



# Stock Selection Guide <sup>®</sup>

The most widely used aid to good investment judgment

Company	COMMERCE BANCORP INC/NJ		Date	05/06/05	
Prepared by	Ty H.		Data taken from	NAIC Data	
Where traded	NYSE		Major product/service	Regional Ba	
CAPITALIZATION --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	%		
Common (M Shares)	161.6	% Institution	%		
Debt (\$M)	336.3	% to Tot.Cap.	16.6	% Potential Dil.	None

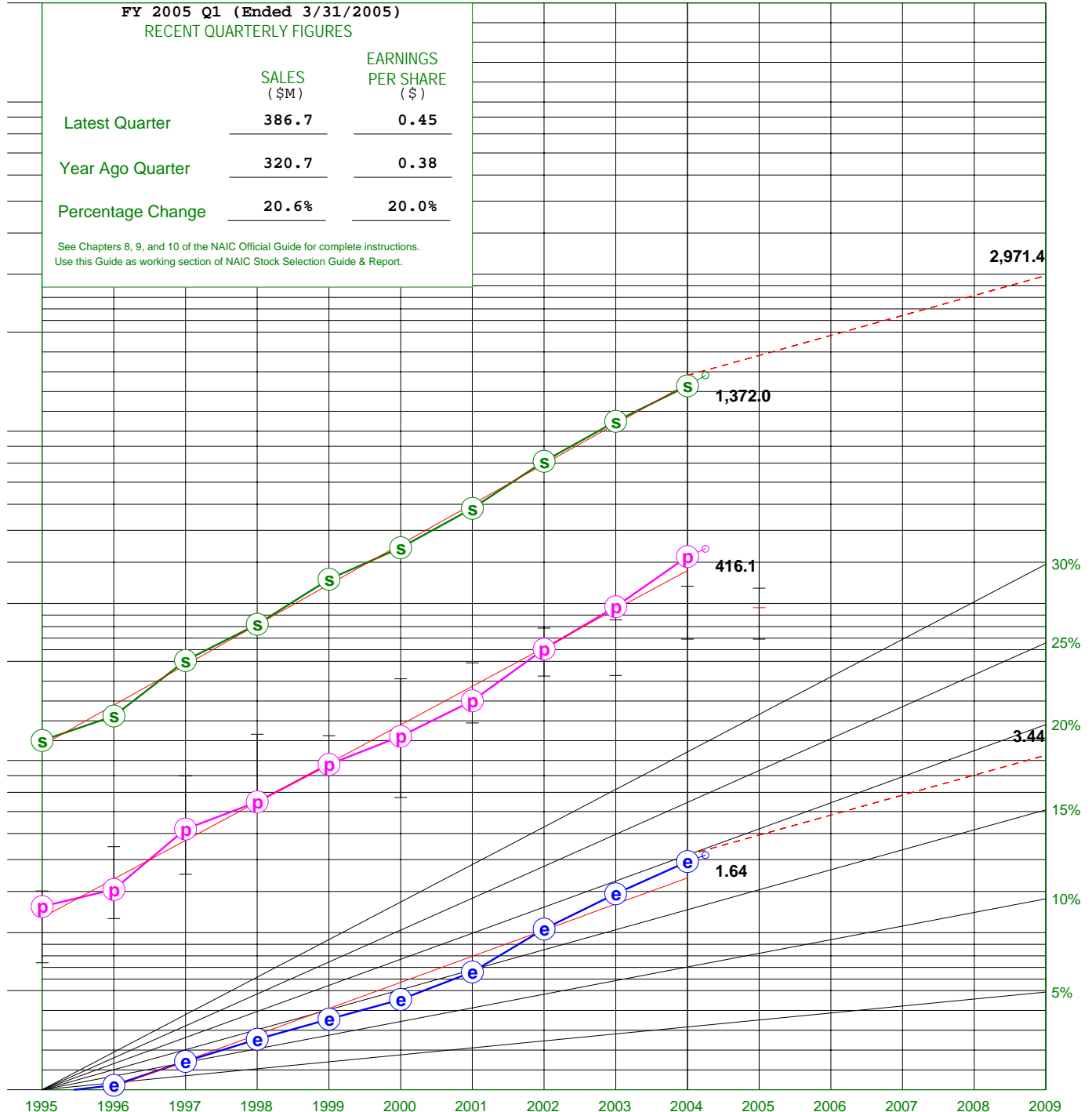
## 1 VISUAL ANALYSIS of Sales, Earnings and Price

CBH

FY 2005 Q1 (Ended 3/31/2005)  
RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	386.7	0.45
Year Ago Quarter	320.7	0.38
Percentage Change	20.6%	20.0%

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.



- (1) Historical Sales Growth 32.4 %      (3) Historical Earnings Per Share Growth 20.0 %
- (2) Estimated Future Sales Growth 15.0 %      (4) Estimated Future Earnings Per Share Growth 15.0 %

## 2 EVALUATING MANAGEMENT

Company

COMMERCE BANCORP INC/NJ

(CBH)

05/06/05

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	31.3	29.7	30.8	28.9	27.4	26.7	26.0	26.9	27.3	30.3	27.5	UP	
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	15.0	15.3	16.2	16.6	18.1	16.0	15.6	15.1	15.6	15.7	15.6	EVEN	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.

Year	PRESENT PRICE		29.100	HIGH THIS YEAR		33.350	LOW THIS YEAR		23.350
	PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	
	A HIGH	B LOW		E HIGH A ÷ C	E LOW B ÷ C				
1 2000	17.7	7.7	0.62	<del>28.4</del>	<del>12.4</del>	0.245	39.3	3.2	
2 2001	19.8	13.0	0.76	<del>26.2</del>	<del>17.2</del>	0.275	36.4	2.1	
3 2002	25.3	18.1	1.02	<del>24.8</del>	<del>17.7</del>	0.300	29.4	1.7	
4 2003	26.7	18.1	1.31	20.5	13.9	0.330	25.3	1.8	
5 2004	33.8	23.4	1.64	20.7	14.3	0.380	23.2	1.6	
6 TOTAL		80.2		41.2	28.2		153.6		
7 AVERAGE		16.0		20.6	14.1		30.7		
8 AVERAGE PRICE EARNINGS RATIO			17.4	9 CURRENT PRICE EARNINGS RATIO				17.0	

## 4 Proj. P/E [14.80] Based on Next 4 qtr. EPS [1.97] Current P/E Based on Last 4 qtr. EPS [1.71] 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 20.6 (3D7 as adj.) X Estimate High Earnings/Share 3.44 = Forecast High Price \$ 70.9 (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 14.1 (3E7 as adj.) X Estimated Low Earnings/Share 1.64 1.71 = \$ 24.1

(b) Avg. Low Price of Last 5 Years = 16.0 (3B7)

(c) Recent Severe Market Low Price = 18.1

(d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.440}{0.032} = 13.9$

Selected Estimate Low Price = \$ 18.1 (4B1)

### C ZONING

70.9 (4A1) High Forecast Price Minus 18.1 (4B1) Low Forecast Price Equals 52.8 (C) Range. 1/3 of Range = 13.2 (4CD)

(4C2) Lower 1/3 = 18.1 (4B1) to 31.3 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 31.3 to 57.7 (Maybe)

(4C4) Upper 1/3 = 57.7 to 70.9 (4A1) (Sell)

Present Market Price of 29.100 is in the Buy (4C5) Range

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

High Price (4A1) 70.9 Minus Present Price 29.100 = 41.8 = 3.8 To 1  
Present Price 29.100 Minus Low Price (4B1) 18.1 = 11.0 (4D)

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

High Price (4A1) 70.9  
Present Market Price 29.100 = ( 2.436 ) X 100 = ( 243.6 ) - 100 = 143.6 (4E) % Appreciation

Relative Value: 97.7% Proj. Relative Value: 85.0%

## 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.

**A Present Full Year's Dividend \$** 0.440  
Present Price of Stock \$ 29.100 = 0.015 X 100 = 1.5 (5A) Present Yield or % Returned on Purchase Price

**B AVERAGE YIELD OVER NEXT 5 YEARS**  
Avg. Earnings Per Share Next 5 Years 2.60 X Avg. % Payout (3G7) 30.7 = 79.8 = 2.7 (5B) %

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

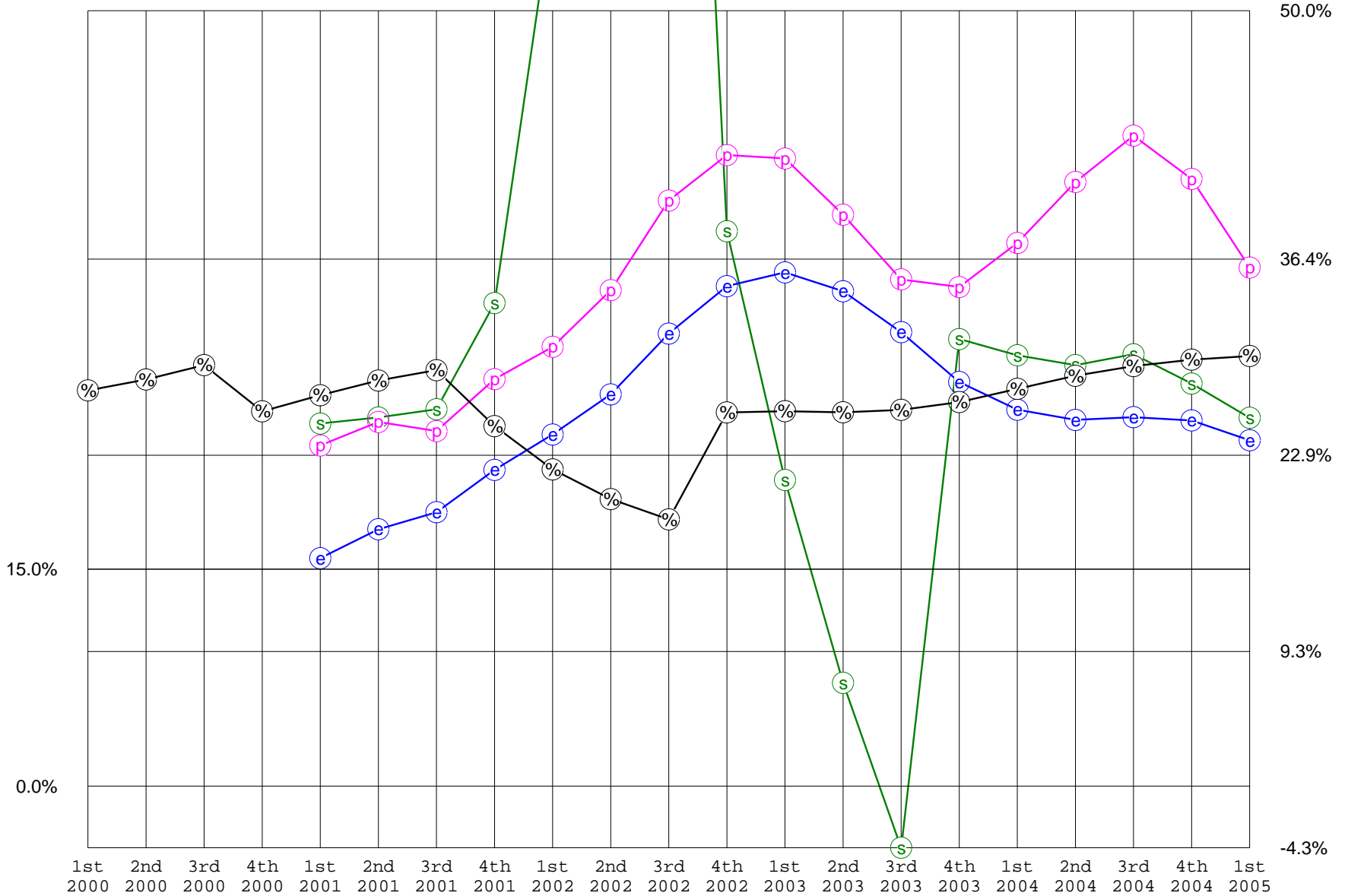
	5 Year Appreciation Potential (4E)		P.A.R.	Tot. Ret.
5 Year Appreciation Potential (4E)	143.6			
Average Yield (5B)		28.7 %	1.8%	1.5%
Average Total Annual Return Over the Next 5 Years (5C)		2.7 %	15.4%	19.5%
		31.4 %	17.2%	21.0%

Trailing 4 quarters

# PERT Worksheet-A Graph

Company COMMERCE BANCORP INC/NJ

(CBH)





1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
.21	.22	.09	.14	.21	.27	.36	.33	.34	.41	.45	.54	.62	.76	1.02	1.31	1.63	1.95	Earnings per sh <sup>A</sup>	2.60
.08	.10	.11	.06	.06	.07	.09	.10	.11	.14	.21	.21	.24	.28	.30	.33	.38	.44	Div'ds Decl'd per sh <sup>B</sup>	.56
1.75	1.83	1.52	1.65	1.71	1.95	1.86	2.25	2.24	2.60	2.83	2.94	3.87	4.85	6.77	8.31	10.65	12.25	Book Value per sh	17.00
22.49	30.22	30.26	30.27	43.01	46.73	56.22	68.82	77.75	93.71	106.08	121.34	127.05	131.26	135.67	153.74	156.60	160.00	Common Shs Outst'g <sup>C</sup>	160.00
9.0	8.5	14.3	7.6	8.1	8.4	7.8	9.4	11.6	15.3	21.5	19.0	18.9	22.7	21.8	16.6	17.9		Avg Ann'l P/E Ratio	18.0
.75	.64	1.06	.49	.49	.50	.51	.63	.73	.88	1.12	1.08	1.23	1.16	1.19	.95	.94		Relative P/E Ratio	1.20
4.3%	5.3%	8.6%	5.4%	3.5%	3.1%	3.3%	3.2%	2.7%	2.2%	2.2%	2.0%	2.1%	1.6%	1.4%	1.5%	1.3%		Avg Ann'l Div'd Yield	1.1%

CAPITAL STRUCTURE as of 9/30/04				© VALUE LINE PUB., INC.																
Total Debt \$365.9 mill. Due in 5 Yrs \$165.9 mill.				2291.3	2415.9	2862.0	3939.0	4894.1	6635.8	8296.5	11364	16404	22712	30502	37800	Total Assets (\$mill)	65250			
LT Debt \$200.0 mill. LT Interest \$12.0 mill.				789.9	894.2	1081.8	1390.0	1905.0	2922.7	3638.6	4516.4	5731.9	7328.5	9319.0	11550	Loans (\$mill)	18420			
Leases, Uncapitalized: Annual rentals \$33.7 mill. No Defined Benefit Pension Plan				90.5	95.3	108.5	147.1	173.7	244.4	296.9	401.3	572.8	755.9	1017.8	1260	Net Interest Inc (\$mill)	2030			
Pfd Stock None Pfd Div'd None				4.2	2.2	3.0	4.7	5.9	9.2	13.9	26.4	33.2	31.9	39.2	60.0	Loan Loss Prov'n (\$mill)	90.0			
Common Stock 158,669,064 shs. as of 11/1/04 (Adjusted for 2-for-1 stock split payable 3/7/05.) MARKET CAP: \$4.6 billion (Mid Cap)				17.5	21.5	30.0	57.4	89.0	114.6	150.8	196.8	257.5	332.5	375.1	450	Noninterest Inc (\$mill)	760			
ASSETS(\$Mill.)				71.9	77.7	94.1	137.9	182.0	252.5	315.4	420.0	579.2	763.4	938.8	1155	Noninterest Exp (\$mill)	2030			
LIABILITIES(\$Mill.)				20.4	23.5	26.6	40.3	49.3	66.0	80.0	103.0	144.8	194.3	273.4	340	Net Profit (\$mill)	460			
Deposits				36.3%	36.3%	35.8%	34.9%	34.1%	32.2%	32.4%	32.1%	33.5%	33.7%	34.1%	34.0%	Income Tax Rate	34.0%			
Funds Borrowed				.89%	.97%	.93%	1.02%	1.01%	.99%	.96%	.91%	.88%	.86%	.90%	Return on Total Assets	.70%				
Funds Sold				23.0	23.0	23.0	23.0	23.0	23.0	23.0	200.0	200.0	200	200	Long-Term Debt (\$mill)	400				
Securities				111.9	162.0	181.4	250.8	300.7	356.8	492.2	636.6	918.0	1277.3	1665.7	1960	Shr. Equity (\$mill)	2720			
Other Earning				4.9%	6.7%	6.3%	6.4%	6.1%	5.4%	5.9%	5.6%	5.6%	5.6%	5.5%	5.0%	Shr. Eq. to Total Assets	4.0%			
Other				34.5%	37.0%	37.8%	35.3%	38.9%	44.0%	43.9%	39.7%	34.9%	32.3%	30.6%	30.5%	Loans to Tot Assets	28.0%			
Total				18.2%	14.5%	14.7%	16.1%	16.4%	18.5%	16.3%	16.2%	15.8%	15.2%	16.4%	17.5%	Return on Shr. Equity	17.0%			
Loan Loss Resrv.				14.0%	10.6%	10.5%	10.8%	8.8%	11.9%	10.2%	10.6%	11.4%	11.6%	13.0%	10.5%	Retained to Com Eq	10.5%			
				28%	30%	32%	35%	47%	36%	37%	34%	28%	24%	22%	21%	All Div'ds to Net Prof	19%			

**BUSINESS:** Commerce Bancorp, Inc. provides personal, commercial, and trust services through its banking subsidiaries, which include Commerce Bank; Commerce Bank/Pennsylvania; and Commerce Bank/Shore. Serves NJ, PA, NY, and DE through 270 banking facilities. Retail svcs. include checking, savings, money markets, and CDs. At 12/03: consumer loans: 34% of gross loans; real estate, 18%; commercial, 48%. Net charge-offs: .16% of avg. loans. At 12/03, loan loss reserve: 1.51% of total loans; nonperforming assets: .10%. Has about 8,200 empls. Off. & dir. own 11.4% of stock (4/04 proxy). Chrmn. & Pres.: Vernon W. Hill, II, Inc.: NJ 08034. Add.: 1701 Route 70 East, Commerce Atrium, Cherry Hill, NJ. Tel.: 888-751-9000. Web: www.commerceonline.com.

**Commerce Bancorp reported solid gains last year.** The bank's share earnings jumped 25% in 2004, driven by steady deposit, asset, and loan growth. Deposits rose 34%, helping Commerce's net interest income to increase 35% year over year (through a low cost of funds). Meanwhile, nonperforming assets and loans past due 90 days remained a healthy .11% of total assets. The bank's asset quality showed only minor signs of deterioration, as net charge-offs as a percentage of average loans outstanding moved from .13% in 2003, to a still low .18%. Also, noninterest expense continues to rise in conjunction with the opening of new offices.

**We expect further expansion over the coming year.** In 2004, Commerce opened 49 new branches, bringing the total number to 319. In 2005, it plans to open 55 or more branches, including 25-30 in the metro New York area, and create 1,800 jobs. Moreover, Commerce will be entering the three new markets of metro Washington/Baltimore, Connecticut, and Lehigh Valley, Pennsylvania. The bank's offices are typically profitable at least within a year, and their operating margins tend to expand over time.

**The bank is well positioned for growth over the pull to 2007-2009.** We project annual share-net gains of between 10% and 15% during this time. Asset, loan, and deposit growth may reach 20% annually as Commerce continues with its aggressive expansion strategy. But the bank doesn't intend to enter into the sub-prime and syndicated loan markets, which will likely keep asset quality relatively strong. On the other hand, noninterest expense will probably remain high because of these additions.

**These shares are an average selection for the year ahead.** Commerce has a healthy retail banking model that has helped it to expand assets and grow deposits at an impressive rate. The stock does offer a measure of conservative appeal, given its Above-Average Safety rank (2) and Price Stability rating (80 out of 100). The share price has pulled back somewhat since our last report, as margins have narrowed, but the stock offers investors attractive appreciation potential over the coming 3 to 5 years.

*Randy Shrikishun February 25, 2005*

(A) Diluted earnings. Quarterly earnings may not sum to total due to rounding. Next earnings report due mid-April.	(B) Dividends historically paid in mid-January, April, July, October. ■ Dividend reinvestment plan available.	(C) In millions, adjusted for stock splits.	Company's Financial Strength	B++
			Stock's Price Stability	80
			Price Growth Persistence	100
			Earnings Predictability	100