Stock Selection Guide ®

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 _____

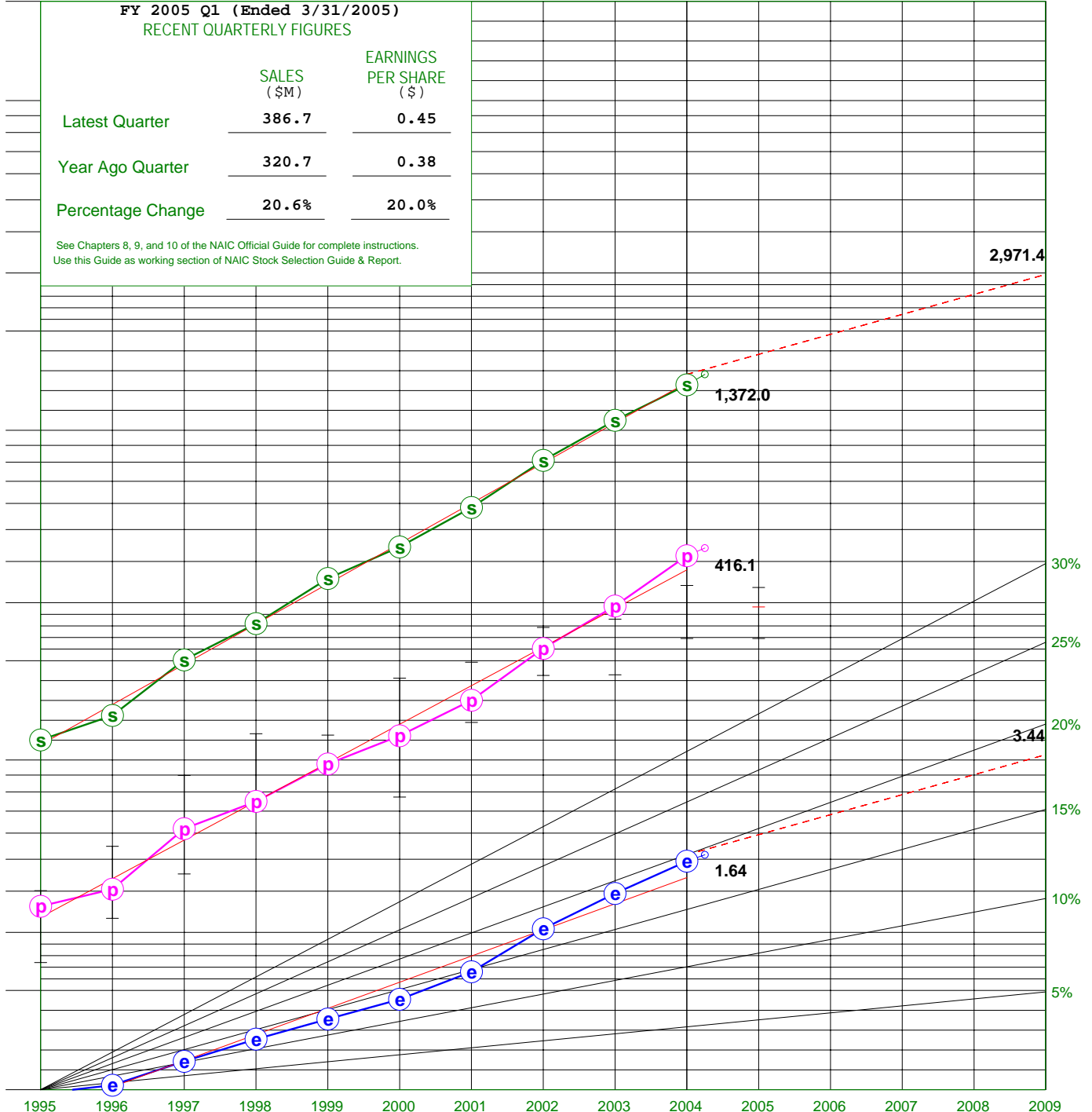|				
Preferred($M)	**0.0**	% Insiders		% Institution
Common(M Shares)	**161.6**	**0.0**		**0.0**
Debt($M)	**336.3**	% to Tot.Cap. **16.6**	% Potential Dil.	**None**

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.

2,971.4

1,372.0

416.1

3.44

1.64

30%

25%

20%

15%

10%

5%

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009

(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** %

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		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% 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	% 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.

PRESENT PRICE ___29.100___   HIGH THIS YEAR ___33.350___   LOW THIS YEAR ___23.350___

	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	2000	17.7	7.7	0.62	28.4	12.4	0.245	39.3	3.2
2	2001	19.8	13.0	0.76	26.2	17.2	0.275	36.4	2.1
3	2002	25.3	18.1	1.02	24.8	17.7	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	

Proj. P/E [14.80] Based on Next 4 qtr. EPS [1.97]   Current P/E Based on Last 4 qtr. EPS [1.71]

4 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   Present Divd. = ___0.440___ = ___13.9___
   High Yield (H)   0.032

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 = (4B1) ___18.1___ 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___ / ___11.0___ = ___3.8___ (4D) To 1

Present Price ___29.100___ Minus Low Price (4B1) ___18.1___

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___ = (___2.436___) X 100 = (___243.6___) - 100 = ___143.6___ (4E) % Appreciation

Present Market Price ___29.100___

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___

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

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) %

Present Price $ ___29.100___

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) ___143.6___ / 5 = ___28.7___ %

Average Yield (5B) ___2.7___ %

Average Total Annual Return Over the Next 5 Years (5C) ___31.4___ %

	P.A.R.	Tot. Ret.
Average Yield	1.8%	1.5%
Annual Appreciation	15.4%	19.5%
% Compd Ann Rate of Ret	17.2%	21.0%

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Trailing 4 quarters

PERT Worksheet-A Graph

Company <u>COMMERCE BANCORP INC/NJ</u>   (CBH)

50.0%

36.4%

22.9%

15.0%

9.3%

0.0%

-4.3%

| 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 | 3rd 2004 | 4th 2004 | 1st 2005 |

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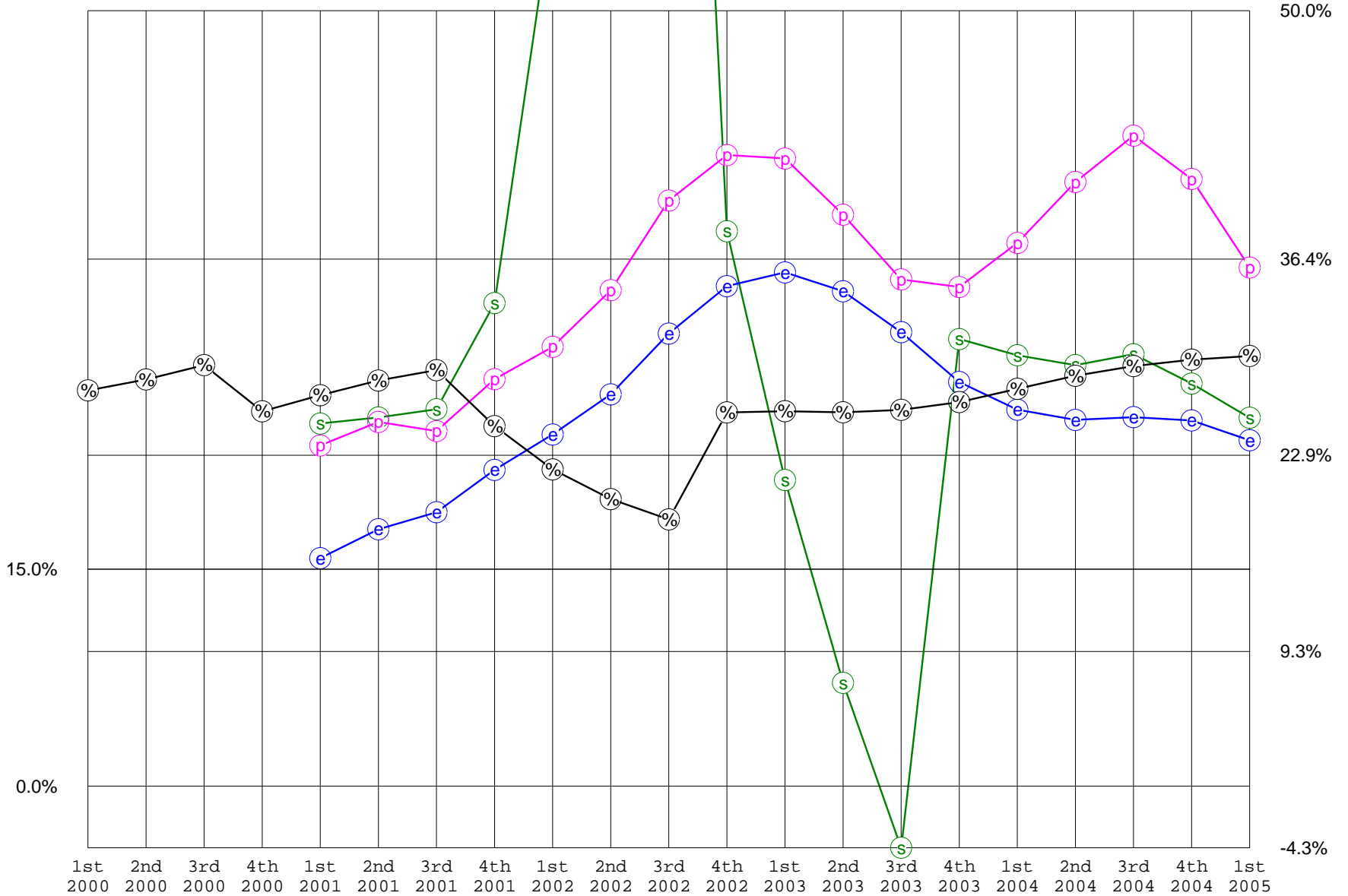
COMMERCE BANCORP NYSE-CBH

RECENT PRICE **29.09**	P/E RATIO **16.2** (Trailing: 17.8 Median: 17.0)	RELATIVE P/E RATIO **0.84**
DIV'D YLD **1.5%**	**VALUE LINE**	

TIMELINESS 3 Lowered 8/13/04

SAFETY 2 Raised 3/2/01

TECHNICAL 1 Raised 2/18/05

BETA 1.00 (1.00 = Market)

High: 5.1 7.1 8.0 10.9 17.9 24.0 23.8 35.4 39.6 50.5 53.5 67.6
Low: 3.9 4.4 4.9 6.6 9.0 15.1 18.5 15.4 26.0 36.1 36.2 46.7

LEGENDS
— 18.0 x Earnings p sh
···· Relative Price Strength
5-for-4 split 7/98
2-for-1 split 12/01
Options: Yes
Shaded area indicates recession

2-for-1

5-for-4

Target Price Range 2007 2008 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+90%)	18%
Low	40	(+35%)	9%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	1	1	0	4	1	1	1	0	0
Options	1	3	1	1	0	0	0	0	0
to Sell	0	0	1	0	0	0	1	1	0

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	136	171	160
to Sell	86	82	118
Hld's(000)	55215	59330	59756

Percent shares traded 36 24 12

% TOT. RETURN 1/05

	THIS STOCK	VL ARITH. INDEX
1 yr.	-0.4	9.4
3 yr.	46.9	40.1
5 yr.	232.9	75.1

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 A	*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 B■	*.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 C	*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

Total Debt $365.9 mill. **Due in 5 Yrs** $165.9 mill.

LT Debt $200.0 mill. **LT Interest** $12.0 mill.

Leases, Uncapitalized: Annual rentals $33.7 mill.
No Defined Benefit Pension Plan

Pfd Stock None **Pfd Div'd** None

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)

ASSETS($Mill.)	2002	2003	9/30/04
Loans	5731.9	7328.5	8779.4
Funds Sold	- -	- -	- -
Securities	8896.3	13311.6	17018.3
Other Earning	- -	- -	- -
Other	1775.8	2072.1	2633.8
LIABILITIES($Mill.)			
Deposits	14548.8	20701.4	26241.6
Funds Borrowed	391.6	311.5	165.9
Long-Term Debt	200.0	200.0	200.0
Net Worth	918.0	1277.3	1549.6
Other	345.6	222.0	274.4
Total	16404.0	22712.2	28431.5
Loan Loss Resrv.	90.7	112.1	131.5

	2291.3	2415.9	2862.0	3939.0	4894.1	6635.8	8296.5	11364	16404	22712	30502	*37800*	Total Assets ($mill)	*65250*
	789.9	894.2	1081.9	1390.0	1905.0	2922.7	3638.6	4516.4	5731.9	7328.5	9319.0	*11550*	Loans ($mill)	*18420*
	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 ($mill)	*2030*
	4.2	2.2	3.0	4.7	5.9	9.2	13.9	26.4	33.2	31.9	39.2	*60.0*	Loan Loss Prov'n ($mill)	*90.0*
	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 ($mill)	*760*
	71.9	77.7	94.1	137.9	182.0	252.5	315.4	420.0	579.2	763.4	938.8	*1155*	Noninterest Exp ($mill)	*2030*
	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 ($mill)	*460*
	36.3%	36.3%	35.8%	34.9%	34.1%	32.2%	32.4%	32.1%	33.5%	33.7%	34.1%	*34.0%*	Income Tax Rate	*34.0%*
	.89%	.97%	.93%	1.02%	1.01%	.99%	.96%	.91%	.88%	.86%	.90%	*.90%*	Return on Total Assets	*.70%*
	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	200.0	200.0	200	*200*	Long-Term Debt ($mill)	*400*
	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*
	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%*
	54.5%	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%*
	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%*
	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.

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Loans	10.0%	21.5%	18.0%
Earnings	17.5%	21.0%	17.0%
Dividends	17.0%	15.0%	10.5%
Book Value	14.0%	21.0%	18.0%
Total Assets	12.5%	23.0%	22.0%

Cal-endar	LOANS ($Mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2001	3795	4054	4261	4516	- -
2002	4830	5179	5457	5731	- -
2003	5898	6279	6720	7328	- -
2004	7671	8206	8779	9319	
2005	*9800*	*10400*	*11050*	*11550*	

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2001	.18	.19	.20	.21	.76
2002	.23	.25	.27	.29	1.02
2003	.30	.32	.34	.35	1.31
2004	.38	.40	.42	.44	1.63
2005	*.46*	*.48*	*.50*	*.51*	1.95

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.069	.069	.069	.069	.28
2002	.075	.075	.075	.075	.30
2003	.082	.082	.082	.082	.33
2004	.095	.095	.095	.095	.38
2005	.11				

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 subprime 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

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