:						
Demand deposits	100,436			94,893		
Accounts and drafts payable	313,593			287,700		
Other liabilities	8,343			6,401		
Total liabilities	592,614			530,498		
Shareholders' equity	64,463			60,790		
Total liabilities and shareholders' equity	$ 657,077			$ 591,288		
Net interest income		$6,826			$ 6,939	
Interest spread			3.62%			4.30%
Net interest margin			4.58%			5.27%

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 2003 Consolidated Financial Statements.
3. Interest income on loans includes net loan fees of $41,000 and $11,000 for the First Quarter of 2004 and 2003, respectively.
4. Interest income is presented on a tax-equivalent basis assuming a tax rate of 34%. The tax-equivalent adjustment was approximately $253,000 and $260,000 for the First Quarter of 2004 and 2003, 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 2004 Over 2003		
(In Thousands)	Volume	Rate	Total
Increase (decrease) in interest income:			
Loans (1),(2):			
Taxable	$ 458	$(416)	$ 42
Tax-exempt (3)	(7)	--	(7)
Debt and equity securities:			
Taxable	(18)	(73)	(91)
Tax-exempt (3)	23	(35)	(12)
Federal funds sold and other short-term investments	90	(28)	62
Total interest income	546	(552)	(6)
Interest expense on:			
Interest-bearing demand deposits	4	(42)	(38)
Savings deposits	(11)	(20)	(31)
Time deposits of $100 or more	32	22	54
Other time deposits	145	(14)	131
Short-term borrowings	(4)	(5)	(9)
Total interest expense	166	(59)	107
Net interest income	$ 380	$(493)	$(113)

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 34%.

Allowance and Provision for Loan Losses

A significant determinant of the Company's operating results is the provision for loan losses and the level of loans charged off. There was a $200,000 provision made for loan losses during the First Quarter of 2004 compared with $90,000 in the First Quarter of 2003. Net loans recovered for the First Quarter of 2004 were $3,000 compared to $4,000 for the First Quarter of 2003. The provision for loan losses can vary over time based on an ongoing assessment of the adequacy of the allowance for loan losses.

The allowance for loan losses at March 31, 2004 was $5,709,000 and at December 31, 2003 was $5,506,000. The ratio of allowance for loan losses to total loans outstanding at March 31, 2004 was 1.24% compared to 1.17% at December 31, 2003. Nonperforming loans were $3,451,000 or .75% of total loans at March 31, 2004 compared to $4,393,000 or .94% of total loans at December 31, 2003. The decrease from December 31, 2003 is primarily due to two loans; one for $481,000 that was renegotiated in First Quarter of 2003 and is now current under the new terms of the agreement and a second loan for $376,000 that was foreclosed in the First Quarter of 2004 and is now being carried as other real estate owned.

At March 31, 2004, impaired loans totaled $3,617,000, which included $1,041,000 of nonaccrual loans compared with impaired loans at December 31, 2003 of $4,393,000, which included $1,525,000 of nonaccrual loans. The allowance for loan losses on impaired loans was $966,000 at March 31, 2004 and there were no impaired loans without an allowance. The decrease in impaired loans from December 31, 2003 relates primarily to the decrease in nonperforming loans as explained in the previous paragraph.

Total impaired loans decreased $4,395,000 from March 31, 2003 to March 31, 2004. A decrease of $4,482,000 in other impaired loans relates primarily to two loans totaling $4,252,000 that were renegotiated in 2002. These loans have been current under the terms of the agreement for over one year and are considered performing by management at March 31, 2004. The decrease of $2,834,000 in loans past due 90 days or more relates primarily to one loan with a balance of $2,000,000 at March 31, 2003 that was a convertible debenture, which the Company converted to common stock, as explained in Note 8 of this report. A second loan, with a balance of $791,000 at March 31, 2003, is included in nonaccrual loans at March 31, 2004 with a balance of $731,000. There was one loan with a balance of $481,000 that was classified as renegotiated in the First Quarter of 2003 that is current under the new terms of the loan and considered performing. These decreases were offset by an increase in nonaccrual loans of $992,000 relating primarily to two loans, the largest with a balance of $731,000 that is collateralized by real estate and has a SBA guarantee. There has been some delinquency in loan payments of this loan due to slower than expected lease-up of real estate property. The second loan, with a balance of $270,000, relates to a business that is no longer operating, although payments are being made as the inventory of the business is being sold. The current balance of $2,410,000 of loans renegotiated as of March 31, 2004 relates to two borrowers and although currently performing, are still considered impaired by management.

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

Summary of Asset Quality

The following table presents information as of and for the three month periods ended March 31, 2004 and 2003 pertaining to the Company's provision for loan losses and analysis of the allowance for loan losses.

	Three Months Ended March 31	
(Dollars in Thousands)	2004	2003
Allowance at beginning of period	$ 5,506	$ 5,293
Provision charged to expense	200	90
Loans charged off	(1)	(2)
Recoveries on loans previously charged off	4	6
Net loan recoveries	3	4
Allowance at end of period	$ 5,709	$ 5,387
Loans outstanding:		
Average	$ 463,461	$ 434,101
March 31	460,110	432,084
Ratio of allowance for loan losses to loans outstanding:		
Average	1.23%	1.24%
March 31	1.24%	1.25%
Nonperforming loans:		
Nonaccrual loans	$ 1,041	$ 49
Loans past due 90 days or more	--	2,834
Renegotiated loans	2,410	481
Total non performing loans	$ 3,451	$ 3,364
Other impaired loans	$ 166	$ 4,648
Foreclosed assets	$ 1,234	$ 1,112
Nonperforming loans as a percent of average loans	.74%	.77%

The Bank currently has two properties which it is carrying as other real estate owned at what management believes to be fair value less cost to sell. The first property was foreclosed on August 8, 2001 and is recorded at $859,000 and the second property was foreclosed on March 2, 2004 and is recorded at $375,000.

Operating Expense

Total operating expense for the First Quarter of 2004 decreased $295,000 or 2% to $13,482,000 compared to the First Quarter of 2003.

Salaries and benefits expense decreased $195,000 or 2% to $9,157,000 in the First Quarter of 2004 compared with the First Quarter of 2003. This decrease is primarily related to a reduction in the number of employees attributable to a series of technology initiatives put into place by the Information Services divisions. The decrease in salaries was partially offset by an increase in benefits expenses related to pension contribution and health insurance costs.

Occupancy expense for the First Quarter of 2004 increased $22,000 or 5% to $458,000 from the First Quarter of 2003. This increase relates primarily to increases in both utility expense and building expenses related to leased property.

Equipment expense for the First Quarter of 2004 decreased $136,000 or 12% compared to the First Quarter of 2003. This decrease is primarily due to a decrease in hardware and software depreciation and amortization and a decrease in computer equipment maintenance from the consolidation of equipment within the transportation processing division.

Other operating expense for the First Quarter of 2004 decreased $4,000 compared to the First Quarter of 2003. There was an increase in outsourced services of $133,000, which was mostly offset by a decrease in postage and supplies expense from the Company's Transportation Information Services division.

Income tax expense for the First Quarter of 2004 was $811,000, an increase of $215,000 or 36% compared to the First Quarter of 2003. The effective tax rate for the First Quarter of 2004 was 31% compared with 28% in the First Quarter of 2003 due primarily to the lower proportion of income generated from tax-exempt investments in the First Quarter of 2004.

Financial Condition

Total assets at March 31, 2004 decreased $35,913,000 or 6% from December 31, 2003. Of this decrease $19,538,000 relates to a 44% decrease in federal funds sold and other short-term investments and $9,125,000 relates to a 2% decrease in loans, net of the allowance for loan losses. There was also a decrease of $4,124,000 in investments in debt and equity securities and $3,709,000 in cash and due from banks.

Total liabilities were $537,374,000, a decrease of $37,530,000 or 7% from December 31, 2003. Total deposits at March 31, 2004 were $268,695,000, a decrease of $3,733,000 or 1%. Accounts and drafts payable were $259,626,000, a decrease of $34,143,000 or 12%. Total shareholders' equity at March 31, 2004 was $66,409,000, a $1,617,000 or 2% increase from December 31, 2003.

The decrease in loans relates to the normal fluctuations in the loan portfolio that result from new advances, amortization of principal and payoffs. The Bank also participated loans to an unaffiliated bank as part of its risk management process. The decrease in debt and equity securities relates to the sale of $12,052,000 in securities and $3,200,000 in securities that matured that was offset by the purchase of $10,407,000 of additional securities. Federal funds sold and other short-term investments decreased due to a decrease in deposits and accounts and drafts payable from December 31, 2003 to March 31, 2004. The decrease in deposits reflects normal daily and seasonal fluctuations and the decrease in accounts and drafts payable was due primarily to the fact that these balances will fluctuate from period-end to period-end due to the payment processing cycle, which results in lower balances on days when checks clear and higher balances on days when checks are issued. For this reason, average balances are a more meaningful measure of accounts and drafts payable (for average balances refer to the table on pages 14 and 15). The increase in total shareholders' equity resulted from net income of $1,847,000; an increase of $261,000 in other comprehensive income; cash received on the exercise of stock options of $111,000; an $85,000 tax benefit on stock awards and the amortization of the stock bonus plan of $20,000; offset by dividends paid of $703,000 ($.21 per share) and $4,000 of cash paid for stock dividend fractional shares.

Liquidity and Capital Resources

The balances of liquid assets consists of cash and cash equivalents, which include cash and due from banks, federal funds sold and money market funds, and were $39,120,000 at March 31, 2004, a decrease of $23,247,000 or 37% from December 31, 2003. At March 31, 2004 these assets represented 6% of total assets. These funds are the Company's and its subsidiaries' primary source of liquidity to meet future expected and unexpected loan demand, depositor withdrawals or reductions in accounts and drafts payable.

Secondary sources of liquidity include the investment portfolio and borrowing lines. Total investment in debt and equity securities was $65,023,000 at March 31, 2004, a decrease of $4,124,000 from December 31, 2003. These assets represented 11% of total assets at March 31, 2004. Of this total, 59% were state and political subdivision securities, 31% were U.S. Treasury securities, 9% were U.S. government agencies and 1% were other securities. Of the total portfolio, 26% mature in one year, 13% matures in one to five years, and 61% matures in five or more years. During the year the Company sold securities with a market value of $12,052,000 and a portion of these funds were reinvested in U.S. Treasury and agency securities.

The Bank has unsecured lines at correspondent banks to purchase federal funds up to a maximum of $33,000,000. Additionally, the Bank maintains a line of credit at an unaffiliated financial institution in the maximum amount of $85,418,000 collateralized by securities sold under repurchase agreements.

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

Net cash flows provided by operating activities were $2,417,000 for the First Quarter of 2004 compared with $3,231,000 for the First Quarter of 2003. This decrease is attributable to an additional $478,000 paid in corporate income taxes, the $441,000 gain on the sales of securities and other normal fluctuations in other asset and liability accounts. 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. Further analysis of the changes in these account balances is 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 2004.

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".

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 at March 31, 2004 and December 31, 2003:

March 31, 2004	Amount	Ratio
Total capital (to risk-weighted assets)		
Cass Information Systems, Inc.	$66,117,000	12.78%
Cass Commercial Bank	32,214,000	11.47
Tier I capital (to risk-weighted assets)		
Cass Information Systems, Inc.	$60,408,000	11.68%
Cass Commercial Bank	28,700,000	10.22
Tier I capital (to average assets)		
Cass Information Systems, Inc.	$60,408,000	9.26%
Cass Commercial Bank	28,700,000	9.14

December 31, 2003	Amount	Ratio
Total capital (to risk-weighted assets)		
Cass Information Systems, Inc.	$64,480,000	12.07%
Cass Commercial Bank	31,741,000	11.17
Tier I capital (to risk-weighted assets)		
Cass Information Systems, Inc.	$58,974,000	11.04%
Cass Commercial Bank	28,190,000	9.92
Tier I capital (to average assets)		
Cass Information Systems, Inc.	$58,974,000	9.57%
Cass Commercial Bank	28,190,000	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.

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, 2003, 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, 2004 has changed materially from that at December 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that the information it is required to disclose in the reports it files with the SEC is recorded, processed, summarized and reported to management, including the Chief Executive Officer and Chief Financial Officer, within the time periods specified in the rules of the SEC. The Company's Chief Executive and Chief Financial Officers have reviewed and evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2004 and based on their evaluation believe that these procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

There were no changes in the first quarter of 2004 in the Company's internal controls identified by the Chief Executive and Chief Financial Officers in connection with their evaluation that materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY 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) Exhibit 3.2 Amended and Restated Bylaws of Registrant.

Exhibit 10.1 Form of Directors' Indemnification Agreement.

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.

(b) Reports of Form 8-K

The Company filed a report on Form 8-K under Items 7 and 12 dated January 29, 2004, reporting the announcement of the Company's earnings for the fourth quarter of 2004.

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 7, 2004 By /s/ Lawrence A. Collett

Lawrence A. Collett
Chairman and Chief Executive Officer

DATE: May 7, 2004 By /s/ Eric H. Brunngraber

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

Exhibit 31.1

CERTIFICATION

I, Lawrence A. Collett, Chairman and Chief Executive Officer of Cass Information Systems, Inc., 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 consolidated 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 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)) 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) 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

   c) 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 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 registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls 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.

/s/ Lawrence A. Collett
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Lawrence A. Collett
Chairman and Chief Executive Officer
May 7, 2004

Exhibit 31.2

CERTIFICATION

I, Eric H. Brunngraber, Chief Financial and Accounting Officer of Cass Information Systems, Inc., 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 consolidated financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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)) 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) 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

    c) 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 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 registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls over financial reporting 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.

/s/ Eric H. Brunngraber
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Eric H. Brunngraber
Vice President - Secretary
(Chief Financial and Accounting Officer)
May 7, 2004

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, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence A. Collett, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Lawrence A. Collett
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Lawrence A. Collett
Chairman and Chief Executive Officer
May 7, 2004

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, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric H. Brunngraber, Chief Financial and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Eric H. Brunngraber

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Eric H. Brunngraber
Vice President - Secretary
(Chief Financial and Accounting Officer)
May 7, 2004

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.