Stock Selection Guide ®

The most widely used aid to good investment judgment

Company	**COMMERCE BANCORP INC/NJ**	Date	**09/02/04**
Prepared by	**Ty H.**	Data taken from	**NAIC Data**
Where traded	**New York**	Major product/service	**Regional Ba**

CAPITALIZATION --- Outstanding Amounts   Reference _____

		% Insiders	% Institution
Preferred($M)	0.0		
Common(M Shares)	78.3	0.0	0.0
Debt($M) 1,144.0 % to Tot.Cap. 46.7 % Potential Dil.			None

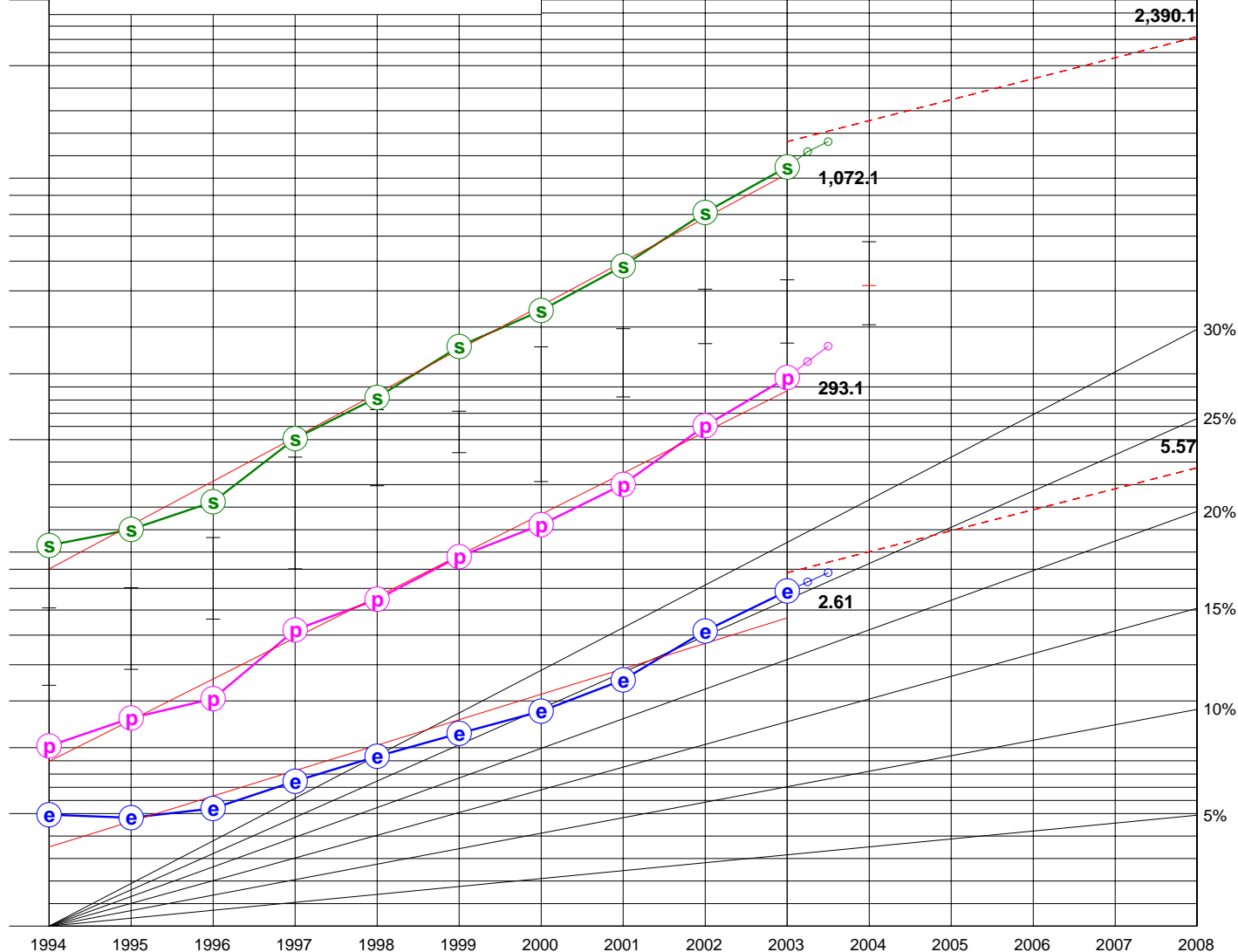## 1   VISUAL ANALYSIS of Sales, Earnings and Price

CBH

FY 2004 Q2 (Ended 6/30/2004)
RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	341.5	0.79
Year Ago Quarter	266.7	0.63
Percentage Change	28.1%	25.4%

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.
Use this Guide as working section of NAIC Stock Selection Guide & Report.

Chart values: 2,390.1 · 1,072.1 · 293.1 · 5.57 · 2.61

Years: 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

(1) Historical Sales Growth	**31.0** %	(3) Historical Earnings Per Share Growth	**17.0** %
(2) Estimated Future Sales Growth	**13.8** %	(4) Estimated Future Earnings Per Share Growth	**13.8** %

2 EVALUATING MANAGEMENT

Company **COMMERCE BANCORP INC/NJ   (CBH)**   **09/02/04**

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	29.1	31.3	29.7	30.8	28.9	27.4	26.7	26.0	26.9	27.3	26.9	EVEN	
B	% Earned on Equity (E/S ÷ Book Value)	17.7	15.0	15.3	16.3	16.6	18.1	16.0	15.6	15.1	15.6	16.1		EVEN

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE ___51.640___   HIGH THIS YEAR ___67.650___   LOW THIS YEAR ___40.550___

	Year	A PRICE HIGH	B PRICE LOW	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
1	1999	23.8	18.5	1.09	21.9	17.0	0.414	38.1	2.2
2	2000	35.4	15.4	1.25	~~28.4~~	~~12.4~~	0.490	39.4	3.2
3	2001	39.6	26.0	1.51	~~26.2~~	~~17.2~~	0.550	36.4	2.1
4	2002	50.5	36.1	2.04	~~24.8~~	~~17.7~~	0.600	29.4	1.7
5	2003	53.5	36.2	2.61	20.5	13.9	0.660	25.3	1.8
6	TOTAL		132.2		42.4	30.9		168.6	
7	AVERAGE		26.4		21.2	15.4		33.7	

8	AVERAGE PRICE EARNINGS RATIO	18.3	9	CURRENT PRICE EARNINGS RATIO	17.7

4
Proj. P/E [15.54] Based on Next 4 qtr. EPS [3.32]   Current P/E Based on Last 4 qtr. EPS [2.92]

EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ___21.2___ (3D7 as adj.)   X Estimate High Earnings/Share ___5.57___   = Forecast High Price $ ___118.1___ (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ___15.4___ (3E7 as adj.)   X Estimated Low Earnings/Share ___~~2.61~~ 2.92___ = $ ___45.0___

(b) Avg. Low Price of Last 5 Years = ___26.4___ (3B7)

(c) Recent Severe Market Low Price = ___36.1___

(d) Price Dividend Will Support $\dfrac{\text{Present Divd.}}{\text{High Yield (H)}} = \dfrac{0.760}{0.032}$ = ___23.9___

Selected Estimate Low Price   = $ ___45.0___ (4B1)

C ZONING

___118.1___ (4A1) High Forecast Price Minus ___45.0___ (4B1) Low Forecast Price Equals ___73.1___ (C) Range. 1/3 of Range = ___18.3___ (4CD)

(4C2) Lower 1/3 = (4B1) ___45.0___ to ___63.3___ (Buy)   **Note: Ranges changed to 25%/50%/25%**

(4C3) Middle 1/3 = ___63.3___ to ___99.8___ (Maybe)

(4C4) Upper 1/3 = ___99.8___ to ___118.1___ (4A1) (Sell)

Present Market Price of ___51.640___ is in the **Buy** (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

$$\dfrac{\text{High Price (4A1) } 118.1 \text{ Minus Present Price } 51.640}{\text{Present Price } 51.640 \text{ Minus Low Price (4B1) } 45.0} = \dfrac{66.5}{6.6} = \dfrac{10.0}{(4D)} \text{ To 1}$$

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$$\dfrac{\text{High Price (4A1) } 118.1}{\text{Present Market Price } 51.640} = (\ 2.287\ ) \text{ X } 100 = (\ 228.7\ ) - 100 = \dfrac{128.7}{(4E)} \text{ % Appreciation}$$

Relative Value: 96.7%   Proj. Relative Value: 84.9%

5 5-YEAR POTENTIAL
This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A $\dfrac{\text{Present Full Year's Dividend \$ } 0.760}{\text{Present Price of Stock \$ } 51.640}$ = ___0.015___ X 100 = ___1.5___ (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

$$\dfrac{\text{Avg. Earnings Per Share Next 5 Years } 4.30 \text{ X Avg. \% Payout (3G7) } 33.7}{\text{Present Price \$ } 51.640} = \dfrac{144.9}{} = \dfrac{2.8}{(5B)} \%$$

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

$\dfrac{\text{5 Year Appreciation Potential (4E) } 128.7}{5}$ = ___25.7___ %

Average Yield (5B) = ___2.8___ %

Average Total Annual Return Over the Next 5 Years (5C) = ___28.5___ %

	P.A.R.	Tot. Ret.
Average Yield	1.8%	1.6%
Annual Appreciation	14.6%	18.0%
% Compd Ann Rate of Ret	16.4%	19.6%

Quarterly Data Points

PERT Worksheet-A Graph

Company COMMERCE BANCORP INC/NJ   (CBH)

50.0%	
13.8%	
25.0%	
0.0%	0.0%
	-25.0%
	-49.9%

2nd 1999 3rd 1999 4th 1999 1st 2000 2nd 2000 3rd 2000 4th 2000 1st 2001 2nd 2001 3rd 2001 4th 2001 1st 2002 2nd 2002 3rd 2002 4th 2002 1st 2003 2nd 2003 3rd 2003 4th 2003 1st 2004 2nd 2004