COMMERCE BANCORP INC /NJ/
Form 10-Q
May 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarter 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 #0-12874

[LOGO OMITTED]

(Exact name of registrant as specified in its charter)

New Jersey	22-2433468
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

Commerce Atrium, 1701 Route 70 East, Cherry Hill, New Jersey 08034-5400

(Address of Principal Executive Offices) (Zip Code)

(856) 751-9000

(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 report(s), 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 Act).

Yes X   No __

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practical date.

Common Stock	69,110,715
(Title of Class)	(No. of Shares Outstanding as of 5/8/03)

COMMERCE BANCORP, INC. AND SUBSIDIARIES
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COMMERCE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31,

	(dollars in thousands)	2003
Assets	Cash and due from banks	$ 832,821
	Federal funds sold	61,000
	Cash and cash equivalents	893,821
	Loans held for sale	55,230
	Trading securities	205,631
	Securities available for sale	8,852,908
	Securities held to maturity (market value 03/03-$957,414; 12/02-$791,889)	927,562
	Loans	
		5,993,427
	Less allowance for loan losses	94,731
		5,898,696
	Bank premises and equipment, net	556,945
	Other assets	407,330
		$17,798,123
Liabilities	Deposits:	
	Demand:	
	Interest-bearing	$ 6,097,976
	Noninterest-bearing	3,626,661
	Savings	3,331,131
	Time	3,176,133
	Total deposits	16,231,901
	Other borrowed money	109,622
	Other liabilities	303,039
	Convertible Trust Capital Securities - Commerce Capital Trust II	200,000
		16,844,562
Stockholders' Equity	Common stock, 69,071,627 shares issued (68,043,171 shares in 2002)	69,072
	Capital in excess of par or stated value	565,246
	Retained earnings	231,280
	Accumulated other comprehensive income	93,208
		958,806
	Less treasury stock, at cost, 286,358 shares issued (209,794 shares in 2002)	5,245
	Total stockholders' equity	953,561
		$17,798,123

See accompanying notes.

COMMERCE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	(dollars in thousands, except per share amounts)	Three Month March 3 2003
Interest income	Interest and fees on loans	$ 93,121
	Interest on investments	113,661
	Other interest	79
	Total interest income	206,861
Interest expense	Interest on deposits:	
	Demand	12,397
	Savings	6,355
	Time	16,846
	Total interest on deposits	35,598
	Interest on other borrowed money	914
	Interest on long-term debt	3,020
	Total interest expense	39,532
	Net interest income	167,329
	Provision for loan losses	6,900
	Net interest income after provision for loan losses	160,429
Noninterest income	Deposit charges and service fees	34,842
	Other operating income	41,360
	Net investment securities losses	(136)
	Total noninterest income	76,066
Noninterest expense	Salaries and benefits	82,082
	Occupancy	20,488
	Furniture and equipment	21,226
	Office	9,186
	Marketing	5,276
	Other	33,863
	Total noninterest expenses	172,121
	Income before income taxes	64,374
	Provision for federal and state income taxes	21,484
	Net income	$ 42,890
	Net income per common and common equivalent share:	
	Basic	$ 0.63

Diluted	$ 0.60
Average common and common equivalent shares outstanding:	
Basic	68,318
Diluted	71,785
Cash dividends, common stock	$ 0.17

See accompanying notes.

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COMMERCE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

		Thre
	(dollars in thousands)	20
Operating activities	Net income	$ 42,
	Adjustments to reconcile net income to net cash provided by operating activities:	
	Provision for loan losses	6,
	Provision for depreciation, amortization and accretion	27,
	Losses on sales of securities available for sale	(
	Proceeds from sales of loans held for sale	421,
	Originations of loans held for sale	(380,
	Net decrease in trading securities	120,
	(Increase) decrease in other assets	(31,
	Decrease in other liabilities	(42,
	Net cash provided by operating activities	165,
Investing activities	Proceeds from the sales of securities available for sale	752,
	Proceeds from the maturity of securities available for sale	1,087,
	Proceeds from the maturity of securities held to maturity	135,
	Purchase of securities available for sale	(2,929,
	Purchase of securities held to maturity	(299,
	Net increase in loans	(222,
	Proceeds from sales of loans	48,
	Capital expenditures	(70,
	Net cash used by investing activities	(1,497,
Financing activities	Net increase in demand and savings deposits	1,315,
	Net increase in time deposits	367,
	Net decrease in other borrowed money	(282,
	Proceeds from Trust Capital Securities	
	Dividends paid	(11,
	Proceeds from issuance of common stock under dividend reinvestment and other stock plans	25,
	Other	(1,

Net cash provided by financing activities	1,414,
Increase (decrease) in cash and cash equivalents	82,
Cash and cash equivalents at beginning of year	811,
Cash and cash equivalents at end of period	$ 893,
Supplemental disclosures of cash flow information: Cash paid during the period for:	
Interest	$ 39,

See accompanying notes.

COMMERCE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity

Three months ended March 31, 2003
(in thousands)

	Common Stock	Capital in Excess of Par or Stated Value	Retained Earnings	Treas Stoc
Balances at December 31, 2002	$68,043	$538,795	$199,604	$(2,
Net income			42,890	
Other comprehensive income, net of tax				
Unrealized loss on securities (pre-tax $20,722)				
Reclassification adjustment (pre-tax $9,881)				
Other comprehensive income				
Total comprehensive income				
Cash dividends paid			(11,213)	
Shares issued under dividend reinvestment and compensation and benefit plans (985 shares)	985	24,603		
Acquisition of insurance brokerage agency (44 shares)	44	1,848		
Other			(1)	(3,
Balances at March 31, 2003	$69,072	$565,246	$231,280	$(5,

See accompanying notes.

COMMERCE BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

A. Consolidated Financial Statements

The consolidated financial statements included herein have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented. Such adjustments are of a normal recurring nature.

These condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the registrant's Annual Report on Form 10-K for the year ended December 31, 2002. The results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

The consolidated financial statements include the accounts of Commerce Bancorp, Inc. and all of its subsidiaries, including Commerce Bank, N.A. (Commerce NJ), Commerce Bank/Pennsylvania, N.A., Commerce Bank/Shore, N.A., Commerce Bank/North, Commerce Bank/Delaware, N.A., Commerce Insurance Services, Inc. (CIS), Commerce Capital Trust II, and Commerce Capital Markets, Inc. (CCMI). All material intercompany transactions have been eliminated. Certain amounts from prior years have been reclassified to conform with 2003 presentation.

B. Commitments

In the normal course of business, there are various outstanding commitments to extend credit, such as letters of credit and unadvanced loan commitments, which are not reflected in the accompanying consolidated financial statements. Management does not anticipate any material losses as a result of these transactions.

C. Comprehensive Income

Total comprehensive income, which for the Company included net income and changes in unrealized gains and losses on the Company's available for sale securities, amounted to $22.5 million and $6.6 million, respectively, for the three months ended March 31, 2003 and 2002.

D. Other

In accordance with accounting principles generally accepted in the United States, when capitalizing costs for branch construction, the Company includes the costs of purchasing the land, developing the site, constructing the building (or leasehold improvements if the property is leased), and furniture, fixtures and equipment necessary to equip the branch. Capital expenditures for branches that have not yet opened are included in Other assets. All other pre-opening and post-opening costs related to branches are expensed as incurred.

E. Segment Information

Selected segment information is as follows:

	Three Months Ended March 31, 2003 Community Banks	Parent/ Other	Total	Three M March Community Banks	P
Net interest income	$ 168,229	$ (900)	$ 167,329	$ 125,470	$
Provision for loan losses	6,900	-	6,900	6,900	
Net interest income after provision	161,329	(900)	160,429	118,570	
Noninterest income	49,995	26,071	76,066	36,048	
Noninterest expense	149,450	22,671	172,121	107,852	
Income before income taxes	61,874	2,500	64,374	46,766	
Income tax expense	20,975	509	21,484	15,256	
Net income	$ 40,899	$ 1,991	$ 42,890	$ 31,510	$
Average assets (in billions)	$ 14,993	$ 1,839	$ 16,832	$ 10,495	$

F. Recent Accounting Statement

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." This interpretation provides guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. The new accounting provisions of this interpretation became effective upon issuance for all new variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies to the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. While the impact is currently being assessed, management does not expect the adoption of FIN 46 to have a material impact on the Company's results of operations and financial position.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (FAS 148). This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of FAS No. 123, "Accounting for Stock-Based Compensation." This statement is effective for fiscal years ending after December 15, 2002 and did not have an impact on the financial condition or operating results of the Company.

The Company will continue to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations to account for its stock-based compensation plans. If the Company had accounted for stock options under the fair value provisions of FAS 123, net income and net income per share would have been as follows (in thousands, except per share amounts):

	2003	2002
Pro forma net income	$ 40,510	$ 29,643
Pro forma net income per share:		
Basic	$ 0.59	$ 0.45
Diluted	0.57	0.43

The fair value of options granted in 2003 and 2002 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates of 3.00% to 4.41%, dividend yields of 1.50% to 2.50%, volatility factors of the expected market price of the Company's common stock of .304 and weighted average expected lives of the options of 5.22 and 4.75 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

G. Trust Capital Securities

On March 11, 2002 the Company issued $200.0 million of 5.95% Convertible Trust Capital Securities through Commerce Capital Trust II, a newly formed Delaware business trust subsidiary of the Company. The Convertible Trust Capital Securities mature in 2032. Holders of the Convertible Trust Capital Securities may convert each security into 0.9478 shares of Company common stock, subject to adjustment, if (1) the closing sale price of Company common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of any calendar quarter beginning with the quarter ending June 30, 2002 is more than 110% of the Convertible Trust Capital Securities conversion price ($52.75 at March 31, 2003) then in effect on the last day of such calendar quarter, (2) the assigned credit rating by Moody's of the Convertible Trust Capital Securities is at or below Bal, (3) the Convertible Trust Capital Securities are called for redemption, or (4) specified corporate transactions have occurred. All $200.0 million of the Convertible Trust Capital Securities qualify as Tier 1 capital for regulatory capital purposes. As of March 31, 2003, the Convertible Trust Capital Securities were not convertible. The net proceeds of this offering were used for general corporate purposes, including the redemption of the Company's $57.5 million of 8.75% Trust Capital Securities on July 1, 2002 and the repayment of the Company's $23.0 million of 8 3/8% subordinated notes on May 20, 2002.

H. Earnings Per Share

The calculation of earnings per share follows (in thousands, except for per share amounts):

	Three Months Ended March 31, 2003	2002
Basic:		
Net income	$42,890	$31
Average common shares outstanding	68,318	65
Net income per share of common share	$ 0.63	$
Diluted:		
Net income	$42,890	$31
Average common shares outstanding	68,318	65
Additional shares considered in diluted computation assuming:		
Exercise of stock options	3,467	4
Average number of shares outstanding on a diluted basis	71,785	70
Net income per common share - diluted	$ 0.60	$

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Capital Resources

At March 31, 2003, stockholders' equity totaled $953.6 million or 5.36% of total assets, compared to $918.0 million or 5.60% of total assets at December 31, 2002.

The table below presents the Company's and Commerce NJ's risk-based and leverage ratios at March 31, 2003 and 2002:

			Per Regulatory Guide		
	Actual		Minimum		"We
	Amount	Ratio	Amount	Ratio	Amo
March 31, 2003					
Company					
Risk based capital ratios:					
Tier 1	$1,050,051	11.25%	$373,411	4.00%	$5
Total capital	1,144,782	12.26	746,823	8.00	9
Leverage ratio	1,050,051	6.28	668,655	4.00	8
Commerce NJ					
Risk based capital ratios:					
Tier 1	$567,037	9.83%	$230,644	4.00%	$3
Total capital	630,037	10.93	461,288	8.00	5
Leverage ratio	567,037	5.53	410,116	4.00	5
March 31, 2002					
Company					
Risk based capital ratios:					
Tier 1	$876,379	12.84%	$273,067	4.00%	$4
Total capital	990,846	14.51	546,135	8.00	6
Leverage ratio	876,379	7.51	466,568	4.00	5
Commerce NJ					
Risk based capital ratios:					
Tier 1	$406,225	9.70%	$167,498	4.00%	$2
Total capital	452,595	10.81	334,996	8.00	4
Leverage ratio	406,225	6.00	270,739	4.00	3

At March 31, 2003, the Company's consolidated capital levels and each of the Company's bank subsidiaries met the regulatory definition of a "well capitalized" financial institution, i.e., a leverage capital ratio exceeding 5%, a Tier 1 risk-based capital ratio exceeding 6%, and a total risk-based capital ratio exceeding 10%. Management believes that as of March 31, 2003, the Company and its subsidiaries meet all capital adequacy requirements to which they are subject.

Deposits

Total deposits at March 31, 2003 were $16.2 billion, up $4.9 billion, or 43% over total deposits of $11.3 billion at March 31, 2002, and up by $1.7 billion, or 12% from year-end 2002. Deposit growth during the first three months of 2003 included core deposit growth in all categories as well as growth from the public sector. The Company experienced "same-store core deposit growth" of 29% at March 31, 2003 as compared to deposits a year ago for those branches open for more than two years.

Interest Rate Sensitivity and Liquidity

The Company's risk of loss arising from adverse changes in the fair market value of financial instruments, or market risk, is composed primarily of interest rate risk. The primary objective of the Company's asset/liability management activities is to maximize net interest income, while maintaining acceptable levels of interest rate risk. The Company's

Asset/Liability Committee (ALCO) is responsible for establishing policies to limit exposure to interest rate risk, and to ensure procedures are established to monitor compliance with these policies. The guidelines established by ALCO are reviewed by the Company's Board of Directors.

Management believes the simulation of net interest income in different interest rate environments to be the best indicator of the Company's interest rate risk. Income simulation analysis captures not only the potential of all assets and liabilities to mature or reprice, but also the probability that they will do so. Income simulation also attends to the relative interest rate sensitivities of these items, and projects their behavior over an extended period of time. Finally, income simulation permits management to assess the probable effects on the balance sheet not only of changes in interest rates, but also of proposed strategies for responding to them.

The Company's income simulation model analyzes interest rate sensitivity by projecting net income over the next 24 months in a flat rate scenario versus net income in alternative interest rate scenarios. Management continually reviews and refines its interest rate risk management process in response to the changing economic climate. Currently, the Company's model projects a proportionate plus 200 and minus 100 basis point change during the next year, with rates remaining constant in the second year. The Company's ALCO policy has established that interest income sensitivity will be considered acceptable if net income in the above interest rate scenario is within 15% of net income in the flat rate scenario in the first year and within 30% over the two year time frame. At March 31, 2003, the Company's income simulation model net income would decrease by 2.35% and 4.65% in the first year and over a two year time frame, respectively, if rates decreased as described above. At March 31 2002, the Company's income simulation model was run assuming a 200 basis point decrease and indicated net income would decrease by 2.64% and by 10.97% in the first year and over a two year time frame, respectively. At March 31, 2003, the model projects that net income would increase by 7.78% and increase 13.83% in the first year and over a two year time frame, respectively, if rates increased as described above as compared to a decrease by 0.88% and increase 4.88%, respectively, at March 31, 2002. All of these net income projections are within an acceptable level of interest rate risk pursuant to the policy established by ALCO.

In the event the Company's interest rate risk models indicate an unacceptable level of risk, the Company could undertake a number of actions that would reduce this risk, including the sale of a portion of its available for sale portfolio, the use of risk management strategies such as interest rate swaps and caps, or the extension of the maturities of its short-term borrowings.

Management also monitors interest rate risk by utilizing a market value of equity model. The model assesses the impact of a change in interest rates on the market value of all the Company's assets and liabilities, as well as any off balance sheet items. The model calculates the market value of the Company's assets and liabilities in excess of book value in the current rate scenario, and then compares the excess of market value over book value given an immediate plus 200 and minus 100 basis point change in rates. The Company's ALCO policy indicates that the level of interest rate risk is unacceptable if the immediate plus 200 and minus 100 basis point change would result in the loss of 50% or more of the excess of market value over book value in the current rate scenario. At March 31, 2003, the market value of equity model indicates an acceptable level of interest rate risk.

Liquidity involves the Company's ability to raise funds to support asset growth or decrease assets to meet deposit withdrawals and other borrowing needs, to maintain reserve requirements and to otherwise operate the Company on an ongoing basis. The Company's liquidity needs are primarily met by growth in core deposits, its cash and federal funds sold position, cash flow from its amortizing investment and loan portfolios, as well as the use of short-term borrowings, as required. If necessary, the Company has the ability to raise liquidity through collateralized borrowings, FHLB advances, or the sale of its available for sale investment portfolio. As of March 31, 2003 the Company had in excess of $8.5 billion in immediately available liquidity which includes securities that could be sold or used for collateralized borrowings, cash on hand, and borrowing capacities under existing lines of credit. During the first three months of 2003, deposit growth was used to fund growth in the loan portfolio and purchase additional investment securities.

Short-Term Borrowings

Short-term borrowings, or other borrowed money, consist primarily of securities sold under agreements to repurchase and overnight lines of credit, and are used to meet short term funding needs. During the first three months of 2003, the Company reduced its short-term borrowings, primarily through increased deposits. At March 31, 2003, short-term borrowings aggregated $109.6 million and had an average rate of 1.14%, as compared to $391.6 million at an average rate of 1.55% at December 31, 2002.

Interest Earning Assets

For the three month period ended March 31, 2003, interest earning assets increased $1.3 billion from $14.8 billion to $16.1 billion. This increase was primarily in investment securities and the loan portfolio as described below.

Loans

During the first three months of 2003, loans increased $170.8 million from $5.8 billion to $6.0 billion. At March 31, 2003, loans represented 37% of total deposits and 34% of total assets. All segments of the loan portfolio experienced growth in the first three months of 2003, including loans secured by commercial real estate properties, commercial loans, and consumer loans.

The following table summarizes the loan portfolio of the Company by type of loan as of the dates shown.

	March 31, 2003	December 31, 2002
	(dollars in thousands)	

Commercial real estate:		
Owner-occupied	$ 1,333,390	$ 1,345,306
Investor developer	930,791	885,276
Construction	91,378	102,080
	2,355,559	2,332,662
Commercial:		
Term	872,787	842,869
Line of credit	732,693	683,640
Demand	15,795	317
	1,621,275	1,526,826
Consumer:		
Mortgages (1-4 family residential)	647,955	626,652
Installment	134,116	140,493
Home equity	1,183,594	1,139,589
Credit lines	50,928	56,367
	2,016,593	1,963,101
Total loans	$ 5,993,427	$ 5,822,589

Investments

In total, for the first three months of 2003, securities increased $1.09 billion from $8.9 billion to $10.0 billion. The available for sale portfolio increased $1.05 billion to $8.9 billion at March 31, 2003 from $7.8 billion at December 31, 2002, and the securities held to maturity portfolio increased $164.5 million to $927.6 million at March 31, 2003 from $763.0 million at year-end 2002. The portfolio of trading securities decreased $120.8 million from year-end 2002 to $205.6 million at March 31, 2003. At March 31, 2003, the average life of the investment portfolio was approximately 3.3 years, and the duration was approximately 2.7 years. At March 31, 2003, total securities represented 56% of total assets.

The following table summarizes the book value of securities available for sale and securities held to maturity by the Company as of the dates shown.

	March 31, 2003	December 31, 2002
	(dollars in thousands)	
U.S. Government agency and mortgage backed obligations	$8,721,995	$7,659,737
Obligations of state and political subdivisions	32,325	23,185
Equity securities	14,592	24,054
Other	83,996	99,803
Securities available for sale	$8,852,908	$7,806,779

U.S. Government agency and mortgage backed obligations	$711,122	$624,688
Obligations of state and political subdivisions	165,639	91,204
Other	50,801	47,134
Securities held to maturity	$927,562	$763,026

Net Income

Net income for the first quarter of 2003 was $42.9 million, an increase of $11.1 million or 35% over the $31.8 million recorded for the first quarter of 2002. On a per share basis, diluted net income for the first quarter of 2003 was $0.60 per common share compared to $0.45 per common share for the first quarter of 2002.

Return on average assets (ROA) and return on average equity (ROE) for the first quarter of 2003 were 1.02% and 17.94%, respectively, compared to 1.09% and 19.00%, respectively, for the same 2002 period.

Net Interest Income

Net interest income totaled $167.3 million for the first quarter of 2003, an increase of $43.3 million or 35% from $124.1 million in the first quarter of 2002. The improvement in net interest income was due primarily to volume increases in the loan and investment portfolios.

The following table sets forth balance sheet items on a daily average basis for the three months ended March 31, 2003, December 31, 2002 and March 31, 2002 and presents the daily average interest earned on assets and paid on liabilities for such periods.

Average Balances and Net Interest Income

	March 2003			December 2002		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Earning Assets						
Investment securities						

Taxable	$ 8,681,675	109,916	5.13%	$ 8,033,417	$104,326	5.15
Tax-exempt	140,307	2,545	7.36	113,895	1,820	6.34
Trading	270,299	3,215	4.82	272,107	4,068	5.93
Total investment securities	9,092,281	115,676	5.16	8,419,419	110,214	5.19
Federal funds sold	27,154	80	1.19	51,988	181	1.38
Loans						
Commercial mortgages	2,177,008	35,125	6.54	2,241,044	37,009	6.55
Commercial	1,496,039	20,943	5.68	1,338,892	19,816	5.87
Consumer	2,075,256	33,719	6.59	1,963,307	33,928	6.86
Tax-exempt	258,614	5,129	8.04	195,972	4,517	9.14
Total loans	6,006,917	94,916	6.41	5,739,215	95,270	6.59
Total earning assets	$15,126,352	$ 210,672	5.65%	$ 14,210,622	$205,665	5.74
Sources of Funds						
Interest-bearing liabilities						
Regular savings	$ 3,021,219	$ 6,355	0.85%	$2,809,817	$ 7,110	1.00
N.O.W. accounts	403,415	813	0.82	393,844	919	0.93
Money market plus	5,472,788	11,584	0.86	5,048,365	12,375	0.97
Time deposits	2,148,534	13,731	2.59	2,054,038	14,376	2.78
Public funds	793,437	3,115	1.59	842,374	3,998	1.88
Total deposits	11,839,393	35,598	1.22	11,148,438	38,778	1.38
Other borrowed money	272,304	914	1.36	201,547	729	1.44
Long-term debt	200,000	3,020	6.12	200,000	3,022	5.99
Total deposits and interest-bearing liabilities	12,311,697	39,532	1.30	11,549,985	42,529	1.46
Noninterest-bearing funds (net)	2,814,655			2,660,637		
Total sources to fund earning assets	$ 15,126,352	39,532	1.06	$ 14,210,622	42,529	1.19
Net interest income and margin tax-equivalent basis		$ 171,140	4.59%		$163,136	4.55
Other Balances						
Cash and due from banks	$ 865,209			$ 788,271		
Other assets	933,321			831,250		
Total assets	16,831,542			15,741,365		
Total deposits	15,033,367			14,170,281		
Demand deposits (noninterest-bearing)	3,193,974			3,021,843		
Other liabilities	369,691			283,708		
Stockholders' equity	956,180			885,829		

Notes- Weighted average yields on tax-exempt obligations have been computed on a tax-equivalent basis assuming a federal tax rate of 35%.

- Non-accrual loans have been included in the average loan balance
- Investment securities includes investments available for sale.
- Consumer loans include mortgage loans held for sale.

Noninterest Income

Noninterest income totaled $76.1 million for the first quarter of 2003, an increase of $20.2 million or 36% from $55.9 million in the first quarter of 2002. The increase was due to increased deposit charges and service fees, which rose $5.9 million over the first quarter of 2002 primarily due to higher transaction volumes. In addition, other operating income increased $14.4 million over the prior year, including increased revenues of $3.6 million from CCMI, the Company's municipal public finance subsidiary and increased revenues of $2.7 million from CIS, the Company's insurance brokerage subsidiary.

	Three Months Ended		
	3/31/03	3/31/02	% Increase
	(Dollars in thousands)		
Deposit charges & service fees	$34,842	$28,963	
Other operating income:			
Insurance	16,055	13,388	
Capital markets	10,003	6,446	
Loan brokerage fees	7,923	4,025	
Other	7,379	3,068	
Total other	41,360	26,927	
Net investment securities losses	(136)		
Total non-interest income	$76,066	$55,890	

Noninterest Expense

For the first quarter of 2003, noninterest expense totaled $172.1 million, an increase of $46.2 million or 37% over the same period in 2002. Contributing to this increase was new branch activity over the past twelve months, with the number of branches increasing from 187 at March 31, 2002 to 226 at March 31, 2003. With the addition of these new offices, staff, facilities, and related expenses rose accordingly. Other noninterest expenses rose $7.1 million over the first quarter of 2002. This increase resulted primarily from higher bank card-related service charges, increased business development expenses, and increased provisions for non-credit-related losses.

The Company's operating efficiency ratio (noninterest expenses, less other real estate expense, divided by net interest income plus noninterest income excluding non-recurring gains) was 70.58% for the first three months of 2003 as compared to 69.80% for the same 2002 period. The Company's efficiency ratio remains above its peer group primarily due to its aggressive growth expansion activities.

Loan and Asset Quality

Total non-performing assets (non-performing loans and other real estate, excluding loans past due 90 days or more and still accruing interest) at March 31, 2003 were $22.5 million, or 0.13% of total assets compared to $17.8 million or 0.11% of total assets at December 31, 2002 and $19.5 million or 0.16% of total assets at March 31, 2002.

Total non-performing loans (non-accrual loans and restructured loans, excluding loans past due 90 days or more and still accruing interest) at March 31, 2003 were $19.0 million or 0.32% of total loans compared to $14.2 million or 0.24% of total loans at December 31, 2002 and $16.9 million or 0.34% of total loans at March 31, 2002. At March 31, 2003, loans past due 90 days or more and still accruing interest amounted to $376 thousand compared to $620 thousand at December 31, 2002 and $484 thousand at March 31, 2002. Additional loans considered as potential problem loans by the Company's internal loan review department ($31.7 million at March 31, 2003) have been evaluated as to risk exposure in determining the adequacy of the allowance for loan losses.

Other real estate (ORE) at March 31, 2003 totaled $3.6 million compared to $3.6 million at December 31, 2002 and $2.6 million at March 31, 2002. These properties have been written down to the lower of cost or fair value less disposition costs.

The following summary presents information regarding non-performing loans and assets as of March 31, 2003 and the preceding four quarters (dollar amounts in thousands).

	March 31, 2003	December 31, 2002	September 30, 2002	June 3 2002
Non-accrual loans:				
Commercial	$ 4,874	$ 5,412	$ 7,213	$7
Consumer	6,388	2,734	2,147	1
Real estate:				
Construction		131	131	
Mortgage	7,721	5,891	5,754	5
Total non-accrual loans	18,983	14,168	15,245	15
Restructured loans:				
Commercial	4	5	6	
Consumer				
Real estate:				
Construction				
Mortgage				
Total restructured loans	4	5	6	

Total non-performing loans	18,987	14,173	15,251	15
Other real estate	3,553	3,589	2,367	2
Total non-performing assets	22,540	17,762	17,618	17
Loans past due 90 days or more and still accruing	376	620	900	
Total non-performing assets and loans past due 90 days or more	$22,916	$18,382	$18,518	$18
Total non-performing loans as a percentage of total period-end loans	0.32%	0.24%	0.28%	0
Total non-performing assets as a percentage of total period-end assets	0.13%	0.11%	0.11%	0
Total non-performing assets and loans past due 90 days or more as a percentage of total period-end assets	0.13%	0.11%	0.12%	0
Allowance for loan losses as a percentage of total non-performing loans	499%	640%	560%	
Allowance for loan losses as a percentage of total period-end loans	1.58%	1.56%	1.54%	1
Total non-performing assets and loans past due 90 days or more as a percentage of stockholders' equity and allowance for loan losses	2%	2%	2%	

The following table presents, for the periods indicated, an analysis of the allowance for loan losses and other related data: (dollar amounts in thousands)

	Three Months Ended	
	03/31/03	03/31/02
Balance at beginning of period	$90,733	$66,981
Provisions charged to operating expenses	6,900	6,900

	97,633	73,881
Recoveries on loans charged-off:		
Commercial	204	190
Consumer	131	115
Commercial real estate		1
Total recoveries	335	306
Loans charged-off:		
Commercial	(1,868)	(1,187)
Consumer	(1,365)	(724)
Commercial real estate	(4)	(23)
Total charge-offs	(3,237)	(1,934)
Net charge-offs	(2,902)	(1,628)
Balance at end of period	$94,731	$72,253
Net charge-offs as a percentage of Average loans outstanding	0.19%	0.14%
Net Reserve Additions	$ 3,998	$ 5,272

Forward-Looking Statements

The Company may from time to time make written or oral "forward-looking statements", including statements contained in the Company's filings with the Securities and Exchange Commission (including this Form 10-Q), in its reports to stockholders and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties and are subject to change based on various factors (some of which are beyond the Company's control). The words "may", "could", "should", "would", believe", "anticipate", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause the Company's financial performance to differ materially from that expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary and fiscal policies, including interest rate policies of the Board of Governors of the Federal Reserve System (the "FRB"); inflation; interest rates, market and monetary fluctuations; the timely development of competitive new products and services by the Company and the acceptance of such products and services by customers; the willingness of customers to substitute competitors' products and services for the Company's products and services and vice versa; the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance); technological changes; future acquisitions; the expense savings and revenue enhancements from acquisitions being less than expected; the growth and profitability of the Company's noninterest or fee income being less than expected; unanticipated regulatory or judicial proceedings; changes in consumer spending and saving habits; and the success of the Company at managing the risks involved in the foregoing.

The Company cautions that the foregoing list of important factors is not exclusive. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

See Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operation, Interest Rate Sensitivity and Liquidity.

Item 4. Controls and Procedures

Quarterly evaluation of the Company's Disclosure Controls and Internal Controls. Within the 90 days prior to the date of this Quarterly Report on Form 10-Q, the Company evaluated the effectiveness of the design and operation of its "disclosure controls and procedures" ("Disclosure Controls"). This evaluation ("Controls Evaluation") was done under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Limitations on the Effectiveness of Controls. The Company's management, including the CEO and CFO, does not expect that its Disclosure Controls or its "internal controls and procedures for financial reporting" ("Internal Controls") will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Conclusions. Based upon the Controls Evaluation, the CEO and CFO have concluded that, subject to the limitations noted above, the Disclosure Controls are effective to timely alert management to material information relating to the Company during the period when its periodic reports are being prepared.

In accordance with SEC requirements, the CEO and CFO note that, since the date of the Controls Evaluation to the date of this Quarterly Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit 10.34	Ground lease dated January 1, 2001, between Commerce NJ and Willingboro Equities, L.L.C., relating to Commerce NJ's branch office in Willingboro, New Jersey.
Exhibit 10.35	Ground lease dated November 27, 2001, between Commerce PA and Warrington Equities, L.L.C., relating to Commerce PA's branch office in Warrington, Pennsylvania.
Exhibit 99.1	906 Certification

Reports on Form 8-K

No reports on Form 8-K were filed by the Company 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.

COMMERCE BANCORP, INC.
(Registrant)

May 14, 2003
(Date)

/s/ DOUGLAS J. PAULS
DOUGLAS J. PAULS
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
(PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

CERTIFICATION

I, Vernon W. Hill, II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commerce Bancorp, 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 subsidiaries, 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 the 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 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 or not 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.

Date: May 14, 2003

/s/ Vernon W. Hill, II

Vernon W. Hill, II
Chairman, President and Chief Executive Officer
(principal executive officer)

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CERTIFICATION

I, Douglas J. Pauls, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commerce Bancorp, 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 subsidiaries, 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 the 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 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 or not 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.

Date: May 14, 2003

/s/ Douglas J. Pauls

Douglas J. Pauls
Senior Vice President and Chief Financial Officer (principal financial officer)