COMMERCIAL BANKSHARES INC
Form 10-Q
May 13, 2003

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2003

OR

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

For the transition period from __________ to __________.

Commission File 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 .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes X No .

CLASS	OUTSTANDING AT May 12, 2003
COMMON STOCK, $.08 PAR VALUE	4,596,894 SHARES

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PART I - FINANCIAL INFORMATION

ITEM I - FINANCIAL STATEMENTS

COMMERCIAL BANKSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 2003 and December 31, 2002
(Dollars in thousands, except share data)

	3/31/2003	12/31/2002
Assets:	(Unaudited)	
Cash and due from banks	$ 22,440	$ 31,108
Federal funds sold	63,975	29,425
Total cash and cash equivalents	86,415	60,533
Investment securities available for sale, at fair value (cost of $164,347 in 2003 and $175,597 in 2002)	171,868	182,831
Investment securities held to maturity, at cost (fair value of $106,458 in 2003 and $90,019 in 2002)	105,375	88,307
Loans, net	353,663	345,766
Premises and equipment, net	12,567	12,591
Accrued interest receivable	4,028	4,328
Goodwill, net	253	253
Other assets	3,903	3,915

Total assets	$738,072	$698,524
	========	========
Liabilities and stockholders' equity:		
Deposits:		
Demand	$112,780	$ 99,018
Interest-bearing checking	78,794	81,978
Money market accounts	68,908	62,096
Savings	33,005	28,633
Time	320,560	309,501
Total deposits	614,047	581,226
Securities sold under agreements to repurchase	57,686	53,705
Accrued interest payable	607	624
Accounts payable and accrued liabilities	5,200	4,364
Total liabilities	677,540	639,919
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Common stock, $.08 par value, 15,000,000 authorized shares, 5,020,787 issued (5,006,670 in 2002)	402	401
Additional paid-in capital	44,806	44,653
Retained earnings	17,195	15,603
Accumulated other comprehensive income	4,897	4,716
Treasury stock, 443,820 shares (443,820 in 2002), at cost	(6,768)	(6,768)
Total stockholders' equity	60,532	58,605
Total liabilities and stockholders' equity	$738,072	$698,524
	========	========

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 March 31 2003 and 2002
(Dollars in thousands, except share data)
(Unaudited)

	2003	2002

Interest income:		
Interest and fees on loans	$5,836	$6,413
Interest on investment securities	3,278	2,174
Interest on federal funds sold	127	149
Total interest income	9,241	8,736
Interest expense:		
Interest on deposits	2,762	2,675
Interest on securities sold under agreements to repurchase	190	226
Total interest expense	2,952	2,901
Net interest income	6,289	5,835
Provision for loan losses	-	75
Net interest income after provision	6,289	5,760
Non-interest income:		
Service charges on deposit accounts	633	667
Other fees and service charges	146	141
Securities gains	-	40
Total non-interest income	779	848
Non-interest expense:		
Salaries and employee benefits	2,332	2,358
Occupancy	294	299
Data processing	257	313
Furniture and equipment	185	175
Insurance	97	80
Stationery and supplies	60	65
Administrative service charges	46	54
Telephone and fax	41	56
Amortization	-	-
Other	259	335
Total non-interest expense	3,571	3,735
Income before income taxes	3,497	2,873
Provision for income taxes	1,036	849
Net income	$2,461	$2,024
Earnings per common and common equivalent share:		
Basic	$.54	$.45
Diluted	$.51	$.43
Weighted average number of shares and common equivalent shares:		
Basic	4,569,998	4,525,052

Diluted	4,873,291	4,718,066

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 months ended March 31, 2003 and 2002
(In thousands)
(Unaudited)

	March 31, 2003	2002
Net income	$2,461	$2,024
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) arising during the period	181	(447)
Reclassification adjustment for gains realized in net income	-	(25)
Other comprehensive income (loss)	181	(472)
Comprehensive income	$2,642	$1,552

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 three months ended March 31, 2003 and 2002
(In thousands)
(Unaudited)

	2003	2002
Cash flows from operating activities:		
Net income	$ 2,461	$ 2,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	-	75
Depreciation, amortization and accretion, net	244	192
Gain on sale of investment securities	-	(40)
Gain on sale of premises and equipment	(1)	(1)
Change in accrued interest receivable	300	(291)
Change in other assets	12	(721)
Change in accounts payable and accrued liabilities	731	1,610
Change in accrued interest payable	(17)	(27)
Net cash provided by operating activities	3,730	2,821
Cash flows from investing activities:		
Proceeds from maturities of investment securities held to maturity	26,451	2,522
Proceeds from maturities of investment securities available for sale	69,478	10,041
Purchases of investment securities held to maturity	(43,562)	(21,287)
Purchases of investment securities available for sale	(58,280)	(24,259)
Net change in loans	(7,897)	441
Purchases of premises and equipment	(125)	(176)
Sales of premises and equipment	1	1
Net cash used in investing activities	(13,934)	(32,717)
Cash flows from financing activities:		
Net change in deposits	32,821	17,252
Net change in securities sold under agreements to repurchase	3,981	8,483
Dividends paid	(870)	(758)
Proceeds from issuance of stock	154	97
Purchase of treasury stock	-	(33)
Net cash provided by financing activities	36,086	25,041
Increase (decrease) in cash and cash equivalents	25,882	(4,855)
Cash and cash equivalents at beginning of period	60,533	68,200
Cash and cash equivalents at end of period	$86,415	$63,345

Supplemental disclosures:		
Interest paid (net of amounts credited to deposit accounts)	$ 514	$ 440
Income taxes paid	$ 1,216	$ 160

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, 2002, 2001, and 2000 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 nine month period ended March 31, 2003, are not necessarily indicative of the results to be expected for the full year.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the statements of financial condition and revenues and expenses for the periods covered. Actual results could differ from those estimates and assumptions.

2. STOCK OPTIONS

The new disclosure requirements under SFAS No. 148 for interim financial statements are effective and were adopted by the Bank on January 1, 2003. The following table provides the newly required disclosures for the three-month period ended March 31, 2003 compared to the same period in the prior year:

	For the Three Months Ended March 31,	
	2003	2002

	(Dollars in thousands)	
Net income as reported	$2,461	$2,024
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects (1)	(30)	(25)
Pro forma net income	$2,431	$1,999
Earnings per share, basic as reported	$ .54	$ .45
Earnings per share, basic pro forma	$ .53	$ .44
Earnings per share, diluted as reported	$ .51	$ .43
Earnings per share, diluted pro forma	$ .50	$ .42

(1) The fair value of each option has been estimated on the date of the grant using the Black Scholes option pricing model.

3. 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 March 31, 2003			Three Months Ended March 31, 2002		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$2,461	4,570	$.54	$2,024	4,525	$.45
Effect of Dilutive Options	-	303	(.03)	-	193	(.02)
Diluted EPS	$2,461	4,873	$.51	$2,024	4,718	$.43

4. COMMITMENTS AND CONTINGENCIES

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The Bank had outstanding standby letters of credit in the amount of $4.1 million as of March 31, 2003 and December 31, 2002. Approximately $317,000 of the standby letters of credit outstanding at March 31, 2003 were issued subsequent to December 31, 2002. The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for standby letters of credit is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in establishing conditional obligations as those for on-balance sheet instruments. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies but may include cash, or the goods acquired by the customer for which the standby letter of credit was issued. Since certain letters of credit are expected to expire without being drawn upon, they do not necessarily represent future cash requirements.

5. NEW ACCOUNTING PRONOUNCEMENTS

In December of 2002, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure an amendment of FASB Statement No. 123". Under SFAS No. 148, alternative methods of transition are provided for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this SFAS No. 148 amends the disclosure requirements of FASB No. 123, "Accounting for Stock Based Compensation" to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS No. 123, the Bank continues to follow the intrinsic value method of accounting for stock-based compensation under the provision of Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees". Accordingly, the alternative methods of transition for the fair value based method of accounting for stock-based employee compensation provided by SFAS No. 148 do not apply to the Bank. The Bank is required under the provisions of SFAS No. 148 amending SFAS No. 123 and APB No. 28, "Interim Financial Reporting", to provide additional disclosure in both annual and interim financial statements. The new disclosure requirements are included in Note 2.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." SFAS 147 addresses the treatment of goodwill related to branch acquisitions. It requires that goodwill meeting certain criteria be accounted for under SFAS No. 142, "Goodwill and Other Intangible Assets." The Company adopted SFAS No. 142 in January 2002 and adopted SFAS No. 147 in the fourth quarter of 2002. The implementation of this statement did not have a material effect on the Company's financial position, results of operations or cash flows.

On January 17, 2003, the FASB issued FAS Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB 51" ("FIN 46"). The primary objectives of FIN 46 are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities" or "VIEs") and how to determine when and which business enterprise should consolidate the VIE (the "primary beneficiary"). This new model for consolidation applies to an entity which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. The provisions of this interpretation are not expected to have a material effect on the financial statements of the Company.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". The provisions of this statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The provisions of this interpretation are not expected to have a material effect on the financial statements of the Company.

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

The following discussion and analysis of the Company's consolidated results of operations and financial condition should be read in conjunction with the unaudited interim consolidated financial statements and the related notes included herein and the consolidated financial statements for the year ended December 31, 2002 appearing in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

CORPORATE OVERVIEW

Commercial Bankshares, Inc. (the "Company"), a Florida corporation organized in 1988, is a bank holding company whose wholly-owned subsidiary and principal asset is the Commercial Bank of Florida (the "Bank"). The Company, through its ownership of the Bank, is engaged in a commercial banking business. Its primary source of earnings is derived from income generated by its ownership and operation of the Bank. The Bank is a Florida chartered banking corporation with fourteen branch locations throughout Miami-Dade and Broward counties in South Florida. The Bank primarily focuses on providing personalized banking services to businesses and individuals within the market areas where its banking offices are located.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2003 and 2002

The Company's net income reported for the quarter ended March 31, 2003, was $2.46 million, a 22% increase over the quarter ended March 31, 2002 of $2.02 million. Basic and diluted earnings per share were $.54 and $.51, respectively, for the first quarter of 2003, as compared to $.45 and $.43, respectively, for the first quarter of 2002.

The Company's first quarter tax-equivalent net interest income increased to $6.54 million, from $6.11 million in the corresponding quarter in 2002. The increase is due primarily to an increase in average earning assets of $128 million, partially offset by a decrease in the net interest yield. The annualized net interest yield for the quarter ended March 31, 2003 was 3.97%. This compares to 4.58% for the quarter ended March 31, 2002. The decrease in the net interest yield is the result of the significant inflow of deposits, some of which are temporarily invested in short-term instruments. 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 first quarter of 2003 decreased by $69,000, or 8%, from the corresponding period of 2002. The decrease in quarter activity is primarily due to a decrease in account activity charges of $34,000 and net gain on sale of investments of $40,000 in 2002.

Non-interest expenses for the first quarter 2003 decreased $164,000, or 4%, from the same quarter in 2002, due to a drop in data processing expense of $56,000, professional fees of $73,000 and advertising expense of $19,000. The drop in data processing expense was due to lower than expected year-end processing expenses for year-end 2002. The decrease in professional fees expense for the quarter ended 3/31/03 was due to no pending litigation during quarter. Advertising expense decreased in the first quarter 2003 due to a reduction in newspaper advertising.

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 $4.66 million at March 31, 2003, as compared with $4.75 million at December 31, 2002. For the three months ended March 31, 2003, the allowance for loan losses was decreased by approximately $90,000 in net charge-offs. For the three months ended March 31, 2002, the allowance was increased with a provision for loan losses of $75,000 and decreased by approximately $61,000 in net charge-offs. The allowance as a percentage of total loans has decreased to 1.30% at March 31, 2003, from 1.35% at December 31, 2002. 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 $230.3 million, or 64%, of total loans was secured by non-residential real estate, and $72.3 million, or 20%, of total loans was secured by residential real estate as of March 31, 2003. Virtually all loans are within the Company's markets in Miami-Dade and Broward counties.

The Company had no non-accrual loans at March 31, 2003.

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 $110 million, and Federal Funds purchased lines available at correspondent banks amounting to $23 million as of March 31, 2003.

The Bank's primary use of funds is to originate loans and purchase investment securities. The Bank purchased $101.8 million of investment securities during the first three months of 2003, and loans increased by $7.9 million. Funding for the above came primarily from increases in deposits of $32.8 million, increases in securities sold under agreements to repurchase of $4.0 million and increases from proceeds from maturities and sales of investment securities of $95.9 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 12.90%, 14.29%, and 7.49%, respectively, as of March 31, 2003.

FORWARD-LOOKING STATEMENTS

Certain statements and information in this Quarterly Report on Form 10-Q may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including in particular the statements about the Company's plans, strategies and prospects. These statements are based on the Company's current plans and expectations and involve risks and uncertainties that could cause actual future activities and results to be materially different from those set forth in these forward-looking statements. Important factors that could cause actual results to differ materially from the Company's forward-looking statements are set forth below and elsewhere in this Quarterly Report on Form 10-Q. Such factors include, among others

- the general state of the economy and, together with all aspects of the Company's business that are affected by changes in the economy, the impact that changing rates have on the Company's net interest margin;
- the Company's ability to increase the loan portfolio, and in

particular its secured loan portfolio;
- the Company's ability to access cost-effective funding to fund marginal loan growth;
- changes in management's estimate of the adequacy of the allowance for loan losses;
- changes in the overall mix of the Company's loan and deposit products;
- the impact of repricing and competitors' pricing initiatives on loan and deposit products; and
- the extent of defaults, the extent of losses given default, and the amount of lost interest income that may result in the event of a severe recession.

The Company undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date of this filing.

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 March 31, 2003.

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	$63,975	$ -	$ -	$ -	$ 63,975

Investment securities	74,460	34,111	55,804	109,929	274,304
Gross loans (excluding non-accrual)	80,833	29,004	60,875	188,297	359,009
Total interest-earning assets	$219,268	$63,115	$116,679	$298,226	$697,288
Interest-bearing liabilities:					
Interest-bearing checking	$ -	$19,699	$ 19,699	$ 39,396	$ 78,794
Money market	-	17,227	17,227	34,454	68,908
Savings	-	-	-	33,005	33,005
Time deposits	60,090	48,081	86,946	125,443	320,560
Borrowed funds	60,513	-	-	-	60,513
Total interest-bearing liabilities	$120,603	$85,007	$123,872	$232,298	$561,780
Interest sensitivity gap	$ 98,665	($21,892)	($ 7,193)	$ 65,928	$135,508
Cumulative gap	$ 98,665	$76,773	$ 69,580	$135,508	
Cumulative ratio of interest-earning assets to interest-bearing liabilities	182%	137%	121%	124%	
Cumulative gap as a percentage of total interest-earning assets	14.1%	11.0%	10.0%	19.4%	

Management's assumptions reflect the Bank's estimate of the anticipated repricing sensitivity of non-maturity deposit products. Savings have been allocated to the "over 1 year" category, and interest checking and money market, 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 March 31, 2003, the Bank's simulation analysis projects an increase to net interest income of 2.53%, 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 2.53%. These projected levels are within the Bank's policy limits.

ITEM 4. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation within ninety days prior to the filing date of this report, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules. The Company's controls and procedures are designed to ensure that information required to be disclosed is accumulated and communicated to management, including the principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. It should be noted that the design of any system of controls is based in part upon certain assumptions, and there can be no assurance that any design will succeed in achieving its stated goals.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to their evaluation, nor any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002.

99.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002.

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the quarter ended March 31, 2003.

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.

By:/s/ Joseph W. Armaly

Joseph W. Armaly
Chairman of the Board and Chief Executive Officer
(Duly Authorized Officer)

May 13, 2003

By:/s/ Barbara E. Reed

Barbara E. Reed
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
May 13, 2003

CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph W. Armaly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commercial Bankshares, Inc;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors

and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

COMMERCIAL BANKSHARES, INC.

/s/ Joseph W. Armaly

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Joseph W. Armaly
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barbara E. Reed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commercial Bankshares, Inc;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to filing date of this quarterly report (the "Evaluation Date"); and

c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

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

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

COMMERCIAL BANKSHARES, INC.

/s/ Barbara E. Reed

Barbara E. Reed
Chief Financial Officer

Exhibit 99.1

EXHIBIT 99.1 Certification of Chief Executive Officer 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 quarter ended, March 31, 2003 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 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements 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 as of the dates and for the periods expressed in the Report.

/s/ Joseph W. Armaly

Joseph W. Armaly
Chief Executive Officer
May 13, 2003

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document. A signed original of this written statement required by Section 906 has been provided to Commercial Bankshares, Inc. and will be retained by Commercial Bankshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2

EXHIBIT 99.2 Certification of Chief Financial Officer 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 quarter ended, March 31, 2003 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 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements 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 as of the dates and for the periods expressed in the Report.

/s/ Barbara E. Reed

Barbara E. Reed

Chief Financial Officer
May 13, 2003

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document. A signed original of this written statement required by Section 906 has been provided to Commercial Bankshares, Inc. and will be retained by Commercial Bankshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.