COMMERCE BANCORP INC /NJ/
Form 10-Q
May 15, 2002

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, 2002

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

COMMERCE BANCORP
(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 ___

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	66,503,433
(Title of Class)	(No. of Shares Outstanding as of 5/8/02)

COMMERCE BANCORP, INC. AND SUBSIDIARIES

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

		March 31,
	(dollars in thousands)	2002
Assets	Cash and due from banks	$ 495,519
	Loans held for sale	39,616
	Trading securities	243,186
	Securities available for sale	5,193,533
	Securities held to maturity (market value 03/02-$1,024,964; 12/01-$1,146,345)	1,013,692
	Loans	4,902,410
	Less allowance for loan losses	72,253
		4,830,157
	Bank premises and equipment, net	389,117
	Other assets	279,813
		$12,484,633

Liabilities	Deposits:	
	Demand:	
	Interest-bearing	$ 3,879,973
	Noninterest-bearing	2,539,171
	Savings	2,201,908
	Time	2,699,811
	Total deposits	11,320,863
	Other borrowed money	81,567
	Other liabilities	151,453
	Trust Capital Securities - Commerce Capital Trust I	57,500
	Convertible Trust Capital Securities - Commerce Capital Trust II	200,000
	Long-term debt	23,000
		11,834,383
Stockholders' Equity	Common stock, 66,490,526 shares issued (65,832,559 shares in 2001)	66,491
	Capital in excess of par or stated value	478,188
	Retained earnings	116,601
	Accumulated other comprehensive income	(9,408)
		651,872
	Less treasury stock, at cost, 200,118 shares	1,622
	Total stockholders' equity	650,250
		$12,484,633

See accompanying notes.

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

		Three Month March 3
	(dollars in thousands, except per share amounts)	2002
Interest income	Interest and fees on loans	$ 81,823
	Interest on investments	86,217
	Other interest	164
	Total interest income	168,204
Interest expense	Interest on deposits:	
	Demand	12,908

	Savings	7,078
	Time	21,281
	Total interest on deposits	41,267
	Interest on other borrowed money	426
	Interest on long-term debt	2,432
	Total interest expense	44,125
	Net interest income	124,079
	Provision for loan losses	6,900
	Net interest income after provision for loan losses	117,179
Noninterest income	Deposit charges and service fees	25,057
	Other operating income	30,833
	Net investment securities gains	0
	Total noninterest income	55,890
Noninterest expense	Salaries and benefits	60,145
	Occupancy	12,098
	Furniture and equipment	15,105
	Office	6,916
	Audit and regulatory fees and assessments	1,205
	Marketing	4,861
	Other	25,591
	Total noninterest expenses	125,921
	Income before income taxes	47,148
	Provision for federal and state income taxes	15,398
	Net income	$ 31,750
	Net income per common and common equivalent share:	
	Basic	$ 0.48
	Diluted	$ 0.45
	Average common and common equivalent shares outstanding:	
	Basic	65,995
	Diluted	70,033
	Cash dividends, common stock	$ 0.15

See accompanying notes.

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

(unaudited)

	(dollars in thousands)	Thr 2002
Operating activities	Net income	$31,
	Adjustments to reconcile net income to net cash provided by operating activities:	
	Provision for loan losses	6,
	Provision for depreciation, amortization and accretion	13,
	Gains on sales of securities available for sale	
	Proceeds from sales of loans held for sale	290,
	Originations of loans held for sale	(257,
	Net loan chargeoffs	(1,
	Net decrease (increase) in trading securities	39,
	Decrease (increase) in other assets	19,
	(Decrease) increase in other liabilities	(45,
	Net cash provided by operating activities	98,
Investing activities	Proceeds from the sales of securities available for sale	275,
	Proceeds from the maturity of securities available for sale	396,
	Proceeds from the maturity of securities held to maturity	135,
	Purchase of securities available for sale	(1,752,
	Purchase of securities held to maturity	(17,
	Net increase in loans	(325,
	Proceeds from sales of loans	6,
	Purchases of premises and equipment	(38,
	Net cash used by investing activities	(1,319,
Financing activities	Net increase in demand and savings deposits	682,
	Net increase in time deposits	452,
	Net decrease in other borrowed money	(182,
	Issuance of Convertible Trust Capital Securities	200,
	Dividends paid	(9,
	Proceeds from issuance of common stock under dividend reinvestment and other stock plans	16,
	Other	
	Net cash provided by financing activities	1,159,
	(Decrease) increase in cash and cash equivalents	(62,
	Cash and cash equivalents at beginning of year	557,
	Cash and cash equivalents at end of period	$495,
	Supplemental disclosures of cash flow information:	
	Cash paid during the period for:	
	Interest	$43,
	Income taxes	

See accompanying notes.

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

Three months ended March 31, 2002
(in thousands, except per share amounts)

	Common Stock	Capital in Excess of Par or Stated Value	Retained Earnings	Treasur Stock
Balances at December 31, 2001	$65,833	$461,897	$ 94,698	$(1,62
Net income			31,750	
Other Comprehensive Income, net of tax				
Unrealized loss on securities (pre-tax ($38,921))				
Reclassification adjustment (pre-tax $0)				
Other comprehensive income				
Total comprehensive income				
Cash dividends paid			(9,846)	
Shares issued under dividend reinvestment and compensation and benefit plans (658 shares)	658	16,292		
Other		(1)	(1)	
Balances at March 31, 2002	$66,491	$478,188	$116,601	$(1,62

See accompanying notes.

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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 has 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 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 period ended December 31, 2001. The results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

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 National Insurance Services, Inc. (Commerce National Insurance), Commerce Capital Trust I, 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 2002 presentation. All common stock and per share amounts have been adjusted to reflect the 2 for 1 stock split with a record date of December 3, 2001.

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 unrealized gains and losses on the Company's available for sale securities, amounted to $6.6 million and $42.9 million, respectively, for the three months ended March 31, 2002 and 2001.

COMMERCE BANCORP, INC. AND SUBSIDIARIES

D. Segment Information

Selected segment information is as follows:

	Three Months Ended March 31, 2002			Three M March	
	Community Banks	Parent/ Other	Total	Community Banks	P
Net interest income	$ 125,470	$ (1,391)	$ 124,079	$ 85,880	$
Provision for loan losses	6,900	-	6,900	4,609	
Net interest income after provision	118,570	(1,391)	117,179	81,271	
Noninterest income	36,048	19,842	55,890	26,378	17
Noninterest expense	107,852	18,069	125,921	76,108	14
Income before income taxes	46,766	382	47,148	31,541	3
Income tax expense	15,256	142	15,398	10,295	1
Net income	$ 31,510	$ 240	$ 31,750	$21,246	$ 2

Average assets (in millions)	$ 10,495	$ 1,196	$ 11,691	$7,584	$

E. Recent Accounting Statement

In conjunction with the issuance of the new guidance for business combinations, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets" (FAS 142), which addresses the accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion 17. Under the provisions of FAS 142, goodwill and certain other intangible assets, which do not possess finite useful lives, will no longer be amortized into net income over an estimated life but rather will be tested at least annually for impairment based on specific guidance provided in the new standard. Intangible assets determined to have finite lives will continue to be amortized over their estimated useful lives and also continue to be subject to impairment testing. The provisions of FAS 142, which were adopted by the Company as required effective January 1, 2002, did not have a material impact on the results of operations of the Company. It is anticipated there will not be any material categorical reclassifications or adjustments to the useful lives of finite-lived intangible assets as a result of adopting the new guidance.

F. Trust Capital Securities

On June 9, 1997, the Company issued $57.5 million of 8.75% Trust Capital Securities through Commerce Capital Trust I, a formed Delaware business trust subsidiary of the Company. The net proceeds of the offering were used for general corporate purposes. All $57.5 million of the Trust Capital Securities qualify as Tier 1 capital for regulatory capital purposes. All of these Trust Capital Securities have been called for mandatory redemption on July 1, 2002 at the stated liquidation amount ($25 per capital security) plus accrued and unpaid distributions thereon to July 1, 2002.

On March 11, 2002 the Company issued $200 million of 5.95% convertible trust preferred securities through Commerce Capital Trust II, a newly formed Delaware business trust subsidiary of the Company. Holders of the convertible trust preferred 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 preferred securities conversion price then in effect on the last day of such calendar quarter, (2) the assigned credit rating by Moody's of the convertible trust preferred securities is at or below Bal, (3) the convertible trust preferred securities are called for redemption, or (4) specified corporate transactions have occurred. The net proceeds of this offering will be used for general corporate purposes, including the redemption of the Company's $57.5 million of 8.75% Capital Trust I securities and the repayment of the Company's $23.0 million of 8 3/8% subordinated notes.

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COMMERCE BANCORP, INC. AND SUBSIDIARIES

G. Earnings Per Share

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

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Basic:		
Net income	$31,750	$23,401
Average common shares outstanding	65,995	63,814
Net income per share of common share	$ 0.48	$ 0.37
Diluted:		
Net income	$31,750	$23,401
Average common shares outstanding	65,995	63,814
Additional shares considered in diluted computation assuming:		
Exercise of stock options	4,038	3,062
Average number of shares outstanding on a diluted basis	70,033	66,876
Net income per common share - diluted	$ 0.45	$ 0.35

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COMMERCE BANCORP, INC. AND SUBSIDIARIES

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

Capital Resources

At March 31, 2002, stockholders' equity totaled $650.3 million or 5.21% of total assets, compared to $636.6 million or 5.60% of total assets at December 31, 2001.

The table below presents the Company's and Commerce NJ's risk-based and leverage ratios at March 31, 2002 and 2001:

	Actual Amount	Actual Ratio	Per Regulatory Guide Minimum Amount	Minimum Ratio	"We Amo
March 31, 2002					
Company					
Risk based capital ratios:					
Tier 1	$883,431	12.94%	$273,067	4.00%	$4

Total capital	990,846	14.51	546,135	8.00	6
Leverage ratio	883,431	7.57	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
March 31, 2001					
Company					
Risk based capital ratios:					
Tier 1	$579,674	10.80%	$214,618	4.00%	$3
Total capital	641,031	11.95	429,236	8.00	5
Leverage ratio	579,674	6.84	339,013	4.00	4
Commerce NJ					
Risk based capital ratios:					
Tier 1	$302,796	10.00%	$121,071	4.00%	$1
Total capital	333,115	11.01	242,143	8.00	3
Leverage ratio	302,796	6.62	182,973	4.00	2

At March 31, 2002, 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, 2002, the Company and its subsidiaries meet all capital adequacy requirements to which they are subject.

Deposits

Total deposits at March 31, 2002 were $11.3 billion, up $3.21 billion, or 40% over total deposits of $8.11 billion at March 31, 2001, and up by $1.14 billion, or 11% from year-end 2001. Deposit growth during the first three months of 2002 included core deposit growth in all categories as well as growth from the public sector. The Company experienced "same-store core deposit growth" of 28% at March 31, 2002 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 considers 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 200 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, 2002, the Company's income simulation model indicates net income would decrease by 2.64% and by 10.97% in the first year and over a two year time frame, respectively, if rates decreased as described above, as compared to an increase of 3.60% and decrease of 0.27%, respectively, at March 31, 2001. At March 31, 2002, the model projects that net income would decrease by 0.88% and increase 4.88% in the first year and over a two year time frame, respectively, if rates increased as described above, as compared to a decrease by 5.77% and 4.79%, respectively, at March 31, 2001. 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 200 basis point change in rates. The Company's ALCO policy indicates that the level of interest rate risk is unacceptable if the immediate 200 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, 2002, 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, 2002 the Company had in excess of $4.7 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 2002, deposit growth and long-term borrowings (Commerce Capital

Trust II) were 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 2002, the Company significantly reduced its short-term borrowings, primarily through increased deposits. At March 31, 2002, short-term borrowings aggregated $81.6 million and had an average rate of 1.55%, as compared to $264.6 million at an average rate of 1.78% at December 31, 2001.

Interest Earning Assets

For the three month period ended March 31, 2002, interest earning assets increased $1.17 billion from $10.2 billion to $11.4 billion. This increase was primarily in investment securities and the loan portfolio as described below.

Loans

During the first three months of 2002, loans increased $313.7 million from $4.5 billion to $4.8 billion. At March 31, 2002, loans represented 43% of total deposits and 39% of total assets. All segments of the loan portfolio experienced growth in the first three months of 2002, 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, 2002	December 31, 2001
(dollars in thousands)		
Commercial real estate:		
Owner-occupied	$ 833,121	$ 750,562
Investor developer	720,964	664,605
Construction	477,089	460,957
	2,031,174	1,876,124
Commercial:		
Term	635,939	600,374
Line of credit	552,858	556,977
Demand	410	440
	1,189,207	1,157,791
Consumer:		
Mortgages (1-4 family residential)	539,360	471,680
Installment	158,535	161,647
Home equity	938,444	872,974

Credit lines	45,690	43,196
	1,682,029	1,549,497
Total loans	$4,902,410	$4,583,412

Investments

In total, for the first three months of 2002, securities increased $882.7 million from $5.6 billion to $6.4 billion. The available for sale portfolio increased $1.04 billion to $5.2 billion at March 31, 2002 from $4.2 billion at December 31, 2001, and the securities held to maturity portfolio decreased $118.5 million to $1.0 billion at March 31, 2002 from $1.1 billion at year-end 2001. The portfolio of trading securities decreased $39.6 million from year-end 2001 to $243.2 million at March 31, 2002. At March 31, 2002, the average life of the investment portfolio was approximately 5.8 years, and the duration was approximately 4.3 years. At March 31, 2002, total securities represented 52% 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, 2002	December 31, 2001
	(dollars in thousands)	
U.S. Government agency and mortgage backed obligations	$5,055,481	$3,994,523
Obligations of state and political subdivisions	93,210	82,922
Equity securities	27,274	16,325
Other	17,568	58,934
Securities available for sale	$5,193,533	$4,152,704
U.S. Government agency and mortgage backed obligations	$925,196	$1,044,266
Obligations of state and political subdivisions	46,848	50,602
Other	41,648	37,304
Securities held to maturity	$1,013,692	$1,132,172

Net Income

Net income for the first quarter of 2002 was $31.8 million, an increase of $8.3 million or 36% over the $23.4 million recorded for the first quarter of 2001. On a per share basis, diluted net income for the first quarter of 2002 was $0.45 per common share compared to $0.35 per common share for the first quarter of 2001.

Return on average assets (ROA) and return on average equity (ROE) for the first quarter of 2002 were 1.09% and 19.00%, respectively, compared to 1.10% and 17.92%, respectively, for the same 2001 period.

Net Interest Income

Net interest income totaled $124.1 million for the first quarter of 2002, an increase of $38.3 million or 45% from $85.7 million in the first quarter of 2001. 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, 2002, December 31, 2001 and March 31, 2001 and presents the daily average interest earned on assets and paid on liabilities for such periods.

COMMERCE BANCORP, INC. AND SUBSIDIARIES

Average Balances and Net Interest Income

	March 2002			December 2001		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Averag Rate
Earning Assets						
Investment securities						
Taxable	$ 5,511,447	$ 83,211	6.12%	$4,897,180	$ 75,980	6.
Tax-exempt	110,293	1,665	6.12	85,937	1,287	5.
Trading	189,651	2,960	6.33	212,892	2,708	5.
Total investment securities	5,811,391	87,836	6.13	5,196,009	79,975	6.
Federal funds sold	40,672	164	1.64	177,235	932	2.
Loans						
Commercial mortgages	1,828,586	31,304	6.94	1,719,681	31,403	7.
Commercial	1,087,048	16,338	6.10	1,024,931	17,047	6.
Consumer	1,656,000	30,936	7.58	1,533,966	30,215	7.
Tax-exempt	233,669	4,992	8.66	211,435	4,654	8.
Total loans	4,805,303	83,570	7.05	4,490,013	83,319	7.
Total earning assets	$10,657,366	$171,570	6.53%	$9,863,257	$164,226	6.
Sources of Funds						
Interest-bearing liabilities						
Regular savings	$ 2,044,873	$ 7,078	1.40%	$1,840,806	$ 6,942	1.
N.O.W. accounts	300,742	1,053	1.42	284,453	1,071	1.
Money market plus	3,459,619	11,855	1.39	3,235,319	12,130	1.
Time deposits	1,673,580	16,004	3.88	1,473,557	15,996	4.
Public funds	874,379	5,277	2.45	801,453	6,274	3.

Total deposits	8,353,193	41,267	2.00	7,635,588	42,413	2.
Other borrowed money	102,611	426	1.68	120,910	289	0.
Long-term debt	127,167	2,432	7.76	80,500	1,026	5.
Total deposits and interest-bearing liabilities	8,582,971	44,125	2.08	7,836,998	43,728	2.
Noninterest-bearing funds (net)	2,074,395			2,026,259		
Total sources to fund earning assets	$10,657,366	44,125	1.68	$9,863,257	43,728	1.
Net interest income and margin tax-equivalent basis		$127,445	4.85%		$120,498	4.
Other Balances						
Cash and due from banks	$510,269			$482,378		
Other assets	592,129			583,257		
Total assets	11,690,615			10,864,953		
Total deposits	10,684,272			9,837,053		
Demand deposits (noninterest-bearing)	2,331,079			2,201,465		
Other liabilities	108,125			169,174		
Stockholders' equity	668,440			657,316		
Allowance for loan losses	69,149			63,939		

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COMMERCE BANCORP, INC. AND SUBSIDIARIES

Noninterest Income

Noninterest income totaled $55.9 million for the first quarter of 2002, an increase of $11.8 million or 27% from $44.1 million in the first quarter of 2001. The increase was due primarily to increased deposit charges and service fees, which rose $7.9 million over the first quarter of 2001 primarily due to higher transaction volumes. In addition, other operating income increased $4.9 million over the prior year, including increased revenues of $974 thousand from CCMI, the Company's municipal public finance subsidiary and increased revenues of $845 thousand from CNIS, the Company's insurance brokerage subsidiary.

Noninterest Expense

For the first quarter of 2002, noninterest expense totaled $125.9 million, an increase of $35.6 million or 39% over the same period in 2001. Contributing to this increase was new branch activity over the past twelve months, with the number of branches increasing from 152 at March 31, 2001 to 187 at March 31, 2002. With the addition of these new offices, staff, facilities, and related expenses rose accordingly. Other noninterest expenses rose $8.9 million over the first quarter of 2001. 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 69.80% for the first three months of 2002 as compared to 69.84% for the same 2001 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, 2002 were $19.5 million, or 0.16% of total assets compared to $18.4 million or 0.16% of total assets at December 31, 2001 and $20.9 million or 0.23% of total assets at March 31, 2001.

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, 2002 were $16.9 million or 0.34% of total loans compared to $16.8 million or 0.37% of total loans at December 31, 2001 and $19.4 million or 0.50% of total loans at March 31, 2001. At March 31, 2002, loans past due 90 days or more and still accruing interest amounted to $484 thousand compared to $519 thousand at December 31, 2001 and $537 thousand at March 31, 2001. Additional loans considered as potential problem loans by the Company's internal loan review department ($21.9 million at March 31, 2002) have been evaluated as to risk exposure in determining the adequacy of the allowance for loan losses.

Other real estate (ORE) at March 31, 2002 totaled $2.6 million compared to $1.5 million at December 31, 2001 and $1.5 million at March 31, 2001. These properties have been written down to the lower of cost or fair value less disposition costs.

Following "Forward Looking Statements" are tabular presentations showing detailed information about the Company's non-performing loans and assets and an analysis of the Company's allowance for loan losses and other related data for March 31, 2002, December 31, 2001, and March 31, 2001.

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.

COMMERCE BANCORP, INC. AND SUBSIDIARIES

The following summary presents information regarding non-performing loans and assets as of March 31, 2002 and the preceding four quarters (dollar amounts in thousands).

	March 31, 2002	December 31, 2001	September 30, 2001	Jun 2
Non-accrual loans:				
Commercial	$ 9,473	$ 6,835	$ 9,196	$10
Consumer	1,537	1,484	1,382	1
Real estate:				
Construction	181	1,590	1,590	1
Mortgage	5,695	6,924	6,944	5
Total non-accrual loans	16,886	16,833	19,112	19
Restructured loans:				
Commercial	7	8	9	
Consumer				
Real estate:				
Construction				
Mortgage				
Total restructured loans	7	8	9	
Total non-performing loans	16,893	16,841	19,121	19
Other real estate	2,602	1,549	1,671	1
Total non-performing assets	19,495	18,390	20,792	20

Loans past due 90 days or more and still accruing	484	519	964	1
Total non-performing assets and loans past due 90 days or more	$19,979	$18,909	$21,756	$22
Total non-performing loans as a percentage of total period-end loans	0.34%	0.37%	0.44%	0
Total non-performing assets as a percentage of total period-end assets	0.16%	0.16%	0.20%	0
Total non-performing assets and loans past due 90 days or more as a percentage of total period-end assets	0.16%	0.17%	0.21%	0
Allowance for loan losses as a percentage of total non-performing loans	428%	398%	321%	
Allowance for loan losses as a percentage of total period-end loans	1.47%	1.46%	1.42%	1
Total non-performing assets and loans past due 90 days or more as a percentage of stockholders' equity and allowance for loan losses	3%	3%	3%	

COMMERCE BANCORP, INC. AND SUBSIDIARIES

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		Year Ende
	03/31/02	03/31/01	12/31/
Balance at beginning of period	$66,981	$48,680	$48,
Provisions charged to operating expenses	6,900	4,609	26,
	73,881	53,289	75,
Recoveries on loans charged-off:			
Commercial	190	9	
Consumer	115	41	
Commercial real estate	1	12	
Total recoveries	306	62	
Loans charged-off:			
Commercial	(1,187)	(358)	(5,
Consumer	(724)	(659)	(2,

Commercial real estate	(23)	(177)	(
Total charge-offs	(1,934)	(1,194)	(9,
Net charge-offs	(1,628)	(1,132)	(8,
Balance at end of period	$72,253	$52,157	$66,
Net charge-offs as a percentage of Average loans outstanding	0.14%	0.12%	0

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.

COMMERCE BANCORP, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

The following Current Reports on Form 8-K were filed by the Company during the first quarter ended March 31, 2002:

(a) Current Report on Form 8-K, dated February 27, 2002, announcing the offering of Commerce Capital Trust II Convertible Trust Preferred Securities

(b) Current Report on Form 8-K, dated March 6, 2002, announcing the pricing of the Commerce Capital Trust II Convertible Trust Preferred Securities

(c) Current Report on Form 8-K, dated March 11, 2002, announcing the closing on the Commerce Capital Trust II Convertible Trust Preferred Securities

COMMERCE BANCORP, INC. AND SUBSIDIARIES

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, 2002	/s/ DOUGLAS J. PAULS
(Date)	DOUGLAS J. PAULS SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)