COMMERCIAL BANKSHARES INC
Form 10-Q
August 12, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2002

Commission File Number 00-22246

COMMERCIAL BANKSHARES, INC.
(Exact name of Registrant as specified in its charter)

FLORIDA	65-0050176
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1550 S.W. 57th Avenue, Miami, Florida	33144
(Address of principal executive offices)	(Zip Code)

(305) 267-1200
(Registrant's Telephone Number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No .

CLASS	OUTSTANDING AT August 9, 2002
COMMON STOCK, $.08 PAR VALUE	3,636,055 SHARES

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM I - FINANCIAL STATEMENTS

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2002 and December 31, 2001
(Dollars in thousands, except share data)

	6/30/2002	12/31/2001
Assets:	(Unaudited)	
Cash and due from banks	$ 23,008	$ 21,420
Federal funds sold	47,700	46,780
Total cash and cash equivalents	70,708	68,200
Investment securities available for sale, at fair value (cost of $117,993 in 2002 and $107,126 in 2001)	123,980	111,138
Investment securities held to maturity, at cost (fair value of $44,037 in 2002 and $25,332 in 2001)	43,017	24,664
Loans, net	355,196	346,251
Premises and equipment, net	12,566	12,554
Accrued interest receivable	3,410	2,790
Goodwill, net	253	253
Other assets	3,711	3,078
Total assets	$612,841	$568,928

Liabilities and stockholders' equity:
Deposits:

Demand	$ 95,975	$ 94,453
Interest-bearing checking	66,215	65,630
Money market accounts	55,772	51,958
Savings	26,784	24,896
Time	244,194	225,569
Total deposits	488,940	462,506
Securities sold under agreements to repurchase	64,585	53,436
Accrued interest payable	549	633
Accounts payable and accrued liabilities	4,321	2,228
Total liabilities	558,395	518,803
Stockholders' equity:		
Common stock, $.08 par value, 6,250,000 Authorized shares, 3,990,531 issued (3,962,440 in 2001)	318	316
Additional paid-in capital	44,455	44,041
Retained earnings	12,487	9,786
Accumulated other comprehensive income	3,930	2,686
Treasury stock, 354,177 shares (352,571 in 2001), at cost	(6,744)	(6,704)
Total stockholders' equity	54,446	50,125
Total liabilities and stockholders' equity	$612,841	$568,928

The accompanying notes are an integral part of these condensed consolidated financial statements

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the three months ended June 30, 2002 and 2001
(Dollars in thousands, except share data)
(Unaudited)

	2002	2001
Interest income:		
Interest and fees on loans	$6,358	$6,959
Interest on investment securities	2,542	2,375
Interest on federal funds sold	118	245
Total interest income	9,018	9,579
Interest expense:		
Interest on deposits	2,535	3,844
Interest on securities sold under agreements to repurchase	263	597

Total interest expense	2,798	4,441
Net interest income	6,220	5,138
Provision for loan losses	75	100
Net interest income after provision	6,145	5,038
Non-interest income:		
Service charges on deposit accounts	647	671
Other fees and service charges	151	166
Securities losses	(7)	-
Total non-interest income	791	837
Non-interest expense:		
Salaries and employee benefits	2,317	2,080
Occupancy	320	301
Data processing	272	253
Furniture and equipment	191	186
Insurance	85	54
Stationery and supplies	66	62
Administrative service charges	60	59
Telephone and fax	55	59
Amortization	-	41
Other	320	325
Total non-interest expense	3,686	3,420
Income before income taxes	3,250	2,455
Provision for income taxes	978	708
Net income	$2,272	$1,747
Earnings per common and common equivalent share:		
Basic	$.63	$.48
Diluted	$.60	$.47
Weighted average number of shares and common equivalent shares:		
Basic	3,623,097	3,609,027
Diluted	3,803,550	3,715,044

The accompanying notes are an integral part of these condensed consolidated financial statements

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the six months ended June 30, 2002 and 2001
(Dollars in thousands, except share data)
(Unaudited)

	2002	2001
Interest income:		
Interest and fees on loans	$12,771	$13,460
Interest on investment securities	4,716	5,011
Interest on federal funds sold	267	527
Total interest income	17,754	18,998
Interest expense:		
Interest on deposits	5,210	7,736
Interest on securities sold under areements to repurchase	489	1,232
Total interest expense	5,699	8,968
Net interest income	12,055	10,030
Provision for loan losses	150	175
Net interest income after provision	11,905	9,855
Non-interest income:		
Service charges on deposit accounts	1,314	1,308
Other fees and service charges	292	289
Securities gains	33	-
Total non-interest income	1,639	1,597
Non-interest expense:		
Salaries and employee benefits	4,675	4,168
Occupancy	619	598
Data processing	585	494
Furniture and equipment	366	374
Insurance	165	107
Stationery and supplies	131	136
Administrative service charges	114	113
Telephone and fax	111	114
Amortization	-	81
Other	655	540
Total non-interest expense	7,421	6,725
Income before income taxes	6,123	4,727
Provision for income taxes	1,827	1,344
Net income	$ 4,296	$ 3,383
Earnings per common and common equivalent share:		
Basic	$1.19	$.94
Diluted	$1.14	$.91
Weighted average number of shares and common equivalent shares:		
Basic	3,617,867	3,605,697
Diluted	3,782,338	3,703,844

The accompanying notes are an integral part of these
condensed consolidated financial statements

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and six months ended June 30, 2002 and 2001
(In thousands)
(Unaudited)

	Three months ended June 30, 2002	Three months ended June 30, 2001
Net income	$2,272	$1,747
Other comprehensive income, net of tax:		
Unrealized holding gains arising during the period	1,712	10
Reclassification adjustment for losses realized in net income	4	-
Other comprehensive income	1,716	10
Comprehensive income	$3,988	$1,757

	Six months ended June 30, 2002	Six months ended June 30, 2001
Net income	$4,296	$3,383
Other comprehensive income, net of tax:		
Unrealized holding gains arising during the period	1,265	1,074
Reclassification adjustment for gains realized in net income	(21)	-
Cumulative effect of a change in accounting principle for reclassification of securities upon adoption of FAS133	-	114
Other comprehensive income	1,244	1,188
Comprehensive income	$5,540	$4,571

The accompanying notes are an integral part of these condensed consolidated financial statements

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2002 and 2001
(In thousands)
(Unaudited)

	2002	2001
Cash flows from operating activities:		
Net income	$ 4,296	$ 3,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	150	175
Depreciation, amortization and accretion, net	321	476
Gain on sale of investment securities	(33)	-
Gain on sale of premises and equipment	(1)	-
Change in accrued interest receivable	(620)	753
Change in other assets	(633)	906
Change in accounts payable and accrued liabilities	1,321	(375)
Change in accrued interest payable	(84)	(105)
Net cash provided by operating activities	4,717	5,213
Cash flows from investing activities:		
Proceeds from maturities of investment Securities held to maturity	16,690	3,488
Proceeds from maturities and sales of Investment securities available for sale	27,816	53,296
Purchases of investment securities held to maturity	(36,286)	-
Purchases of investment securities available for sale	(37,438)	(22,186)
Net change in loans	(9,095)	(55,659)
Purchases of premises and equipment	(303)	(153)
Sales of premises and equipment	1	-
Net cash used in investing activities	(38,615)	(21,214)
Cash flows from financing activities:		
Net change in deposits	26,434	23,441
Net change in securities sold under agreements to repurchase	11,149	944
Dividends paid	(1,553)	(1,441)
Proceeds from issuance of stock	416	120
Purchase of treasury stock	(40)	(9)
Net cash provided by financing activities	36,406	23,055
Increase in cash and cash equivalents	2,508	7,054
Cash and cash equivalents at beginning		

of period	68,200	35,015
Cash and cash equivalents at end of period	$70,708	$42,069
Supplemental disclosures:		
Interest paid (net of amounts credited to deposit accounts)	$ 863	$ 1,438
Income taxes paid	$ 1,948	$ 1,330

The accompanying notes are an integral part of these condensed consolidated financial statements

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements, which are for interim periods, do not include all disclosures provided in the annual consolidated financial statements. These financial statements and the footnotes thereto should be read in conjunction with the annual consolidated financial statements for the years ended December 31, 2001, 2000, and 1999 for Commercial Bankshares, Inc. (the "Company").

All material intercompany balances and transactions have been eliminated.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the financial statements. Those adjustments are of a normal recurring nature. The results of operations for the six month period ended June 30, 2002, are not necessarily indicative of the results to be expected for the full year.

2. PER SHARE DATA

Earnings per share have been computed by dividing net income by the weighted average number of common shares (basic earnings per share) and by the weighted average number of common shares plus dilutive common share equivalents outstanding (diluted earnings per share). Common stock equivalents include the effect of all outstanding stock options, using the treasury stock method.

The following tables reconcile the weighted average shares used to calculate basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended June 30, 2002			Three Months Ended June 30, 2001		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$2,272	3,623	$.63	$1,747	3,609	$.48
Effect of Dilutive Options	-	181	(.03)	-	106	(.01)
Diluted EPS	$2,272	3,804	$.60	$1,747	3,715	$.47

	Six Months Ended June 30, 2002			Six Months Ended June 30, 2001		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$4,296	3,618	$1.19	$3,383	3,606	$.94
Effect of Dilutive Options	-	164	(.05)	-	98	(.03)
Diluted EPS	$4,296	3,782	$1.14	$3,383	3,704	$.91

3. NEW ACCOUNTING PRONOUNCEMENTS

SFAS NO. 142: "Goodwill and Other Intangible Assets"

In June 2001, the FASB issued SFAS No. 142, "Goodwill and other Intangible Assets." This statement addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Except for goodwill and intangible assets acquired after June 30, 2001, which are immediately subject to its provision, SFAS No. 142 is effective starting with fiscal years beginning after December 15, 2001.

The provisions of SFAS No. 142 no longer allow the amortization of goodwill, and certain intangible assets that have indefinite useful lives, and requires that impairment of goodwill on those assets be tested annually. In addition, SFAS No. 142 requires the following additional disclosures for goodwill and other intangible assets:

- Changes in the carrying amount of goodwill from period-to-period;
- The carrying amount of goodwill by major intangible assets class, and
- The estimated intangible amortization for the next five years

The Company adopted SFAS No. 142 effective January 1, 2002. The Company did not incur impairment losses for goodwill resulting from a transitional impairment test. The elimination of goodwill amortization will positively impact pre-tax net income by approximately $160,000 in 2002.

SFAS No. 144: "Accounting for the Impairment or Disposal of Long-Lived Assets"

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SAFS No. 144 is effective for fiscal years beginning after December 15, 2001 and was written to provide a single model for the disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121 "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provision of Accounting principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The Company adopted the provision of SFAS No. 144 effective January 1, 2002. The implementation of this statement has not had a material effect on the Company's financial position, results of operations or cash flows.

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

RESULTS OF OPERATIONS

The Company's net income reported for the quarter ended June 30, 2002, was $2.27 million, a 30% increase over the quarter ended June 30, 2001 of $1.75 million. Basic and diluted earnings per share were $.63 and $.60, respectively, for the second quarter of 2002, as compared to $.48 and $.47, respectively, for the second quarter of 2001.

For the six months ended June 30, 2002, the Company's net income was $4.30 million, a 27% increase over the six months ended June 30, 2001 of $3.38 million. Basic and diluted earnings per share were $1.19 and $1.14, respectively, for the six months ended June 30, 2002 as compared to $.94 and $.91, respectively, for the six months ended June 30, 2001.

The Company's second quarter tax-equivalent net interest income increased to $6.52 million, from $5.39 million in the corresponding quarter in 2001. The increase is due primarily to an increase in average earning assets of $48 million and to a higher net interest yield in 2002. The annualized net interest yield for the quarter and six months ended June 30, 2002 was 4.66% and 4.62%, respectively. This compares to 4.21% and 4.23% for the quarter and six months ended June 30, 2001. The net interest yield has been calculated on a tax-equivalent basis, which includes an adjustment for interest on tax-exempt securities.

Non-interest income for the second quarter of 2002 decreased by $46,000, or 6%, and increased by $42,000 or 3% for the first six months of 2002, from the corresponding periods of 2001. The decrease in quarter activity is primarily due to a decrease in account overdraft activity charges of $39,000. The increase in year to date activity is due to a net gain on sale of investments of $33,000.

Salaries and employee benefits expense increased by $237,000, or 11%, for the second quarter of 2002, and by $507,000, or 12%, for the first six months of 2002, from the corresponding periods of 2001. The increase is attributable to normal payroll increases and increased benefit costs.

Data processing expense increased by $19,000, or 8%, for the second quarter of 2002, and by $91,000, or 18%, for the first six months of 2002, as compared to the corresponding periods in 2001. The increase is attributable to an increase in the number of accounts processed and to an increase in rates from the Company's service provider.

Company management continually reviews and evaluates the allowance for loan losses. In evaluating the adequacy of the allowance for loan losses, management considers the results of its methodology, along with other factors such as the amount of non-performing loans and the economic conditions affecting the Company's markets and customers. The allowance for loan losses was approximately $4.73 million at June 30, 2002, as compared with $4.64 million at December 31, 2001. For the six months ended June 30, 2002, the allowance for loan losses was increased by the provision for loan losses of $150,000, and decreased by approximately $60,000 in net charge-offs. For the six months ended June 30, 2001, the allowance was increased with a provision for loan losses of $175,000 and decreased by approximately $29,000 in net charge-offs. The allowance as a percentage of total loans has decreased to 1.31% at June 30, 2002, from 1.32% at December 31, 2001. Based on the nature of the loan portfolio and prevailing economic factors, management believes that the current level of the allowance for loan losses is sufficient to absorb probable losses in the loan portfolio.

Approximately $221 million, or 61%, of total loans was secured by nonresidential real estate, and $80.0 million, or 22%, of total loans was secured by residential real estate as of June 30, 2002. Virtually all loans are within the Company's markets in Miami-Dade and Broward counties.

The Company had no non-accrual loans at June 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

The objective of liquidity management is to maintain cash flow requirements to meet immediate and ongoing future needs for loan demand, deposit withdrawals, maturing liabilities, and expenses. In evaluating actual and anticipated needs, management seeks to obtain funds at the most economical cost. Management believes that the level of liquidity is sufficient to meet future funding requirements.

For banks, liquidity represents the ability to meet both loan commitments and withdrawals of deposited funds. Funds to meet these needs can be obtained by converting liquid assets to cash or by attracting new deposits or other sources of funding. Many factors affect a bank's ability to meet liquidity needs. Commercial Bank of Florida's (the Bank) principal sources of funds are deposits, repurchase agreements, payments on loans, maturities and sales of investments. As an additional source of funds, the Bank has credit availability with the Federal Home Loan Bank amounting to $91 million, and Federal Funds purchased lines available at correspondent banks amounting to $23 million as of June 30, 2002.

The Bank's primary use of funds is to originate loans and purchase investment securities. Loans increased by $9.1 million, and the Bank purchased $73.7 million of investment securities during the first six months of 2002. Funding for the above came primarily from increases in deposits of $26.4 million, increases in securities sold under agreements to repurchase of $11.1 million and from proceeds from maturities and sales of investment securities of $44.5 million.

In accordance with risk-based capital guidelines issued by the Federal Reserve Board, the Company and the Bank are each required to maintain a minimum ratio of total capital to risk weighted assets of 8%. Additionally, all bank holding companies and member banks must maintain "core" or "Tier 1" capital of at least 3% of total assets ("leverage ratio"). Member banks operating at or near the 3% capital level are expected to have well diversified risks, including no undue interest rate risk exposure, excellent control systems, good earnings, high asset quality, high liquidity, and well managed on- and off-balance sheet activities, and in general be considered strong banking organizations with a composite 1 rating under the CAMELS rating system of banks. For all but the most highly rated banks meeting the above conditions, the minimum leverage ratio is to be 3% plus an additional 100 to 200 basis points. The Tier 1 Capital, Total Capital, and Leverage Ratios of the Company were 12.35%, 13.84%, and 8.17%, respectively, as of June 30, 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT AND INTEREST RATE RISK

Changes in interest rates can substantially impact the Company's long-term profitability and current income. An important part of management's efforts to maintain long-term profitability is the management of interest rate risk. The goal is to maximize net interest income within acceptable levels of interest rate risk and liquidity. Interest rate exposure is managed by monitoring the relationship between interest-earning assets and interest-bearing liabilities, focusing on the size, maturity or repricing date, rate of return and degree of risk. The Asset/Liability Management Committee of the Bank oversees the interest rate risk management and reviews the Bank's asset/liability structure on a quarterly basis.

The Bank uses interest rate sensitivity, or GAP analysis to monitor the amount and timing of balances exposed to changes in interest rates. The GAP analysis is not relied upon solely to determine future reactions to interest rate changes because it is presented at one point in time and could change significantly from day-to-day. Other methods such as simulation analysis are utilized in evaluating the Bank's interest rate risk position. The table presented below shows the Bank's GAP analysis at June 30, 2002.

INTEREST RATE SENSITIVITY ANALYSIS
(Dollars in Thousands)

	Term to Repricing				
	90 Days or Less	91-181 Days	182-365 Days	Over 1 Year & Non-rate Sensitive	Total
Interest-earning assets:					
Federal funds sold	$ 47,700	$ -	$ -	$ -	$ 47,700
Investment securities	21,103	7,456	28,008	107,423	163,990
Gross loans (excluding non-accrual)	79,178	27,349	55,701	198,362	360,590
Total interest-earning assets	$147,981	$34,805	$83,709	$305,785	$572,280
Interest-bearing liabilities:					
Interest-bearing checking	$ -	$ -	$ -	$ 66,215	$ 66,215
Money market	-	13,943	13,943	27,886	55,772
Savings	-	-	-	26,784	26,784
Time deposits	76,572	52,194	60,462	54,966	244,194
Borrowed funds	66,640	-	-	-	66,640
Total interest-bearing					

liabilities	$143,212	$66,137	$74,405	$175,851	$459,605
Interest sensitivity gap	$ 4,769	($31,332)	$ 9,304	$129,934	$112,675
Cumulative gap	$ 4,769	($26,563)	($17,259)	$112,675	
Cumulative ratio of interest-earning assets to interest-bearing liabilities	103%	87%	94%	125%	
Cumulative gap as a percentage of total interest-earning assets	.8%	(4.6%)	(3.0%)	19.7%	

Management's assumptions reflect the Bank's estimate of the anticipated repricing sensitivity of non-maturity deposit products. Interest-bearing checking and savings accounts have been allocated to the "over 1 year" category, and money market accounts 25% to the "91-181 days" category, 25% to the "182-365 days" category, and 50% to the "over 1 year" category.

The Bank uses simulation analysis to quantify the effects of various immediate parallel shifts in interest rates on net interest income over the next 12 month period. Such a "rate shock" analysis requires key assumptions which are inherently uncertain, such as deposit sensitivity, cash flows from investments and loans, reinvestment options, management's capital plans, market conditions, and the timing, magnitude and frequency of interest rate changes. As a result, the simulation is only a best-estimate and cannot accurately predict the impact of the future interest rate changes on net income. As of June 30, 2002, the Bank's simulation analysis projects an increase to net interest income of 5.78%, assuming an immediate parallel shift downward in interest rates by 200 basis points. If rates rise by 200 basis points, the simulation analysis projects net interest income would decrease by 5.97%. These projected levels are within the Bank's policy limits.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) 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 Commercial Bankshares, Inc., (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph W. Armaly, Chief Executive Officer of the Company, certify, pursuant to 18. U.S.C. Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirement of section 13(a) or 15(d), as applicable of the Securities Exchange Act of 1934, as amended; and
2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph W. Armaly

Joseph W. Armaly
Chief Executive Officer
August 12, 2002

In connection with the Quarterly Report of Commercial Bankshares, Inc., (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara E. Reed, Chief Financial Officer of the Company, certify, pursuant to 18. U.S.C. Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirement of section 13(a) or 15(d), as applicable of the Securities Exchange Act of 1934, as amended; and
2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barbara E. Reed

Barbara E. Reed
Chief Financial Officer
August 12, 2002

(b) Reports on Form 8-K

Form 8-K was filed during the quarter ended June 30, 2002 to announce the extension of a stock repurchase plan whereby up to $4 million can be used to buy shares of Commercial Bankshares, Inc. common stock in open market and negotiated transactions during the next 24 months.

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.

Commercial Bankshares, Inc.

(Registrant)

/s/ Barbara E. Reed

Barbara E. Reed
Senior Vice President &
Chief Financial Officer

Date: August 12, 2002

16