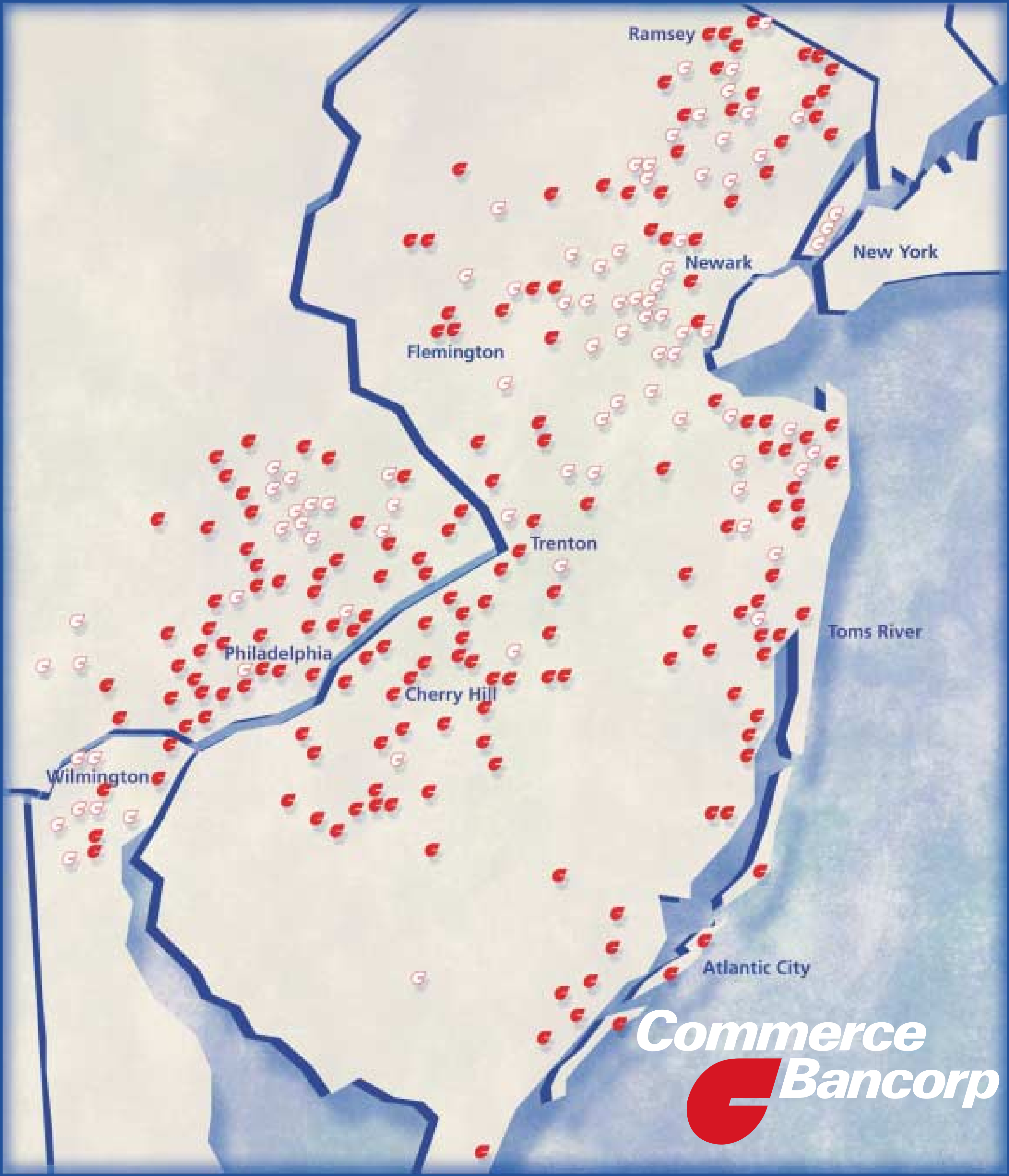
2000 Annual Report

America's Most Convenient Bank®



Commerce Bancorp

Overview

Contents

Commerce Bancorp, Inc. and Subsidiaries

(dollars in thousands, except per share data)

	2000	% increase vs. 1999	1999	1998	1997	1996
Assets	$8,296, 516	+25%	$6,635,793	$5,424,190	$4,387,851	$3,592,972
Loans	3,638,580	+24%	2,922,706	2,249,061	1,638,836	1,463,933
Deposits	7,387,594	+32%	5,608,920	4,928,808	3,784,576	3,251,865
Net Income	80,047	+21%	65,960	42,155	44,432	31,149
Net Income per Share	2.49	+15%	2.17	1.42	1.56	1.16

On the Cover:

Existing

Coming

Mission Statement

The mission of Commerce Bancorp is to deliver superior financial returns to its Shareholders through the profitable operation of community retail banks.

Commerce Bank is New Jersey's and metropolitan Philadelphia's largest locally headquartered bank with $8.3 billion in assets.

The Commerce branch network includes 150 branches serving New Jersey, Pennsylvania and Delaware.

Commerce branches are open seven days a week and offer a broad range of convenient retail banking services.

Commerce provides award-winning Internet banking services via one of the nation's most popular bank Web sites – commerceonline.com.

Commerce offers an extensive portfolio of lending and specialty financial services created to meet the needs of a variety of markets including:

- Commercial Real Estate
- Middle Market Businesses
- Health Care
- Traditional Small Businesses
- Cash Management
- Governmental Banking
- International

Read more about us on page 10

Commerce National Insurance Services

Commerce National Insurance Services ranks among the nation's 20 largest insurance brokerage firms. Commerce National Insurance serves more than 125,000 clients in 25 states and has an annual premium volume that exceeds $500 million.

Commerce National Insurance works with virtually every major insurance company in the nation to provide clients with the cost-effective coverage that is tailored to meet their needs.

Commerce National specializes in providing:

- Commercial Insurance
- Executive and Employee Benefits
- Risk Management and Loss Control
- Personal Insurance
- A special hotline staffed by claims experts 24 hours a day

Read more about us on page 38

Commerce Capital Markets

Commerce Capital Markets is the Mid-Atlantic region's largest public finance company specializing in meeting the needs of state, municipal, health care and higher education clients. Commerce Capital also provides a variety of personalized investment services for individual customers.

Public Finance

- Commerce Capital works with a wide range of clients to secure financing through the sale of tax exempt bonds.
- Commerce Capital helps clients choose the optimum financing structure based on a careful analysis of their project needs and ability to repay the debt that is incurred.

Investment Services

- Personalized investment programs that incorporate mutual funds, fixed and variable rate annuities, municipal bonds, U.S. Treasury Securities, stock and corporate securities.
- Online stock trading through Commerce's online interactive financial services center at commerceonline.com.
- Asset Management Services aimed at maximizing customers' return on short-term investments.

Read more about us on page 39

Letter to Shareholders

Vernon W. Hill, II
Chairman and President

Dear Shareholders, Customers & Friends:

The Directors, management and staff of Commerce Bancorp are pleased to report on our record financial results for 2000.

Shareholder Return

During 2000, our commitment to, and the execution of, the Commerce retail growth model produced exceptional returns to Commerce Bancorp shareholders with an increase in total return share value of +81%.

This was the latest year in a remarkable decade that produced a total return to Commerce Bancorp shareholders of 2,925%, with a 10-year compounded average growth rate of 41%. This return exceeds that of American growth icon companies such as Microsoft, General Electric and Berkshire Hathaway.

A $1,000 investment in Commerce Bancorp stock in January 1991 was worth $29,250 at the end of 2000.

The Commerce Brand

2000 was an exciting year as we expanded our brand and received national recognition as a growth retailer. Highlights include:

- A national, front-page Wall Street Journal story profiled Commerce
- American Banker chose Commerce as the "Community Bank of the Year"
- Commerce Online was selected as "America's Best Online Banking Site"
- The Somerset (NJ) Baseball Park became "Commerce Bank Park" strengthening our ties to Central New Jersey

The Growth Model

From our inception, Commerce has refined a business model patterned after the great retailers of America, i.e., Home Depot, Wal-Mart, McDonald's, Starbucks, rather than the typical bank or financial institution. These models are based on exceptional convenience, service and brand recognition, and each has transformed a commodity business into a predictable, high-growth business.

From total assets of $1.1 billion in 1991, Commerce's assets have grown at a compounded annual rate of +25%, to a record **$8.3 billion** at December 31, 2000.

Net income also has grown at a 10-year annual compounded rate of 33% to **$80 million** in 2000, driving per share income from **$.49** in 1991 to **$2.49** in 2000, representing an average annual growth rate of +21%.

The Year 2000

2000 was another record year as our rate of growth actually accelerated.

- Total branch offices increased from 120 to 150 with the opening of 30 new offices throughout New Jersey, Pennsylvania and Delaware.
- Our market area continues to expand throughout the three-state area, as we move toward our 5-year goal of 325+ offices in our current market, with more than 100 new offices currently in development.
- Total Assets: **Increased +25% to $8.3 billion.**
- Deposits: **Increased +32%, or $1.8 billion, to a record $7.4 billion,** an unparalleled increase both for Commerce and the banking industry.

- Our growth was driven primarily by a comparable store deposit increase of 15% and the opening of 30 new locations.
- Net Income Per Share increased +15% to $2.49 a share.

America's Most Convenient Bank

The power of the Commerce model was again reflected in our outstanding results for the Year 2000.

Our network of 150+ distinctly designed, easily identifiable branches, and our widely acclaimed online banking system, is an unbeatable combination of *"bricks and clicks."* Combined with our total commitment to service, including seven-day branch banking, consumers and businesses alike are provided with a retail experience that is unparalleled in the banking industry.

Commerce is a national leader in online banking, with nearly 25% of our households online. Recognized across the country for providing "America's Best Online Banking," our real-time site offers a full range of banking, insurance and capital market products.

The Commercial Bank

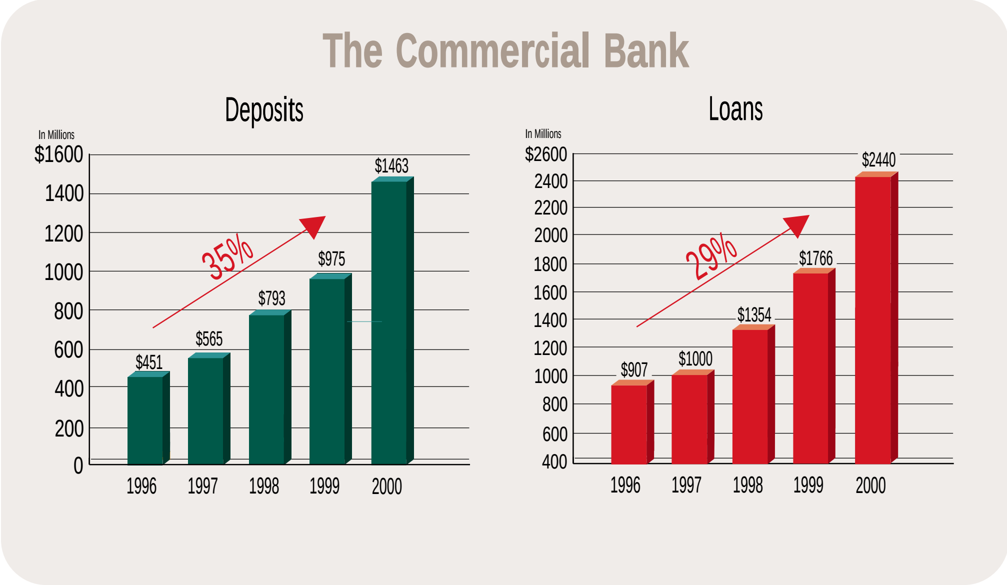
To Commerce, "retail" means consumer, business and government banking services.

The commercial side of Commerce also is built around convenience and service with "local bankers serving local customers."

The chart to the right highlights the growth in commercial deposits and loans, as commercial customers flock to the "Commerce Service Model."

Small business lending remains a core focus with 6,600 total relationships, representing a growth rate of 37% during 2000, as we serve the credit needs of our communities.

In addition, Commerce was recognized as the #1 SBA Lender for 2000 in our New Jersey and Pennsylvania markets.



Middle market commercial lending is also a rapidly growing business segment as we increasingly serve the banking and credit needs of our larger business and non-profit customers.

Loans grew 24% in 2000 to a record $3.6 billion, continuing our 5-year annual growth rate of 26%.

Throughout this growth, asset quality remained extremely strong with record low non-performing loans and loan losses.

WOW! The Customer

The Commerce retail focus is reflected by our *"WOW! The Customer"* philosophy.

From uncompromised service, to our "Kill a Stupid Rule" policy, to Commerce University, our entire staff is focused on delivering world-class service.

During 2000, our total staff grew to 5,000+, with the creation of more than 1,000 new positions.

All Commerce employees are committed to *"WOW!"* and our never-ending mission is to consistently "exceed every customer's expectations."

Community

Banks exist first to support their communities, and our long-standing community commitment is a vital element of Commerce Bank's overall service philosophy. During 2000, the Commerce Corporate Fund contributed more than $2 million to hundreds of local and regional community service organizations in our various markets. Much of our support focused on regional economic development, artistic, cultural and educational efforts. Since the inception of our corporate fund in 1987, Commerce has invested $15 million in the communities we serve.

The Future

Commerce presently serves metropolitan Philadelphia and the northern New Jersey section of metropolitan New York. The next logical expansion is the balance of metropolitan New York, including Manhattan, Long Island and Westchester County.

During the first quarter of 2001, Commerce announced an aggressive plan to open 30+ new offices in Manhattan, beginning with two offices in 2001—"Why shouldn't New Yorkers be entitled to America's Most Convenient Bank?"

In addition to our New York expansion, Commerce will open 30+ new offices in our New Jersey, Pennsylvania and Delaware market areas as part of our plan to bring the advantages of Commerce convenience banking to every market.

Over the next five years our plan is to:

- Increase Total Assets to $20 billion
- Grow Earnings Per Share a minimum of 15% a year
- Extend our branch network to 325+ locations
- Expand throughout metropolitan New York
- Create 1,000 new career positions per year
- Continue to create shareholder value

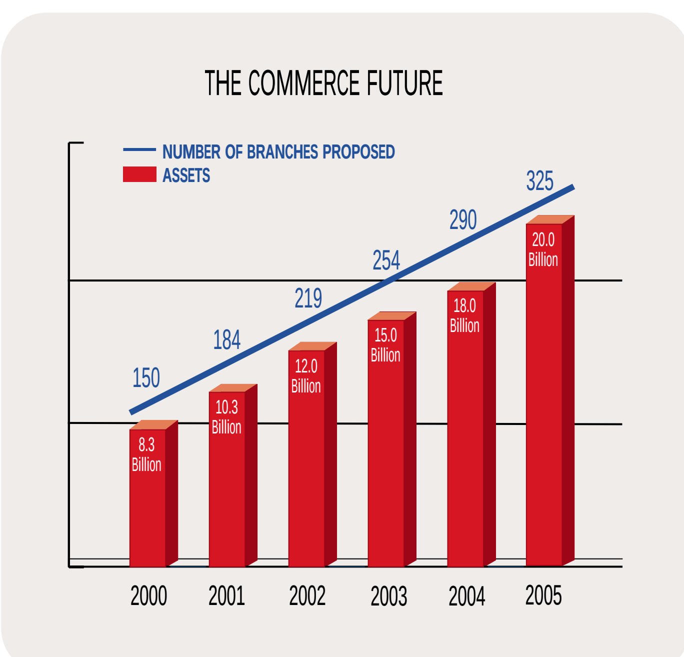
2000 was the most exciting and rewarding year in the 27-year history of Commerce Bancorp. As we become ever stronger, our momentum builds, our brand awareness increases, and the future of Commerce Bancorp grows even brighter.

Thank you for your continued support.

Very truly yours,

Vernon W. Hill, II
Chairman and President

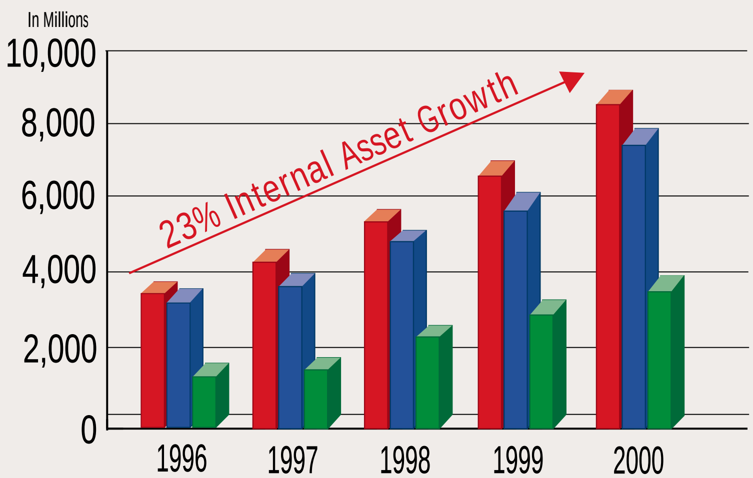
March 27, 2001



Commerce opened 30 branches in 2000 and will open 30+ branches in 2001.

A Growth Company

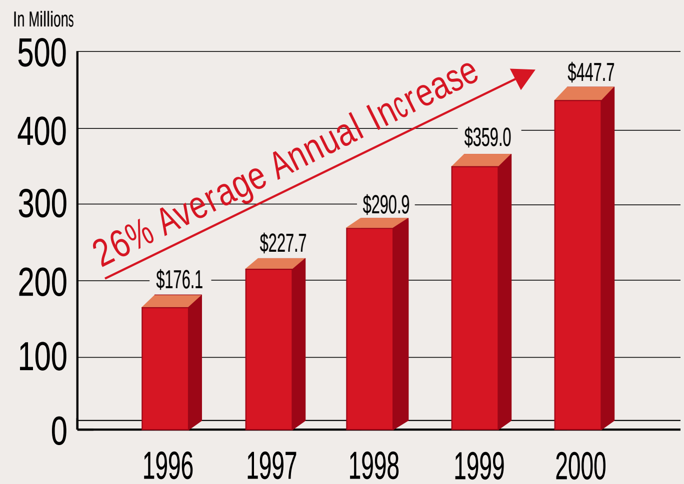
FIVE-YEAR GROWTH



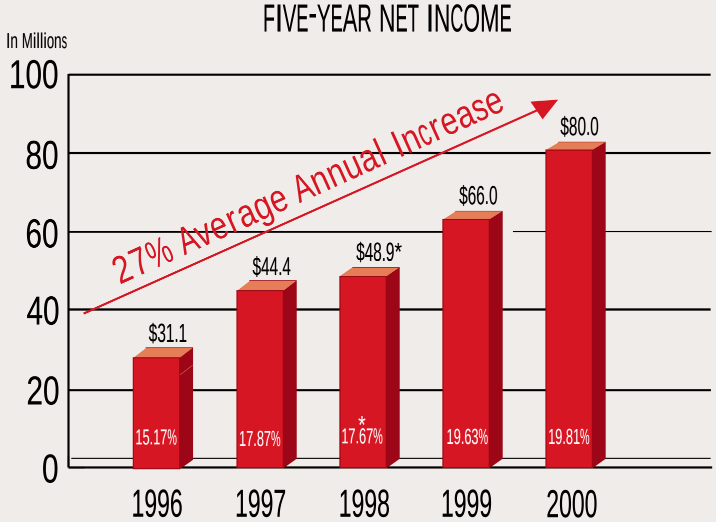
	1996	1997	1998	1999	2000
ASSETS	$3,593	$4,388	$5,424	$6,636	$8,297
DEPOSITS	$3,252	$3,785	$4,929	$5,609	$7,388
LOANS	$1,484	$1,663	$2,280	$2,961	$3,687

Average Annual Increase	
Assets	+23%
Deposits	+23%
Loans	+26%

TOTAL REVENUES

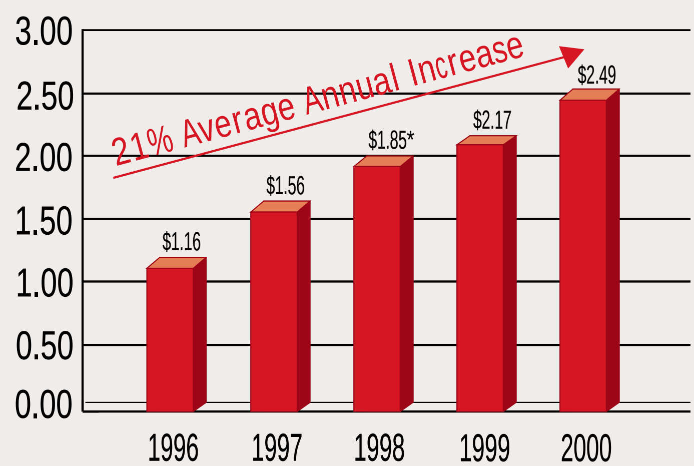


FIVE-YEAR NET INCOME



Percentages = Return on Average Total Equity
*As originally reported

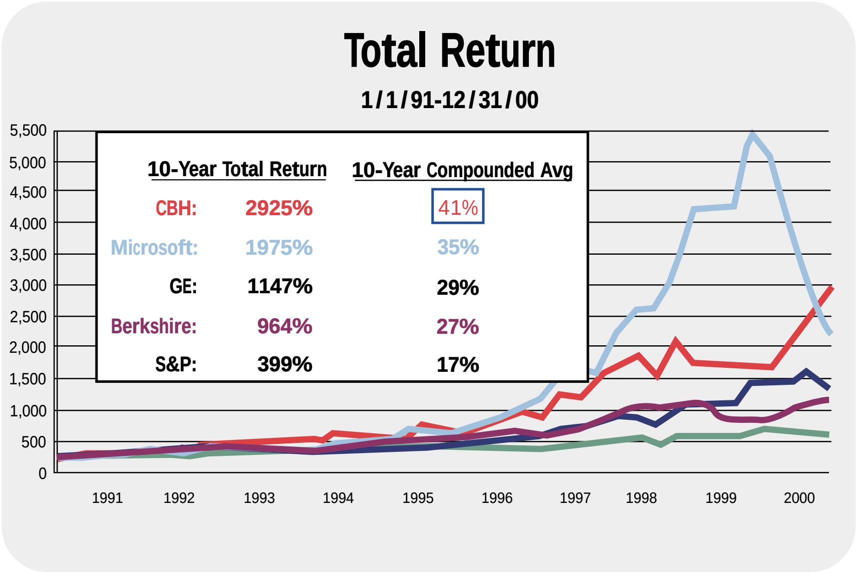
FIVE-YEAR EARNINGS PER SHARE



*As originally reported

Investor Relations

Commerce is recognized as one of the nation's most dynamic financial service retailers. Our dramatic growth continues to attract the attention of journalists and industry analysts who regularly cite Commerce stock (CBH) as an outstanding investment opportunity. Their comments reflect the power and great potential of the Commerce retail model.



Commerce Produces Outstanding Rate Of Return

Over the past ten years, Commerce Bank has produced a higher rate of return to shareholders than General Electric, Microsoft and Berkshire Hathaway, often viewed as the United States' best managed, most profitable corporations. In addition, Commerce has outperformed Wall Street's Standard and Poor's index of leading publicly held corporations.

THE WALL STREET JOURNAL.

WEDNESDAY, MAY 17, 2000

Local McBanker

A Small Chain Grows By Borrowing Ideas From Burger Joints

Jersey's Commerce Bancorp Stretches Hours, Cuts Fees to Build Volume

The Catch: Lower Interest

Commerce takes the basic service and branding concepts found at fast-food giants – right down to the big red "C" in front of each branch, evoking the golden arches – and applies them to its branches. It keeps long hours. It moves teller lines by reducing many teller functions to one-touch key strokes, making deposit receipts almost as easy as supersizing an Extra Value Meal. Is this any way to run a bank in the year 2000? Yes, says Vernon W. Hill II, the founder, president and chairman of Commerce. At a time when polls suggest service in America is hitting all-time lows – not just at banks, but at telephone companies, airlines and department stores too – Mr. Hill is showing that good service can be good business.

AMERICAN BANKER
SPECIAL REPORTS

BEST in banking 2000

COMMUNITY BANKER OF THE YEAR

FEB. 2001

Vernon Hill Is Watching Wal-Mart

While many banks have tried to control costs by consolidating branches and shortening hours, Commerce has taken the opposite tack. It has built close to 150 branches in New Jersey, Pennsylvania and Delaware, all of which are open seven days a week. Within the next four years, Commerce plans to open as many as 30 branches a year and is likely to expand into New York and Connecticut.

CRAIN'S
NEW YORK BUSINESS

Vol. XVII, No. 11 — March 12-18, 2001

After a 28-year run in the hinterlands of New Jersey, one of the oddest banking phenomena in recent history is set to make its bow in Manhattan.

Cherry Hill-based Commerce Bancorp Inc., which has attracted close scrutiny from bankers and fulsome praise from customers by drawing its inspiration not from J.P. Morgan, but from McDonald's, is planning a head-on assault on the home turf of Citibank and Chase Manhattan.

"I am going to attack them, I am going to compete with them, I am going to run ads and offer better service," vows Vernon Hill II, the bank's founder and president.

The Record of Bergen County

Sunday
March 11, 2001

Commerce Chairman and President Vernon, W. Hill, 55, who founded the bank 28 years ago, said the key to his success in luring unhappy customers from other banks has been "convenient locations, being open seven days a week," and providing "all the convenience and service factors the main banks have neglected and destroyed… We're much more modeled after successful retailers like Wal-Mart and Home Depot," he said.

Lehman Brothers, Inc.

"We believe this is among the best companies in the bank group and are raising our 1-year target price from $70 to $80. At a time when many banks are trying to subtly or not so subtly push customers to lower cost delivery channels, CBH embraces customers in the branches seven days per week. However, it doesn't stop there as management seeks to ensure convenience through all channels and CBH has among the highest rates of acceptance of its online banking product at 24% with 110,000 users."

Investment recommendation – Strong buy
—*Feb. 2001*

bankstocks.com

"Commerce's retailing strategy has driven the company's strong growth and set it apart from the crowd. With a focus on growing deposits first, then revenues – Commerce has posted a compound annual Earnings Per Share growth rate of 18% over the past five years. Management has ingrained a strong sense of customer focus as well as a team spirit and employee pride in the franchise that pervades nearly every aspect of the company.

Using strong technology, Commerce is well positioned to continue its de novo growth."

Investment recommendation – We believe the company's business model, strong fundamentals, and growth prospects justify its high valuation and a core position in most investment portfolios. —*Dec. 2000*

Corporate Information

Headquarters

Commerce Bancorp, Inc.
Commerce Atrium
1701 Route 70 East
Cherry Hill, New Jersey 08034-5400
1-888-751-9000
commerceonline.com

Annual Shareholders' Meeting

Commerce Bancorp, Inc.'s annual shareholders' meeting will be held on May 15, 2001 at 5:30 p.m. at Commerce University, 17000 Horizon Way at Springdale Road, Mount Laurel, New Jersey.

Dividend Reinvestment and Stock Purchase Plan

Commerce Bancorp, Inc. offers its shareholders a convenient plan to increase their investment in the Company. Through the Dividend Reinvestment and Stock Purchase Plan, holders of common stock may have their quarterly dividends and optional monthly cash payments reinvested in additional common shares at a 3% discount (subject to change) from the market price, without brokerage fees, commissions, or service charges. Shareholders not enrolled in this plan, as well as brokers and custodians who hold stock for clients, may receive a plan prospectus and enrollment card by contacting Mellon Investor Services, L.L.C. at 1-888-470-5884, or Barbara Furgione, Investor Relations, at 1-888-751-9000.

Commerce Bank Web Site

To learn more about Commerce Bancorp, please visit our online interactive financial resources center at **commerceonline.com**. Click on "Investor Relations" for a comprehensive portfolio of corporate information including earning estimates, dividend history, SEC filings and more.

Contacts

Analysts, portfolio managers, and others seeking financial information about Commerce Bancorp, Inc. should contact C. Edward Jordan, Jr., Executive Vice President, at 1-888-751-9000.

News media representatives and others seeking general corporate information should contact John J. Cunningham, Jr., Chief Marketing Officer, at 1-888-751-9000.

Shareholders seeking assistance should contact Barbara Furgione, Investor Relations, at 1-888-751-9000. For assistance with stock records, please contact Mellon Investor Services, L.L.C. at 1-888-470-5884.

Annual Report and Form 10-K

Additional copies of Commerce Bancorp, Inc.'s Annual Report and Form 10-K are available without charge by writing:

Commerce Bancorp, Inc.
Investor Relations
1701 Route 70 East
Cherry Hill, New Jersey 08034-5400.

CBH Listed NYSE
THE NEW YORK STOCK EXCHANGE

New York Stock Exchange Symbol

Shares of Commerce Bancorp, Inc.'s common stock are traded on the New York Stock Exchange under the symbol CBH. Commerce Capital Trust I's Trust Capital Securities are traded on the New York Stock Exchange under the symbol CBHPrT.

Transfer and Dividend Paying Agent/Registrar

Mellon Investor Services, L.L.C.
44 Wall Street
Sixth Floor
New York, NY 10005

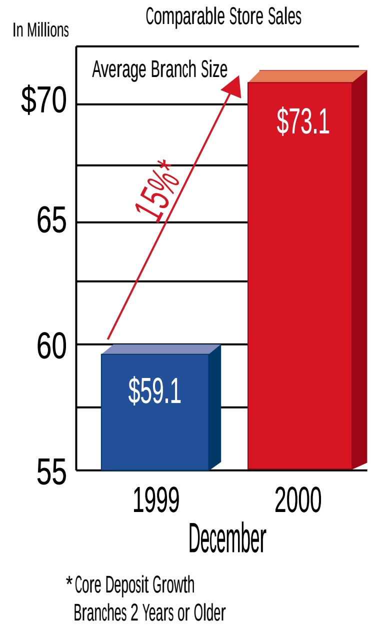
Retail

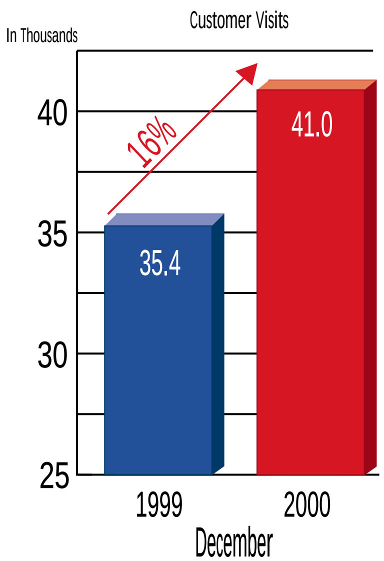
John J. Cunningham, Jr.
Chief Marketing Officer

Dennis M. DiFlorio
Chief Retail Officer

WOW! service is a Commerce hallmark. Our culture is driven by the intense belief that meeting our customers' expectations is simply not good enough. Instead, we must exceed their expectations everyday. As a result, our customers have become loyal Commerce fans and our growth is unprecedented.

A Growth Retailer





Unsurpassed Service And A "*Bricks and Clicks*" Strategy Drive Commerce Bank's Success

An intense commitment to delivering impeccable service through the successful implementation of a *"bricks and clicks"* strategy makes Commerce one of the nation's most progressive financial services companies. By combining the best in branch and online banking, Commerce has the capability to serve customers whenever, wherever and in whatever way best suits their needs. As a result, Commerce has become widely known as "America's Most Convenient Bank."

Commerce Bank's hallmark services include:

- Seven-day branch banking
- Free personal checking
- Commerce Online – the nation's leading online banking service
- A multifaceted, interactive online financial service center located at **commerceonline.com**.
- 1-800-YES-2000 24-hour bank-by-phone service
- Free *Penny Arcade* coin counting machines

Unique Retail Approach Is A Commerce Hallmark

Commerce Bank's dynamic growth is fueled by a retail model that encompasses the best practices of the nation's leading power retailers. Unlike other banks, Commerce welcomes customers to its branches rather then forcing them to use remote delivery channels. In addition, Commerce views its branches as stores, and encourages customers to visit frequently by offering the longest office hours in the industry and special amenities, such as free coin counting machines.

At a time when most banks are experiencing little or no growth, Commerce continues to generate dramatic increases in both deposits and customer visits. During 2000, Commerce branch deposits, which are

comparable to same store sales in the retail field, grew an unprecedented 15%, and the average branch size increased to $73.1 million. Monthly average customer visits per branch also increased 16% to 41,000, with some branches reporting as many as 100,000 customer visits per month.

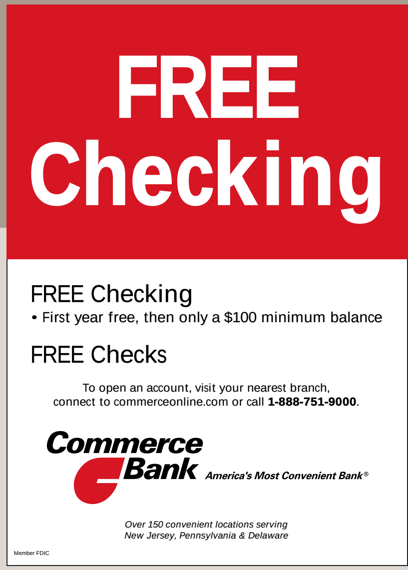
The power of Commerce's unique retail model also was reflected by a dramatic increase in low cost core deposits which increased 26% to $6.6 billion.

Building The Commerce Brand, One Brick At A Time

For nearly three decades, Commerce has carried out an ambitious expansion plan, building a branch network that spans New Jersey, eastern Pennsylvania and northern Delaware. During 2000, Commerce opened 30 new offices throughout the region, bringing its network total to 150 branches. Another year of aggressive expansion is planned for 2001, with the opening of 30+ new branches.

As a result of its steady growth, Commerce is now the largest locally headquartered and managed financial institution in New Jersey and the metropolitan Philadelphia region.

Like the nation's most successful retailers, Commerce uses its distinctively designed branches to build brand awareness. Throughout the region, our easily recognizable branches have become synonymous with extraordinary convenience, superior products and outstanding service.



The Commerce Bank prototype branch incorporates an inviting, airy design that provides customers with convenient access to tellers and customer service representatives.

America's Best Online Banking

In 2000 and 2001, commerceonline.com, Commerce Bank's interactive Web site, was selected by Forbes magazine as one of the nation's top ten Internet banking sites. Forbes noted that "Commerce Bank's site stands out for its simplicity, which makes it easy to navigate, yet the bank offers a wide variety of choices. Customer service is 24/7, friendly and knowledgeable."

In addition, for the second time in the past three years, Commerce earned the *Best In Remote Banking* award from Microbanker Publications, one of the nation's leading providers of banking technology information. Microbanker also ranked Commerce Bank's Web site number one in its annual *Internet Banking Site Survey*. In both cases, Commerce was commended for being "an institution that understands what it means to be committed to the Internet as a delivery channel." Commerce's Web site was also spotlighted for being one of the nation's easiest to navigate and a site that successfully holds customers' attention by incorporating a wealth of special services and features.

During 2000, Commerce recorded an online banking household penetration rate of 24%, the highest in the nation. In all, more than 110,000 customers used the Bank's popular Internet banking service throughout the year.

Commerce Bank's interactive online financial resources center – located within commerceonline.com – combines one of the nation's most popular online banking services and online stock trading at one convenient Internet address. Customers who visit the Commerce financial resources center can:

- Gain quick, real-time access to all of their accounts
- Pay bills online
- Buy and sell stocks
- Contact Commerce National Insurance Services to obtain instant quotes on home and auto insurance coverage.

In early 2001, Commerce will unveil yet another round of enhancements to its award winning Internet site with the introduction of the *MyCommerceOnline* homepage. The new online service will provide customers with the ability to create a Commerce homepage that is tailored to meet their specific needs and interests. Along with giving customers direct access to all of Commerce's online interactive

features, *MyCommerceOnline* will enable users to:

- Check regional weather forecasts for cities throughout the nation
- Set up their own electronic calendar to record and display personal reminders and events
- Create their own convenient address book that combines email addresses, postal addresses, and telephone/fax numbers in one easy-to-access location
- Obtain free e-mail service
- Monitor their stock portfolio

Other Convenient Delivery Channels

In addition to online banking, Commerce provides customers with other ways to access "America's Most Convenient Bank" 24 hours a day.

By dialing 1-800-YES-2000, customers can:

- Open accounts
- Obtain updates on all of their existing accounts
- Transfer funds
- Apply for a loan

Customers who use the Bank's YES-2000 telephone banking service also can speak directly to a customer service representative around the clock, 365 days a year.

The Commerce Check Card, a multifunction debit/ATM card, gives customers another convenient way to conduct their banking.

Check Card holders can use automated teller machines nationwide and make purchases wherever MAC® or VISA® is accepted.

Unsurpassed Customer Service

Commerce employees have established a legendary reputation for providing service that exceeds their customers' expectations.

Employees at every level know that their undivided commitment to carrying out Commerce's "*WOW! The Customer*" philosophy drives the Bank's success. To help facilitate the delivery of outstanding service, Commerce empowers employees to do whatever it takes to meet their customers' needs every time they interact with them.

Employees also are reminded regularly that the Bank's policies and procedures have been developed to enhance, rather than impede, their ability to meet customers' needs. In order to ensure that the Bank's policies and procedures do in fact support the delivery of outstanding service, employees are rewarded for identifying "stupid rules" that impede their ability to "*WOW!*" their customers.

Keeping the Commerce spirit and "*WOW! The Customer*" philosophy fresh and vibrant is crucial. With this in mind, Commerce has developed an extensive employee recognition program that salutes and rewards outstanding employees. During the course of the year, quarterly "*WOW!*" Awards are presented to Commerce star employees, and special tributes such as Teller and Customer Service Representative Appreciation Weeks are staged to remind employees of the vital role they play in the Commerce organization.

An annual company-wide "*WOW!*" Awards celebration spotlights the "best of the best" Commerce employees and helps to reinforce the importance of the "*WOW! The Customer*" culture. Annual "*WOW!*" Award winners receive valuable stock options in recognition of their contributions to Commerce's overall success.

Lending

Robert D. Falese
Chief Lending Officer

Peter M. Musumeci, Jr.
Chief Credit Officer

As local bankers serving local customers, we know more about the markets we serve than any bank in the region. Commerce lending officers become thoroughly immersed in every aspect of the projects we finance. Our lenders also are empowered to make prompt, hassle-free decisions in order to meet our customers' financial needs and help to ensure their success.

Drexel University
Philadelphia, PA

$3,000,000
Revenue Bond

$22,500,000
Variable Rate Revenue Bond

Commerce Bank · Commerce Capital Markets

The ERM Group, Inc.
Exton, PA

$14,000,000
Working Capital and
Revolving Line of Credit

Commerce Bank

Sterling Properties
Livingston, NJ

$13,000,000
Development Loan
Luxury Townhomes
Fairfield, NJ

Commerce Bank

Commerce Bank reinforced its position as the premier provider of locally based lending services for both business and retail customers during 2000.

2000 Lending Highlights

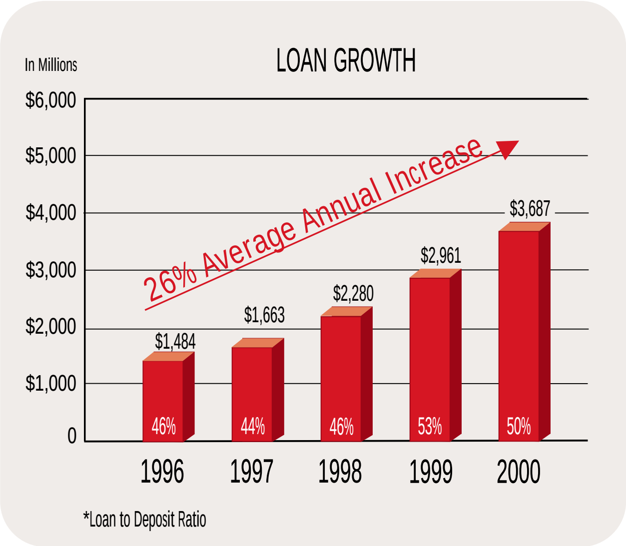
- A 24% increase in loans to a record high of $3.6 billion
- The origination of $3.5 billion in new loans
- A 24% increase in consumer credit to $900 million
- Excellent credit quality, with non-performing assets of just .20% of total assets

Customers throughout the region have come to depend on the responsive, knowledgeable service provided by Commerce's growing team of financing experts. Locally based lenders work closely with customers to gain a comprehensive understanding of their financing needs and develop financial solutions tailored to meet their specific challenges. Commerce's lending experts are empowered to make prompt loan approval decisions.

To ensure the efficient delivery of customer-focused lending services, Commerce utilizes teams of financial specialists who are well-versed in the nuances of specific areas of lending. In addition, Commerce provides customers with a single account officer who manages every aspect of their financial relationship with the Bank and serves as their proactive business partner.

By utilizing an industry-specific strategy, Commerce has grown to become the region's leading provider of middle market business, commercial real estate, and health care lending.

In every phase of its lending business, Commerce delivers flexible financing options and provides customers with links to an assortment of essential services offered by our International Trade Finance and Cash Management Departments. Customers also can take advantage of the expertise offered by Commerce National Insurance Services and Commerce Capital Markets.



Our focus on local lending was highlighted in 2000, when the US Small Business Administration (SBA) ranked Commerce first in dollar volume among all lenders in the Mid-Atlantic states for the fiscal year ending September 30, 2000. Commerce also ranked number one in New Jersey in terms of the dollar volume of loans made to women-and African-American-owned businesses. In addition, the Bank continued to increase the number of loans made to customers in low-to-moderate income areas, with total originations of approximately $200 million, including participation with the SBA in New Jersey and Pennsylvania and the New Jersey Economic Development Authority.

Throughout the year, the success of our commercial lending business was complemented by significant gains in consumer loans and residential mortgages. In keeping with the Bank's emphasis on serving a wide range of customers, Commerce provides a variety of residential mortgages, including fixed and adjustable rate, and jumbo. Customers can apply for loans at any of Commerce's conveniently located branches, through our Loan-By-Phone Service or by meeting with a Residential Mortgage Representative.

Customers in need of consumer loans can visit the nearest Commerce branch, apply via the telephone, or connect to the Commerce Web site at **commerceonline.com**.

Commerce Bank's Portfolio of Financing Specialties includes:

- Middle Market Financial Services
  - Asset-Based Lending
  - Trade Finance and Foreign Exchange
  - Interest Rate Hedging Products
- Health Care Financing
  - Long-term Care Facilities
  - Physician Practices
  - Outpatient Treatment Centers
- Bond Financing through Commerce Capital Markets
- Traditional Small Business Financing
  - Line of Credit
  - Term Loans
  - Mortgages
- Small Business Administration (SBA) Lending
- Commercial Real Estate and Construction Financing
- Commercial Mortgage Banking

Ronald J. Squillace, President, Healthcare Centers of Wayne, NJ (right), shows Commerce's Robert Greene, Vice President, Health Care Financial Services Group and Mary Beth Vatcher, Regional Vice President, Commercial Lending, the plans for a new assisted living facility.

University

Commerce University introduced nearly 3,000 new employees to the power of "WOW!" during the course of 2000. The University is responsible for directing extensive company-wide training efforts and providing exceptional career development education for all Commerce employees.

COMMERCE UNIVERSITY

Deborah A. Jacovelli, Vice President and Director of Training and Development, is the Dean of Commerce University, one of the nation's few banking organizations whose employee training programs have been recommended for college credit.

Teller trainees take advantage of Commerce University classes to learn how to provide customers with the traditional "WOW! The Customer" Service.

As one of the financial services industry's most thorough and comprehensive learning institutions, Commerce University is responsible for training the ever-increasing number of employees needed to keep pace with the Company's growth. During 2000, Commerce University trained nearly 3,000 new employees. The University also takes the lead in the continuous reinforcement of the "*WOW! The Customer*" philosophy, an essential element of the Commerce retail model.

Commerce University provides entry-level employees with the skills and mindset they need to deliver outstanding service as they begin their Commerce careers. More advanced technical training and leadership courses are provided to qualified employees who are needed to fill the Company's increasing number of management positions. Still other programs are offered to enable employees to comply with a variety of Federal banking requirements.

A New Manager Orientation program was one of several new courses offered by Commerce University in 2000. The course is designed to provide experienced professionals who join Commerce from other financial institutions with the opportunity to learn how Commerce operates, and see first-hand what separates "America's Most Convenient Bank" from other financial institutions across the country. More than 50 new managers completed the program in 2000.

The University also introduced an enhanced version of its Management Development program, which prepares current employees for supervisory positions with Commerce Bank, Commerce National Insurance Services and Commerce Capital Markets. Management Development students take part in an intensive hands-on program known as "Camp Commerce" and complete an assortment of workshops, team-building exercises and meetings with various Commerce department heads that all focus on developing their leadership skills.

In all, 29 new courses were added in 2000 to help employees keep pace with the ever-changing financial services field and Commerce Bank's growth. To further enhance students' educational experience, the University began to incorporate the latest digital video disc (DVD) and online technology into its training activities.

Along with providing employees with valuable career development programs, Commerce continued the long-standing policy of awarding stock options for the successful completion of certificate, degree and management training programs. The potentially valuable options provide employees with an opportunity to share directly in the Company's future success.

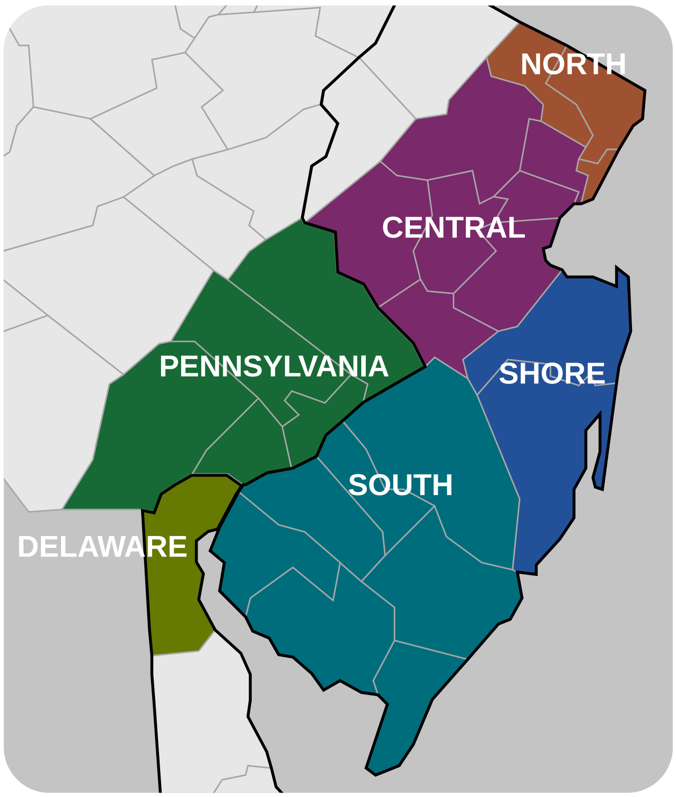
Commerce University At A Glance

The University encompasses several areas of concentration, including:

- School Of Retail Banking
- School Of Lending
- School Of Operations
- School Of Insurance
- During 2000, enrollments exceeded 8,000 students. More than 1,000 classes are taught annually by a team of 30 full-time and adjunct professionals.
- The University's Professional Teller Training and Customer Service courses have been recommended for college accreditation by the American Council On Education.

Commerce University Instructor Gayle Gorman (center) provides future Commerce Customer Service Representatives (CSRs) with Customer Service training guaranteed to *"WOW!"* Commerce Bank customers.

Markets



Commerce operates a network of "home town" banks backed by the extensive resources of a major regional financial institution. Our local management teams provide customers with the confidence that comes from dealing with a locally headquartered bank staffed by employees who are dedicated to meeting their individual needs.

30+ New Branches in 2001

NEW JERSEY

Bergen County
- Fair Lawn
- Paramus Mall

Burlington County
- Willingboro

Cape May County
- Cape May Courthouse

Cumberland County
- Vineland

Essex County
- Bloomfield
- Fairfield
- Nutley

Mercer County
- Pennington
- Princeton

Middlesex County
- East Brunswick
- South Plainfield
- Woodbridge

Monmouth County
- Eatontown
- Holmdel
- Howell
- Marlboro

Morris County
- Chatham
- Chester
- Morris Plains
- Morris Township

Somerset County
- Franklin
- Long Hill
- Warren

Union County
- Berkeley Heights
- Clark
- Cranford
- Edison
- Fanwood
- Metuchen
- Springfield/Blacks Lane

PENNSYLVANIA

Bucks County
- Chalfont/New Britain
- Feasterville
- Newtown/Rte.413/Durham
- Richboro
- Southampton
- Warminster
- Warwick

Chester County
- Lionville
- West Chester

Delaware County
- Chadds Ford

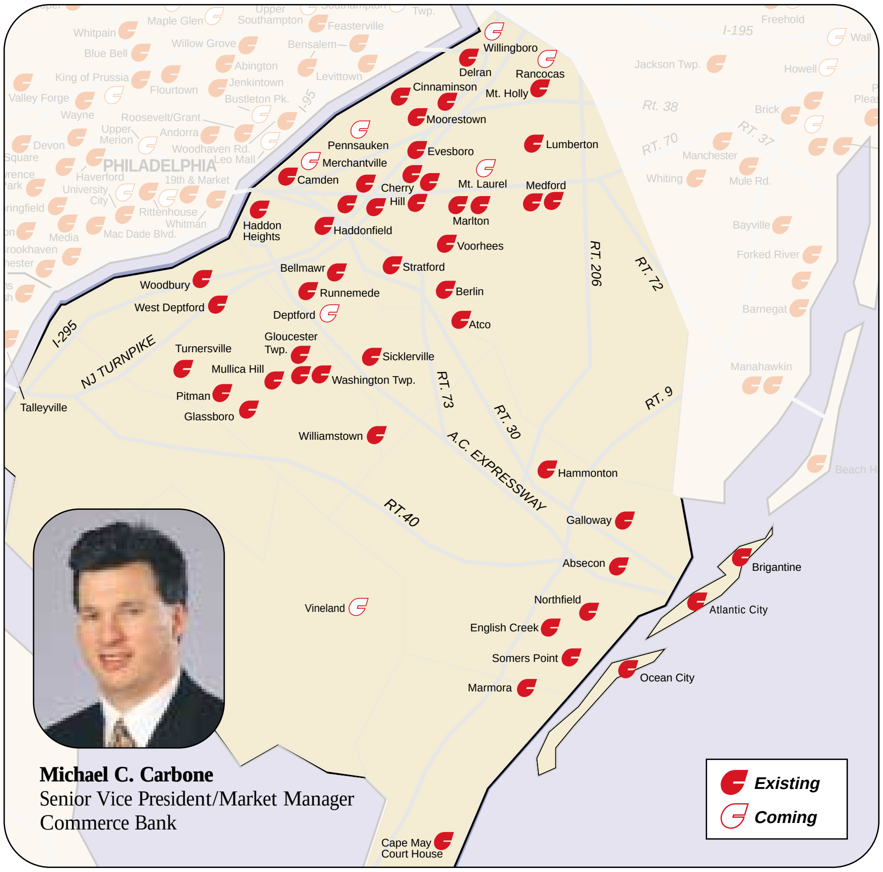
Montgomery County
- King of Prussia

Philadelphia County
- Broad & Jackson
- 16th & Market

DELAWARE

New Castle County
- Fox Run

Southern New Jersey



Michael C. Carbone
Senior Vice President/Market Manager
Commerce Bank

Commerce: South Jersey's Pre-eminent Local Bank

Since welcoming its first customers in 1973, Commerce has focused on building the "ultimate community bank" in southern New Jersey. "We are the bank for the people," says Michael C. Carbone, Senior Vice President and Market Manager for Commerce Bank's South Jersey market.

Today, Commerce's southern New Jersey market is continuing to experience immense growth, and the Bank expects to expand this market's network to 50 branches by the end of 2001. Despite such dramatic growth, Commerce has never strayed from its original goal of operating a local community bank that is managed and staffed by knowledgeable, locally based banking professionals.

By the end of 2000, Commerce Bank's southern New Jersey market, which encompasses Burlington, Camden, Gloucester, Cumberland, Atlantic and Cape May Counties in New Jersey, had assets of $4.6 billion and $3.6 billion in deposits. In addition, during 2000 Commerce reported:

- Deposit growth of $574 million, an increase of 19% over 1999
- Loan growth of $414 million, an increase of 24% over 1999

During 2000, Commerce opened several new branches throughout South Jersey, including:

- Pitman
- Galloway
- Haddon Heights

The expansion will continue in 2001 with branches scheduled to open in:

- Willingboro
- Vineland

The commitment to community – and community banking – is part of the Commerce Bank model. "We've been here for 27 years and our story is still the same. We are committed to our communities and the people of those communities," emphasizes Carbone.

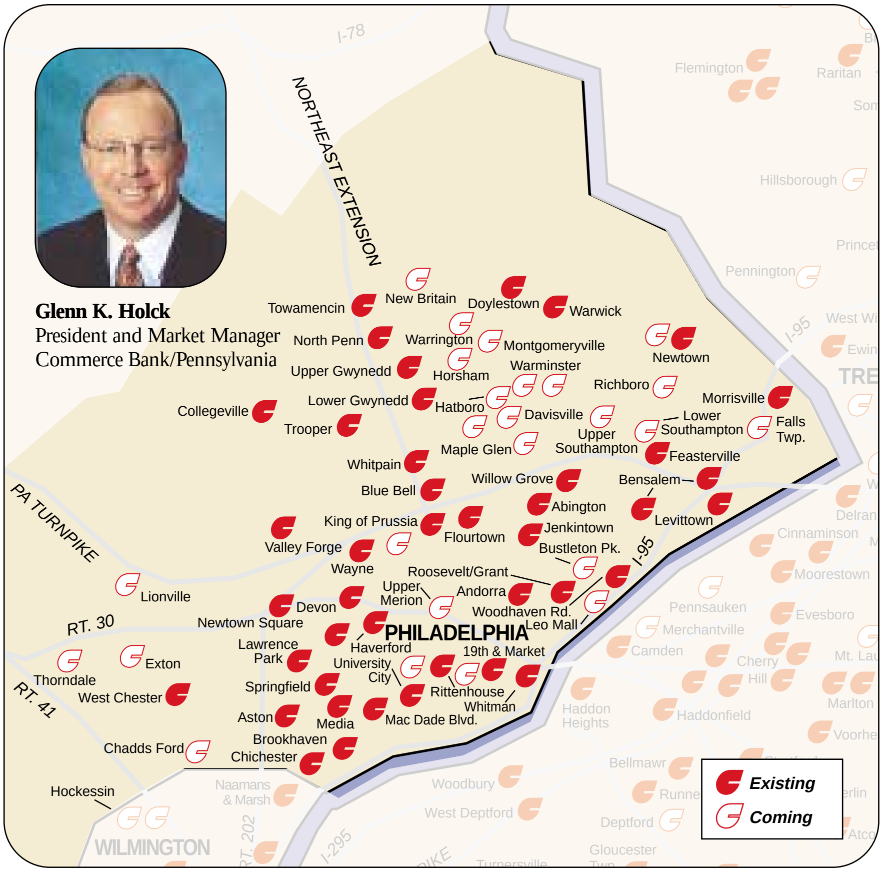
Hiring and training employees to keep pace with the Bank's rapid growth in southern New Jersey was one of Commerce's major endeavors in 2000. To ensure that customers receive memorable service every time they visit a branch, the Bank worked diligently to find employees who were willing to embrace Commerce's "*WOW! The Customer*" Philosophy. New employees received intense training aimed at helping them learn the technical skills associated with their specific jobs. They also were given a first hand look at the vital role they play in reinforcing the Commerce culture and "whatever it takes" attitude to meeting our customers' needs.

Local focus is just one of the key elements of Commerce's success in southern New Jersey. Others include commitment, determination and drive. Strong words that exemplify the region's "team" approach to community banking.

CSR/Teller Christine Call, Head Teller Angela Fidanza and Teller Cherry-Ann Gregory are part of the high-powered Commerce team in Gloucester Township, where our branch is so popular that we offer drive-thru hours until midnight every Friday.

Michael Carbone, Senior Vice President/Market Manager for Commerce Bank, asks Ausimont President Mike Lacey and Francis Ezeuzoh, Director of Finance/Treasurer, about the scale model of the Thorofare, NJ plant. The Ausimont plant in Thorofare, one of our largest business customers in the area, is generally recognized as the world's most advanced facility for the production of PVDF fluoropolymer – a base material for long-life architectural coatings systems under the trade name HYLAR 5000.

Pennsylvania



Glenn K. Holck
President and Market Manager
Commerce Bank/Pennsylvania

Commerce: Metro Philadelphia's Largest Local Bank

Commerce has a major Pennsylvania-based banking operation that provides convenience-focused products and services tailored to meet the needs of local customers.

In addition, with a Center City headquarters complex and growing downtown branch network, Commerce is Philadelphia's leading bank.

"We believe it is important that our customers know we are a Pennsylvania-based bank that is committed to building an extensive branch network to serve the entire metro-Philadelphia region," explains Glenn K. Holck, President and Market Manager for Commerce Bank Pennsylvania.

Commerce further strengthened its Pennsylvania presence in 2000 by adding nine new Pennsylvania branches, including:

- Bensalem
- Levittown
- Aston
- Flourtown
- Towamencin

The Bank's Rittenhouse Square branch, which opened at the end of 1999 at 18th and Walnut Streets in center city Philadelphia, proved to be one of the most successful new offices, recording total deposits of nearly $40 million in its first full year of operation. Commerce Bank/Pennsylvania currently serves Bucks, Chester, Delaware, Montgomery and Philadelphia Counties.

"The opportunity for us in Pennsylvania is unlimited," says Holck. "Everyone is waiting for an office to open near them. We can't build them fast enough." As a result, Commerce will continue its expansion efforts with the addition of nine new Pennsylvania branches in 2001.

In recent years, turmoil in the Greater Philadelphia region's financial services industry sparked significant opportunities for Commerce. As competitors created an atmosphere of skepticism about the future of community banking by closing branches, cutting back on services and expanding fee structures, Commerce Bank/Pennsylvania spent a great deal of time assuring current and prospective customers that it is not "one of the herd."

"Everyone must understand that our model, based on convenience and quality service, is unlike that of any bank they have used in the past," asserts Holck. "Once potential customers come to realize and appreciate the great benefits Commerce offers, they quickly become loyal Commerce fans."

Commerce's strong performance in 2000 reflected the confidence Pennsylvania customers have in the Bank.

The Penny Arcade continues to be a popular service among Commerce customers throughout the market area.

At year-end 2000, Commerce Bank/ Pennsylvania reported:

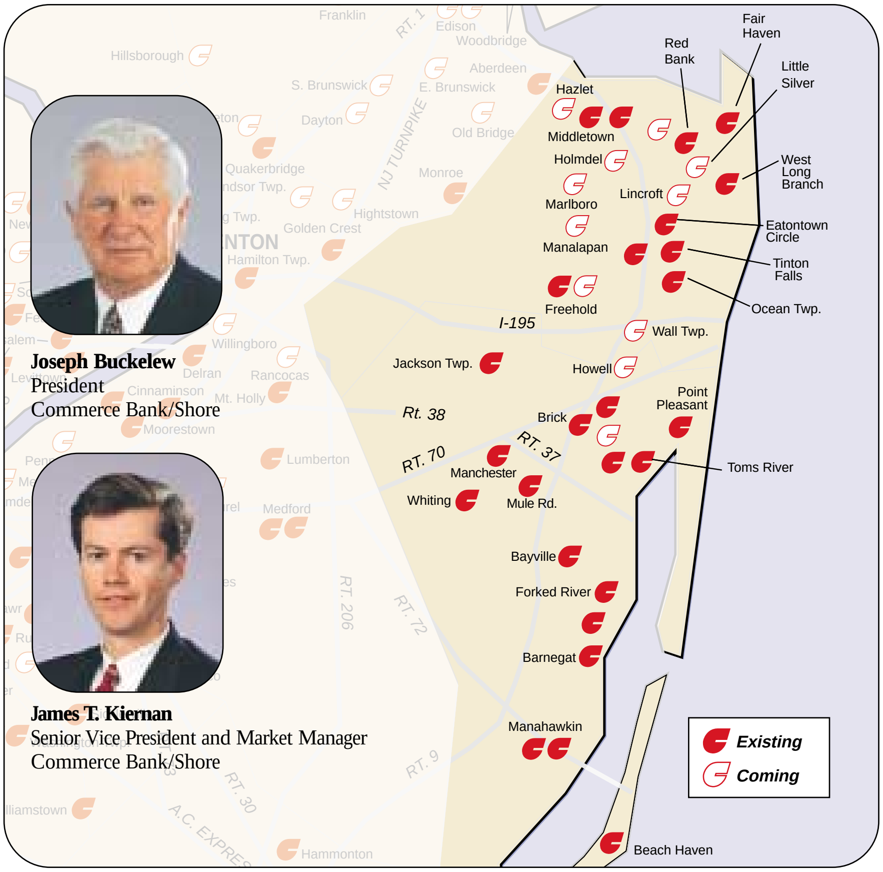
- Total assets of $1.5 billion
- Deposit growth of $530 million, an increase of 60% over 1999
- Loan growth of $89 million, an increase of 27% over 1999

Opening new branches and serving customers was not the only way Commerce Bank/Pennsylvania demonstrated its commitment to the region. Commerce also supported community and service organizations and activities, using people as well as financial resources. As is the case throughout the Commerce Bank system, Pennsylvania market executives lent their expertise to various organizations as Board or Committee Members.

For Commerce Bank/Pennsylvania, 2000 proved to be a successful year. “We are committed to strengthening our reputation as the financial institution of choice throughout our Pennsylvania marketplace,” promises Holck.

Glenn Holck, President Commerce Bank/Pennsylvania, Advertising Specialty Institute President and Commerce Bank Customer Norman Cohn, and Steve Umbrell, Commerce Senior Regional Vice President watch as photographer/technician Mark Pricskett demonstrates the way computers can be used to enhance and manipulate photos and art work.

New Jersey Shore



Joseph Buckelew
President
Commerce Bank/Shore

James T. Kiernan
Senior Vice President and Market Manager
Commerce Bank/Shore

Commerce: The Fastest Growing Bank In Ocean And Monmouth Counties

Commerce Bank/Shore, which includes New Jersey's Ocean and Monmouth Counties, experienced significant growth in 2000. Commerce also is the only bank in the Ocean/Monmouth County Market growing deposits consistently at an annual rate of 25% to 35% a year.

During 2000, Commerce Bank/Shore reached two important milestones: Assets and deposits both exceeded $1 billion. Other performance highlights included:

• Loan growth of $68 million, an increase of 17% over 1999

• Deposit growth of $307 million, an increase of 39% over 1999

The August opening of a local headquarters office in Tinton Falls helped solidify Commerce's Monmouth County presence. In addition to contributing to "brand" awareness, the new headquarters has played an important role in the recruiting process – for both employees

Board of Directors

Joseph Buckelew
President
Commerce Bank/Shore
Toms River, NJ

Vernon W. Hill, II
Chairman and President
Commerce Bancorp, Inc.
Cherry Hill, NJ

Franklin H. Berry, Jr.
Attorney, Senior Partner
Berry, Kagan, Sahradnik, Kotzas and Riordan
Toms River, NJ

Nicholas A. D'Apolito, CPA
Nicholas A. D'Apolito & Company
Little Silver, NJ

Dan D'Onofrio
Real Estate Developer
Toms River, NJ

John K. Lloyd, FACHE
President
Meridian Health Systems
Wall, NJ

James J. Mancini
Mayor of Long Beach Township
Freeholder
Ocean County, NJ

Daniel M. Monroe, CPA
Senior Partner
Cobb, Monroe & Rhine
Toms River, NJ

Gerald F. Murphy
Chairman, Broker of Record
Murphy Realty Preferred Homes
Rumson, NJ

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Executive Vice President
Commerce Bancorp, Inc.
Cherry Hill, NJ

Vincent Storino
Owner
Jenkinson's South, Inc.
Point Pleasant Beach, NJ

John P. Silvestri
President
Site Development, Inc.
Mt. Laurel, NJ

Duncan C. Thecker
President
Duncan C. Thecker Associates
Farmingdale, NJ

Jerold L. Zaro
Attorney
Ansell, Zaro, Grimm & Aaron
Ocean, NJ

Deborah A. Munson, Vice President, Commercial Lending and James Kiernan, Senior Vice President/Market Manager for Commerce Bank/Shore explain loan terms to Candace Kadimik, who with husband Alan Ruiter, own The Beacon House bed and breakfast in Sea Girt, NJ.

and customers. "People see our further commitment to the area through the building of the headquarters," explains James Kiernan, Senior Vice President and Market Manager for Commerce Bank/Shore.

Commerce/Shore has 15 branches serving Ocean County with a regional headquarters in Toms River. In 2000, Commerce added two new branches in Middletown and Ocean Township to its Monmouth County network (bringing the total to 10). The Bank also opened two other offices in Tinton Falls and West Long Branch, which replaced branches that were included in Commerce Bank's acquisition of the Tinton Falls State Bank in 1998. During the coming year, Commerce expects to open new Monmouth County branches in Eatontown, Holmdel, Howell and Marlboro.

As a local bank with a local management team, Commerce has the ability to provide Shore market customers with the service and personal banking experience of a small bank, and the advantages and broad range of products associated with a much larger financial institution. In 2000, the readers of the Times/Beacon newspapers, the leading local newspaper chain, voted Commerce the "Best Bank in Ocean County."

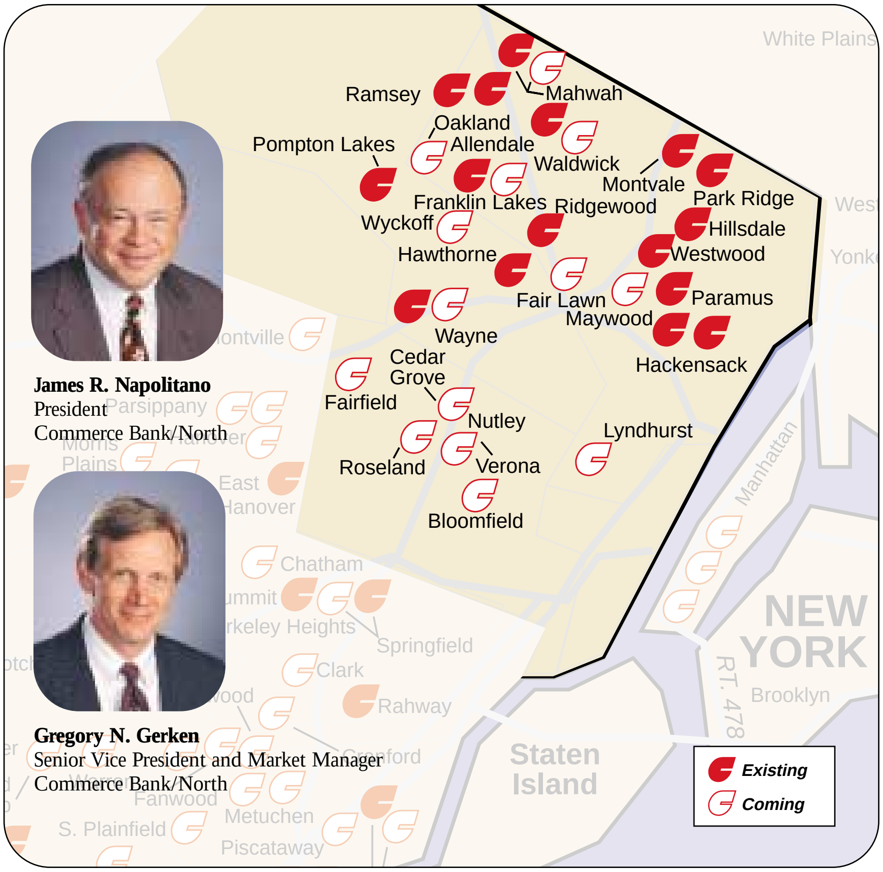
Most important, Commerce/Shore is listening to its customers and developing products specific to the region. For example, Commerce/Shore markets boat loans and provides services for boardwalk concession operators as well as bed & breakfast operators. Many of the businesses in the area are related to tourism and are seasonal in nature. In some cases, customers may need some form of credit enhancement, or require structured seasonal payments. Commerce believes it's all a matter of responding to the market and the needs of customers.

"While other banks are walking away from these customers, Commerce is aggressively pursuing them," notes Kiernan enthusiastically.

Commerce's Shore market holds tremendous growth potential and will be a vital part of the Bank's continuing success.

Ocean Atrium branch manager Stacey Romano and Ellen Elia, Vice President/Retail Market Manager explain Commerce Bank products and services to new senior customers.

Northern New Jersey



James R. Napolitano
President
Commerce Bank/North

Gregory N. Gerken
Senior Vice President and Market Manager
Commerce Bank/North

Commerce: Poised For Rapid Expansion In Northern New Jersey

"Brand awareness has increased significantly over the past year," notes Gregg Gerken, Senior Vice President for Commerce Bank/North. "At this point, we are definitely poised to be an engine of growth in northern New Jersey."

Building a strong brand awareness through extensive community involvement is crucial to Commerce's success in its highly competitive North market. This affluent and densely populated area includes Bergen, Passaic, Hudson and Essex Counties. "We are taking community banking to a whole new level in this region by playing key roles in as many local activities and community events as possible," says James Napolitano, President, Commerce/Bank North.

During the past four years, Commerce Bank/North's assets have more than doubled. In 2000, Commerce/North reported assets of more than $1 billion. Along with growing

Board of Directors

James R. Napolitano
President
Commerce Bank/North
Ramsey, NJ

Vernon W. Hill, II
Chairman and President
Commerce Bancorp, Inc.
Cherry Hill, NJ

J. Fletcher Creamer
Chairman and CEO
J. Fletcher Creamer & Son, Inc.
Hackensack, NJ

Michael Critchley
Attorney
West Orange, NJ

William F. Dator
President
Dator Commercial Real Estate, Inc.
Mahwah, NJ

Dennis M. DiFlorio
Executive Vice President and
Chief Retail Officer
Commerce Bank, N.A.
Mt. Laurel, NJ

John P. Ferguson
President and CEO
Hackensack University
Medical Center
Hackensack, NJ

Joseph A. Haynes
First Vice President
PaineWebber, Incorporated
Hackensack, NJ

Esko J. Koskinen
President
Greenway Construction Company, Inc.
Montvale, NJ

Joseph M. LoScalzo
President
Jomac Realty Co., Inc
Glen Rock, NJ

assets, Commerce also posted gains in other key areas:

- Loan growth of $54 million, an increase of 20% over 1999—commercial loan growth was particularly strong
- Deposit growth of $184 million, an increase of 28% over 1999

Throughout 2000, Commerce extended the scope of its branch network by opening new branches in Wayne and Pompton Lakes. The bank also replaced an existing office in Montvale with a new, easily recognizable Commerce prototype branch. In keeping with its ambitious expansion plan, Commerce announced plans to broaden its North region to include Essex County. The Bank's first two Essex county branches will open in the Spring of 2001 in Fairfield and Bloomfield. A third branch is scheduled to open in Nutley in the fall. Other new

Barbara Ramsay, Commerce Vice President for Government Relations, Mayor Muriel M. Shore, Joseph Catenaro, Fairfield Business Administrator, and Dan DelRoccilli, Commerce Vice President/Retail Market Manager proudly stand before the sign announcing a new Commerce Bank branch in Fairfield (Essex County), New Jersey.

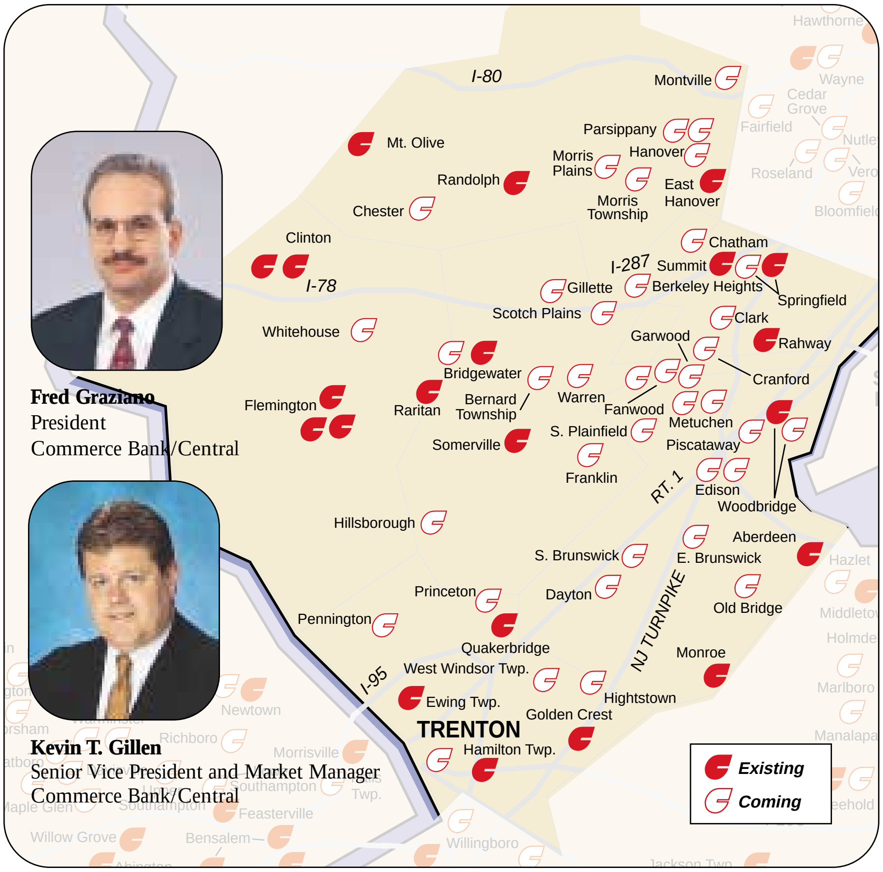
Diane Clemente (left), Regional Vice President/Commercial Lending, discusses Commerce Bank services with Catherine Donnelly, Director of Workplace Services for Children's Aid and Family Services Inc. The organization has been a Commerce customer for a number of years.

branches scheduled to open in the coming year will be located in:

- Fair Lawn
- Paramus

As is the case throughout the Commerce Bank system, there is real commitment from Commerce/North and its employees to the communities it serves. Officers and employees are active in service organizations, charitable groups, and business and professional organizations. Branch managers and assistant managers are involved in local Chambers of Commerce and Rotaries, among other groups and activities.

Central New Jersey



Fred Graziano
President
Commerce Bank/Central

Kevin T. Gillen
Senior Vice President and Market Manager
Commerce Bank/Central

Commerce: Hitting a Home Run in Central New Jersey

"It was a truly remarkable year," says Commerce/Central President and Market Manager Fred Graziano. "Everyone on our team pulled together and helped carry out an ambitious start-up plan."

Although central New Jersey was a relatively new market for Commerce in 2000, the Bank gained considerable momentum during the course of the year.

Commerce's Central region, which includes Hunterdon, Somerset, Mercer, Morris, Middlesex and Union Counties, saw the opening of 10 new branches in 2000 – the most in any region throughout the Commerce Bank system.

The Bank plans to extend its reach into central New Jersey in 2001 through the implementation of an aggressive expansion plan that calls for the opening of 10 to 15 more new branches.

Commerce also reported strong financial results in the Central region. During 2000, assets reached $434 million. Other key indicators of Commerce's successes included:

Board of Directors

Fred Graziano
President
Commerce Bank/Central
Flemington, NJ

Vernon W. Hill, II
Chairman and President
Commerce Bancorp, Inc.
Cherry Hill, NJ

Roland D. Boehm, Sr.
Vice Chairman
Mercer Mutual Insurance Company
Pennington, NJ

Louis R. DeFalco
Founder/Managing Partner
DeFalco & Co., Certified Public Accountants
Scotch Plains, NJ

Dale J. Florio
Founder
Princeton Public Affairs Group
Trenton, NJ

Harvey A. Holzberg
President
Robert Wood Johnson University Hospital
New Brunswick, NJ

Arnold F. Horvath
Senior Vice President
Commerce Bank/Central
Flemington, NJ

John A. Lynch
New Jersey State Senator
East Brunswick, NJ

Robert A. Vreeland
Senior Vice President
Commerce National Insurance Services
Randolph, NJ

Somerset Ballpark – home of the Somerset Patriots minor league baseball team – has been renamed Commerce Bank Park. Commerce's trademark logo is displayed predominantly throughout the Park.

- Deposit growth of $197 million, an increase of 62%, which included a significant gain in government banking deposits
- Loan growth of $86 million, with a net increase of 54%

Establishing a presence in the region was a sizable undertaking, since the majority of Commerce/Central's branches opened between mid-August and the end of the year. Undaunted by the challenge however, Graziano and his staff "pounded the pavement" to meet and get to know the professionals and businesses in the Central area.

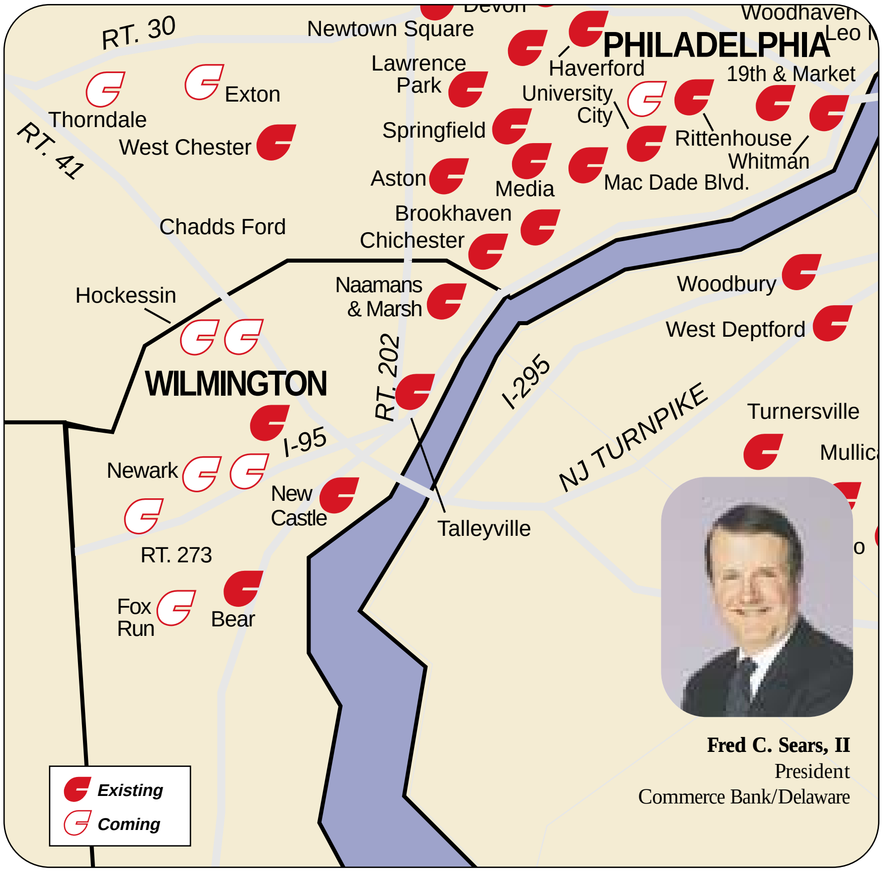
With hard work, Commerce established a solid foundation for its Central region. "In just a few months, we turned the challenges of entering a new market into opportunities by filling two important niches: customer-oriented retail banking and financial services for small- to mid-sized companies," says Graziano. Commerce also gained attention quickly for its commitment to playing an active role in the communities of central New Jersey.

The most visible indication of Commerce's focus on community commitment involved Somerset Park, home of the Somerset Patriots baseball team. In July, the Patriots organization and Commerce Bank announced the development of a comprehensive sponsorship package, and Somerset Ballpark was renamed *Commerce Bank Park*. Located in Bridgewater, the stadium is a brand new, state-of-the art, multi-use facility that is home to the Somerset Patriots of the Atlantic League of Professional Baseball. The renaming of the park was one of the largest naming sponsorships throughout Minor League Baseball.

As the result of a carefully planned and executed start-up effort, Commerce/Central is well positioned for the future. "We have excellent employees, are opening more and more branches to expand our presence, and we're well-thought of in the community. We're looking forward to another great season," says Graziano!

Royal Road Branch Manager Debbie Stout meets with Carol Clark, owner of Budget Print Center of Flemington. Clark is one of our new business customers in the Central market who just can't get enough of our seven-day branch banking, longer hours, and online banking services that set Commerce apart from the competition.

Delaware



Fred C. Sears, II
President
Commerce Bank/Delaware

Commerce:
A Strong Start In Delaware

As a brand new bank, Commerce/ Delaware experienced significant growth during its first full year of operation in 2000.

Commerce's first Delaware branch, which opened at Naaman's & Marsh Roads in northern New Castle County in December 1999, has provided the foundation for the Bank's growth in the First State.

Commerce's second Delaware branch opened in May 2000 attracting considerable attention right from the start. The branch is located in downtown Wilmington, the state's largest city, and has quickly become an active part of the local business community. This branch also has a unique "look" in that Commerce used an old bank building from the 1930s to house its center city branch. Converting the old building was a significant challenge and one that has been met with excitement. So much so, that the contractor has submitted the design for a national award.

Throughout the rest of 2000, Commerce opened three more new branches located at

Board of Directors

Fred C. Sears, II
President
Commerce Bank/Delaware, N.A.
Wilmington, DE

Vernon W. Hill, II
Chairman and President
Commerce Bancorp, Inc.
Cherry Hill, NJ

Ernest "Sam" Congo
President
Congo Services, Inc.
Wilmington, DE

E. Andrew DiSabatino, Jr.
CEO
EDiS Company
Wilmington, DE

William S. Gee
Attorney, Senior Partner
Saul Ewing
Wilmington, DE

Robert G. Hackett, Jr.
Senior Vice President
Commerce National Insurance Services
Wilmington, DE

Dr. Charles M. Smith
President & CEO
Christiana Care Corporation
Wilmington, DE

Henry Topel
President
Henry Topel & Company
Wilmington, DE

Governor's Square in Bear, Route 273 in New Castle and in Talleyville on Concord Pike. During 2001, Commerce/Delaware will open another new branch in Bear, New Castle County.

Although 2000 was a start-up year, with three of its five branches opening after Labor Day, the Bank's unique retail model produced positive results. Commerce/Delaware's assets reached $72 million in 2000. In addition:

• Total deposits reached $67 million

• Total loans reached $26 million

Although Commerce is still a relative newcomer to the First State, the Bank's intense focus on customer service has been well received. "The personal side of retail banking is the big seller," explains Fred C. Sears, Commerce Bank/Delaware President and Market Manager. "Our tellers and customer service representatives go out of their way to give our customers the best possible service."

Breaking into a new market poses numerous challenges, particularly in a tightly knit community such as Delaware. Going forward, Commerce will gain momentum and the potential for growth is very strong. As the Bank continues to expand, there is significant opportunity for gaining State accounts, as well as county and municipal lending business. In 2000, for example, Commerce Bank gained one-third of a major Delaware River Bay Authority bond issue and the Authority's payroll account.

Commerce Assistant Vice President for Commercial Lending in Delaware, Don Morris, and Cathy McKay, Executive Director of Connections CSP, review the organization's loan terms. Connections CSP is one of the largest social services agencies in Delaware.

"Exciting," is how Sears describes the Bank's first year in Delaware. "It's exciting to offer a product no other bank offers. We are open seven days a week, provide free checking with no minimum balance in the first year, offer phenomenal business account products, and everyone loves our free coin counting service."

Commerce Bank/Delaware sees even more opportunity for "*WOW!ing Customers*" in 2001.

Branch Manager Veronica Vivian talks with Commerce Management Development Associate John Reese about the significance of the mural which is a prominent part of the branch's design. Murals made from historic photos of well-known community sites add an interesting and important element of local color to Commerce branches.

Commerce National Insurance Services

Commerce National Insurance Services (CNIS) has grown steadily since its inception in 1996, to become one of the nation's leading insurance brokerage firms. While the average annual revenue growth rate of comparable size brokerage firms is 2% to 4%, CNIS has grown at an annual rate of 15%. Overall, CNIS serves more than 125,000 clients in 25 states with an annual premium volume of $500 million. In addition, CNIS is the largest health care insurance brokerage firm in the New Jersey/Pennsylvania/Delaware region.

The unparalleled success of CNIS is due in large part to the understanding that outstanding service distinguishes the Company from its competitors. Well aware that any brokerage firm can simply put customers and insurance providers together, CNIS takes an active role as their clients' advocate and provides value-added services that many firms neglect.

Comprehensive, 24-hour claims adjustment services are a prime example of the CNIS value-added approach to doing business. Realizing that accidents and losses occur around the clock, CNIS provides easy, direct access to knowledgeable insurance experts who are prepared to guide clients through the adjustment process any time of day or night.

CNIS provides a broad range of coverage that extends from individuals in need of home and auto insurance to major corporations, medical centers, government entities and educational institutions that require multifaceted insurance, employee benefits and risk management programs.

CNIS has Four Primary Areas of Specialization

Commercial Insurance – Expert teams focus on all facets of commercial coverage, from workers' compensation to general liability and others. CNIS has extensive experience in the health care field, professional liability and surety bonding.

Executive and Employee Benefits – CNIS prides itself in its ability to help employers provide attractive, cost-competitive employee benefits packages that strengthen their ability to attract and retain qualified employees.

Risk Management and Loss Control – CNIS takes a proactive role in preventing losses for clients, thereby helping them to control their insurance premiums. Additionally, CNIS specializes in the development and implementation of comprehensive risk management, loss control, safety engineering, training and loss investigation services for public and private sector clients.

Personal Insurance – CNIS makes it easy and convenient for individual customers in New Jersey, Pennsylvania and Delaware to obtain expert advice from insurance specialists who help them get the best coverage at the best possible price, and keep up-to-date on the latest changes in insurance regulations and rates.

South Jersey Industries

Folsom, NJ

Group Employee Benefits

Pettinaro Construction Co.

Wilmington, DE

Commercial Insurance

George E. Norcross, III (seated), Chairman and Chief Executive Officer of Commerce National Insurance Services with Edward Kiessling, President and Chief Operating Officer.

Commerce Capital Markets

Investment Services

Commerce Capital Markets consultants gain the confidence and trust of individual customers by working closely with them to develop investment strategies that focus on key issues, such as minimizing the risk of market volatility and identifying new investment opportunities. To create investment programs that meet their customers' individual needs, Commerce Capital consultants examine a wide range of options including:

- Mutual Funds
- Fixed & Variable Annuities
- Municipal Bonds
- U.S. Treasury Securities
- Stocks & Corporate Securities

Along with providing personalized investment services, Commerce Capital offers convenient online stock trading services through the award-winning Commerce Web site at commerceonline.com.

In addition, Commerce Capital provides Asset Management Services for customers who are interested in maximizing their returns on short-term investments, and offers Commercial Retirement Services to help clients establish and manage employee retirement programs.

Vincent J. Stafford
Chief Executive Officer
Commerce Capital Markets

Public Finance

For the fifth consecutive year, Commerce Capital ranked as New Jersey's most active underwriter of short-term municipal bonds and notes. Commerce completed 161 issues with a total principal value of approximately $791 million.

Commerce Capital's public finance professionals work closely with clients to develop the most appropriate and beneficial financing strategies that incorporate a variety of tax-exempt bonds, notes and other securities.

Commerce Capital specializes in working with:

- A variety of municipal facilities and projects such as the construction of new roads, water and sewage treatment plants.
- New construction/renovation for colleges, universities and numerous non-profit organizations.

$295,000,000
City Of Philadelphia, Pennsylvania
General Obligation Bonds
Series of 2001
Commerce Capital Markets
Served as Lead Manager

$375,000,000
Historically Black Colleges and Universities Capital Financing Program
Designated Bonding Authority, 2001
Commerce Capital Markets
Served as Sole Manager

$175,000,000
Essex County Improvement Authority
Guaranteed Lease Revenue Bonds
Series of 2000
Commerce Capital Markets
Served as Lead Manager

$107,880,000
Delaware River Port Authority
Port District Bonds
Series B of 1999
Commerce Capital Markets
Served as Lead Manager

$28,245,000
City of Atlantic City, New Jersey
General Obligation Bonds
Series of 2000
Commerce Capital Markets
Served as Sole Manager

$20,100,000
Thomas Jefferson University
Pennsylvania Higher Education Facilities Authority
Revenue Bonds
Series of 2000
Commerce Capital Markets
Served as Sole Manager

Community Commitment

Commerce Bank – Caring for Our Communities

Commerce is staunchly committed to being actively involved in the local communities served by the Bank in New Jersey, Pennsylvania and Delaware. Our community commitment is a vital element of the Commerce philosophy.

A History of Community Service

One of the many ways we express our community involvement is through the Commerce Bank Corporate Fund. The Corporate Fund was created to formalize the Bank's commitment to invest in the communities where we do business. Since the Fund was established in 1987, Commerce has contributed $15 million to help improve the quality of life of the people living in the communities served by the Bank.

From neighborhood Little Leagues and high school yearbooks, to the United Way and other regional non-profit organizations, our efforts support area communities on many different levels. Most of our support is focused on civic, social improvement, health and human services, regional economic redevelopment, artistic, cultural, and educational efforts.

During 2000, the Commerce Bank Corporate Fund donated more than $2 million to hundreds of local and regional charities in our service areas. Strong commitment from all of our regions and their employees was exemplified by Corporate Fund contributions to numerous community-based activities and sponsorships.

Commerce Bank supports a number of Little Leagues and Softball Leagues throughout its market areas.

The Lenape (New Jersey) Regional Foundation was the recipient of $20,000 from Commerce Bank for the creation and construction of a 1,500-seat performing arts center to serve Burlington County, NJ. The center is being built adjacent to Cherokee High School in Marlton, and is expected to accommodate a broad range of professional performing arts groups.

Commerce Bank was the major sponsor of the Delaware County (PA) Hero Scholarship Fund's "Hero Bowl." Commerce donated $15,000 to support the annual all-star high school football game that features the best high school senior gridiron stars. Funds from the game go to support the Hero Scholarship Fund of Delaware County, which provides scholarships for children of police and firefighters who have lost their lives in the line of duty.

Among the many community sports organizations supported by Commerce Bank is the Mt. Laurel-based (New Jersey) Hockey for Kids organization, which helps local boys and girls learn how to play hockey.

In 2000, Commerce also was involved in economic redevelopment efforts in Wilmington, DE. Commerce donated $10,000 to the Wilmington Renaissance Corporation to assist in the revitalization of the central Wilmington Downtown Business District. The organization acquires sites needed for development and economic renewal, as well as spearheading efforts to attract new restaurants and businesses to downtown Wilmington.

Going the Extra Mile

Officers and employees throughout the Commerce Bank system are active in numerous service organizations, charitable groups and activities, and business and professional organizations.

In many cases, Commerce goes the "extra mile" by providing not just financial support, but additional services to particular organizations and activities:

Mary Beth Vatcher, Commerce Bank Regional Vice President (left) presents a check to Dee DeBernardis, director of health/safety for the Bergen Crossroads Chapter of the American Red Cross. The donation sponsored the placement of automated external defibrillator training machines in the Bergen Crossroads Chapter House.

- Significant marketing and administrative services for the National Multiple Sclerosis Society's "MS150 City to Shore Bike Tour"
- Event staffing for the Haddonfield Symphony's program, "Concerts for Young People"
- Event organization and volunteer staffing efforts for the American Red Cross' "Rock 'n Ride Bike Tour" on Long Beach Island
- A Bank-wide VISA® promotion held to raise additional funds and awareness for Special Olympics organizations in New Jersey and Pennsylvania
- Event staffing and give-away distribution at the "Tour of Somerville" event which benefits various Somerset County, New Jersey charities

Commerce Bank's Market Manager/Monmouth County, Matthew Appel (left) and Carol Mannino, the Jackson Branch Manager (far right) present a check to Chris Fallon and Kelly Dipold, co-chairs of the Jackson Playground Project to help defray the costs of the brand new state-of-the-art fun-center playground in Jackson Township, New Jersey.

Commerce Bancorp

Standing left to right: Morton N. Kerr, Joseph T. Tarquini Jr., Joseph Buckelew, C. Edward Jordan, Jr., David Baird, IV, Daniel J. Ragone
Seated left to right: Robert C. Beck, Steven M. Lewis, Vernon W. Hill, II, Jack R Bershad, Frank C. Videon, Sr. (Not pictured, William A. Schwartz Jr.)

Board of Directors

Vernon W. Hill, II
Chairman and President
Commerce Bancorp, Inc.
Cherry Hill, NJ

David Baird, IV
Builder/Developer
DBIV, L.L.C.
Haddonfield, NJ

Robert C. Beck
Attorney, Senior Partner
Parker, McCay & Criscuolo
Cherry Hill, NJ

Jack R Bershad
Attorney, Chairman Emeritus
Blank, Rome, Comisky & McCauley
Philadelphia, PA

Joseph Buckelew
President
Commerce Bank/Shore
Toms River, NJ

C. Edward Jordan, Jr.
Executive Vice President
Commerce Bancorp, Inc.
Cherry Hill, NJ

Morton N. Kerr
Chairman
Markeim-Chalmers, Inc.
Cherry Hill, NJ

Steven M. Lewis
President
U.S. Restaurants, Inc.
Blue Bell, PA

Daniel J. Ragone
Consultant/Former President
Ragone, Raible, Lacatena & Beppel, PC
Haddonfield, NJ

William A. Schwartz, Jr.
Chairman, CEO and President
U. S. Vision
Glendora, NJ

Joseph T. Tarquini Jr., A.I.A.
Architect
Joseph T. Tarquini Jr., L.L.C.
Camden, NJ

Frank C. Videon, Sr.
Owner
Frank C. Videon Funeral Home
Broomall, PA

Senior Executives

Vernon W. Hill, II
Chairman and President

Dennis M. DiFlorio
Chief Retail Officer

Robert D. Falese
Chief Lending Officer

Peter M. Musumeci, Jr.
Chief Credit Officer

John J. Cunningham, Jr.
Chief Marketing Officer

C. Edward Jordan, Jr.
Executive Vice President

Commerce Bancorp, Inc. and Subsidiaries Selected Financial Data

	Year Ended December 31,				
(dollars in thousands, except per share data)	**2000**	1999	1998	1997	1996
Income Statement Data:					
Net interest income	**$ 296,930**	$ 244,367	$ 194,661	$ 165,322	$ 139,959
Provision for loan losses	**13,931**	9,175	8,762	5,805	5,798
Noninterest income	**150,760**	114,596	96,277	62,410	36,129
Noninterest expense	**315,357**	252,523	213,950	153,804	121,285
Income before income taxes	**118,402**	97,265	68,226	68,123	49,005
Net income	**80,047**	65,960	42,155	44,432	31,149
Balance Sheet Data:					
Total assets	**$8,296,516**	$6,635,793	$5,424,190	$4,387,851	$3,592,972
Loans (net)	**3,638,580**	2,922,706	2,249,061	1,638,836	1,463,933
Securities available for sale	**2,021,326**	1,664,257	1,305,004	1,330,684	779,630
Securities held to maturity	**1,513,456**	1,201,892	1,220,874	985,676	919,149
Trading securities	**109,306**	117,837	85,359	7,911	15,327
Federal funds sold	**52,000**	5,300	10,395	15,813	36,625
Deposits	**7,387,594**	5,608,920	4,928,808	3,784,576	3,251,865
Long-term debt	**23,000**	23,000	24,282	25,308	26,333
Trust preferred securities	**57,500**	57,500	57,500	57,500	
Stockholders' equity	**492,224**	356,756	323,552	279,900	228,543
Per Share Data:					
Net income-basic	**$ 2.59**	$ 2.26	$ 1.49	$ 1.64	$ 1.24
Net income-diluted	**2.49**	2.17	1.42	1.56	1.16
Cash dividends	**0.97**	0.83	0.87	0.55	0.46
Book value	**15.55**	11.99	11.28	10.27	8.54
Average shares outstanding:					
Basic	**30,878**	29,155	28,254	26,715	24,450
Diluted	**32,111**	30,465	29,662	28,386	26,850
Selected Ratios:					
Performance					
Return on average assets	**1.09%**	1.12%	0.87%	1.12%	0.95%
Return on average equity	**19.81**	19.63	13.57	17.87	15.17
Net interest margin	**4.62**	4.65	4.42	4.59	4.65
Liquidity and Capital					
Average loans to average deposits	**52.17%**	50.31%	44.71%	45.07%	45.64%
Dividend payout	**37.45**	36.64	58.55	33.31	36.71
Stockholders' equity to total assets	**5.93**	5.38	5.96	6.38	6.36
Risk-based capital:					
Tier 1	**10.79**	11.40	12.09	14.91	12.36
Total	**11.92**	12.72	13.71	17.06	14.71
Leverage capital	**6.92**	7.02	7.05	7.69	6.53
Asset Quality					
Non-performing assets to total year-end assets	**0.20%**	0.18%	0.27%	0.43%	0.56%
Net charge-offs to average loans outstanding	**0.11**	0.08	0.08	0.13	0.24
Non-performing loans to total year-end loans	**0.37**	0.29	0.38	0.78	0.80
Allowance for loan losses to total end of year loans	**1.32**	1.30	1.37	1.45	1.37
Allowance for loan losses to non-performing loans	**356.84**	442.09	364.86	187.35	170.74

Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company analyzes the major elements of the Company's consolidated balance sheets and statements of income. This section should be read in conjunction with the Company's consolidated financial statements and accompanying notes.

2000 Overview

In 2000, the Company posted increases in net income, deposits, loans, and assets. The increase in net income was due to increases in net interest income and noninterest income, which offset increased noninterest expenses. Loan growth totaled 24% for 2000, and deposit growth totaled 32%. At December 31, 2000, the Company had total assets of $8.3 billion, total loans of $3.7 billion, total investment securities of $3.6 billion, and total deposits of $7.4 billion.

Segment Reporting

The Company operates one reportable segment of business, Community Banks, as more fully described in Note 19 to the Consolidated Financial Statements on page 80. The following table summarizes net income by segment for each of the last three years:

	Net Income		
	2000	1999	1998
Community Banks	$77,262	$66,313	$43,627
Parent/Other	2,785	(353)	(1,472)
Consolidated total	$80,047	$65,960	$42,155

Average Balances and Net Interest Income

The table on page 46 sets forth balance sheet items on a daily average basis for the years ended December 31, 2000, 1999 and 1998 and presents the daily average interest rates earned on assets and the daily average interest rates paid on liabilities for such periods. During 2000, average interest earning assets totaled $6.6 billion, an increase of $1.3 billion, or 23% over 1999. This increase resulted primarily from the increase in the average balance of loans, which rose $761.8 million, and the average balance of investment securities, which rose $446.3 million during 2000. The growth in the average balance of interest earning assets was funded primarily by an increase in the average balance of deposits (including noninterest-bearing demand deposits) of $1.3 billion. The growth in interest earning assets was also partly funded by an increase in other borrowed money, which rose $84.8 million to an average balance of $268.3 million during 2000.

Net Interest Income and Net Interest Margin

Net interest margin on a tax-equivalent basis was 4.62% for 2000, a decrease of three basis points from 1999.

Net interest income on a tax-equivalent basis (which adjusts for the tax-exempt status of income earned on certain loans and investments to express such income as if it were taxable) for 2000 was $306.1 million, an increase of $56.6 million, or 23%, over 1999. Interest income on a tax-equivalent basis increased to $514.5 million from $391.6 million, or 31%. This increase was primarily related to volume increases in the loan and investment portfolios. Interest expense for 2000 rose $66.3 million to $208.4 million from $142.1 million in 1999. This increase was primarily related to increases in the Company's levels of deposits and other borrowed money.

The tax-equivalent yield on interest earning assets during 2000 was 7.76%, an increase of 47 basis points from 7.29% in 1999.

The cost of interest-bearing liabilities increased 60 basis points in 2000 to 3.89% from 3.29% in 1999. The increase resulted primarily from increased general market interest rates during 2000 as compared to 1999. The cost of total funding sources increased 50 basis points in 2000 to 3.14% from 2.64%.

The following table presents the major factors that contributed to the changes in net interest income for the years ended December 31, 2000 and 1999 as compared to the respective previous periods.

	2000 vs. 1999 Increase (Decrease) Due to Changes in (1)			1999 vs. 1998 Increase (Decrease) Due to Changes in (1)		
	Volume	Rate	Total	Volume	Rate	Total
(dollars in thousands)						
Interest on investments:						
Taxable	$25,664	$9,371	$35,035	$12,294	$1,724	$14,018
Tax-exempt	1,029	54	1,083	387	99	486
Trading	3,708	492	4,200	2,552	253	2,805
Federal funds sold	3,224	263	3,487	(1,474)	(114)	(1,588)
Interest on loans:						
Commercial real estate	23,976	2,956	26,932	18,805	(3,994)	14,811
Commercial	18,348	4,111	22,459	10,824	(1,869)	8,955
Consumer	19,198	4,261	23,459	23,752	(2,315)	21,437
Tax-exempt	5,676	551	6,227	3,279	(121)	3,158
Total interest income	100,823	22,059	122,882	70,419	(6,337)	64,082
Interest expense:						
Regular savings	9,306	6,795	16,101	2,952	(2,900)	52
N.O.W. accounts	(2,445)	2,293	(152)	285	808	1,093
Money market plus	17,307	10,546	27,853	10,487	(1,671)	8,816
Time deposits	565	3,621	4,186	3,414	(3,479)	(65)
Public funds	7,550	4,289	11,839	(1,843)	(1,765)	(3,608)
Other borrowed money	5,352	1,711	7,063	6,177	(311)	5,866
Long-term debt		(600)	(600)		(56)	(56)
Total interest expense	37,635	28,655	66,290	21,472	(9,374)	12,098
Net increase	$63,188	$(6,596)	$56,592	$48,947	$3,037	$51,984

(1) Changes due to both volume and rate have been allocated to volume or rate changes in proportion to the absolute dollar amounts of the change in each.

Noninterest Income

For 2000, noninterest income totaled $150.8 million, an increase of $36.2 million or 32% from 1999. The increase was due primarily to increased other operating income, which rose $23.4 million from 1999, including an increase of $13.2 million in revenues from Commerce National Insurance Services, Inc. (Commerce National Insurance), the Company's insurance brokerage subsidiary. In addition, deposit charges and service fees increased $12.1 million over 1999 due primarily to higher transaction volumes, and net investment securities gains increased $631 thousand over the prior year.

Noninterest Expenses

Noninterest expenses totaled $315.4 million for 2000, an increase of $62.8 million, or 25% over 1999. Contributing to this increase was the addition of 30 new branches. With the addition of these new offices, staff, facilities, marketing, and related expenses rose accordingly. Other noninterest expenses rose $14.5 million to $55.2 million in 2000. This increase resulted primarily from increased bank-card related service charges, increased business development expenses, and increased provisions for non-credit-related losses.

A key industry productivity measure is the operating efficiency ratio. This ratio expresses the relationship of noninterest expenses (excluding other real estate expenses) to net interest income plus noninterest income (excluding non-recurring gains). Over the last three years, this ratio equaled 70.72%, 70.36% and 73.81% in 2000, 1999 and 1998, respectively. The Company's efficiency ratio remains above its peer group primarily due to its aggressive expansion activities.

Commerce Bancorp, Inc. and Subsidiaries Average Balances and Net Interest Income

	Year Ended December 31,								
	2000			1999			1998		
(dollars in thousands) Earning Assets	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Investment securities									
Taxable	$2,964,401	$199,747	6.74 %	$2,583,530	$164,712	6.38 %	$2,390,688	$150,693	6.30 %
Tax-exempt	74,001	4,911	6.64	58,503	3,828	6.54	52,592	3,342	6.35
Trading	120,702	8,969	7.43	70,800	4,769	6.74	32,921	1,965	5.97
Total investment securities	3,159,104	213,627	6.76	2,712,833	173,309	6.39	2,476,201	156,000	6.30
Federal funds sold	69,841	4,465	6.39	19,419	978	5.04	48,691	2,566	5.27
Loans									
Commercial real estate	1,235,690	108,917	8.81	963,679	81,985	8.51	742,644	67,174	9.05
Commercial	711,826	68,074	9.56	519,963	45,615	8.77	396,578	36,660	9.24
Consumer	1,323,795	106,984	8.08	1,086,487	83,525	7.69	777,518	62,088	7.99
Tax-exempt	132,507	12,449	9.40	71,926	6,222	8.65	34,018	3,064	9.01
Total loans	3,403,818	296,424	8.71	2,642,055	217,347	8.23	1,950,758	168,986	8.66
Total earning assets	$6,632,763	$514,516	7.76 %	$5,374,307	$391,634	7.29 %	$4,475,650	$327,552	7.32 %
Sources of Funds									
Interest-bearing liabilities									
Regular savings	$1,352,364	$ 36,935	2.73 %	$1,011,642	$ 20,834	2.06 %	$ 868,311	$ 20,782	2.39 %
N.O.W. accounts	170,118	5,918	3.48	240,409	6,070	2.52	229,109	4,977	2.17
Money market plus	2,149,329	67,057	3.12	1,594,602	39,204	2.46	1,168,045	30,388	2.60
Time deposits	892,780	47,181	5.28	882,081	42,995	4.87	812,028	43,060	5.30
Public funds	439,972	27,865	6.33	320,768	16,026	5.00	357,663	19,634	5.49
Total deposits	5,004,563	184,956	3.70	4,049,502	125,129	3.09	3,435,156	118,841	3.46
Other borrowed money	268,304	16,943	6.31	183,554	9,880	5.38	68,795	4,014	5.83
Long-term debt	80,500	6,471	8.04	80,500	7,071	8.78	80,500	7,127	8.85
Total deposits and interest-bearing liabilities	5,353,367	208,370	3.89	4,313,556	142,080	3.29	3,584,451	129,982	3.63
Noninterest-bearing funds (net)	1,279,396			1,060,751			891,199		
Total sources to fund earning assets	$6,632,763	208,370	3.14	$5,374,307	142,080	2.64	$4,475,650	129,982	2.90
Net interest income and margin tax-equivalent basis		306,146	4.62		249,554	4.65		197,570	4.42
Tax-exempt adjustment		9,216			5,187			2,909	
Net interest income and margin		$296,930	4.48 %		$244,367	4.55 %		$194,661	4.35 %
Other Balances									
Cash and due from banks	$ 328,390			$ 251,438			$ 197,282		
Other assets	431,884			312,652			220,142		
Total assets	7,348,963			5,903,869			4,866,005		
Demand deposits (noninterest-bearing)	1,519,313			1,202,412			927,601		
Other liabilities	72,162			51,921			43,248		
Stockholders' equity	404,121			335,982			310,705		

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 loans held for sale.

Income Taxes

The provision for federal and state income taxes for 2000 was $38.4 million compared to $31.3 million in 1999 and $26.1 million in 1998. The effective tax rate was 32.4%, 32.2% and 38.2% in 2000, 1999 and 1998, respectively.

Net Income

Net income for 2000 was $80.0 million, an increase of $14.0 million, or 21% over the $66.0 million recorded for 1999. The increase in net income was due to increases in net interest income and noninterest income, which offset increased noninterest expenses.

Diluted net income per share of common stock for 2000 was $2.49 compared to $2.17 per common share for 1999.

Return on Average Equity and Average Assets

Two industry measures of the performance by a banking institution are its return on average assets and return on average equity. Return on average assets ("ROA") measures net income in relation to total average assets and indicates a company's ability to employ its resources profitably. For 2000, the Company's ROA was 1.09% compared to 1.12% for 1999. Return on average equity ("ROE") is determined by dividing annual net income by average stockholders' equity and indicates how effectively a company can generate net income on the capital invested by its stockholders. For 2000, the Company's ROE was 19.81% compared to 19.63% for 1999.

Loan Portfolio

The following table summarizes the loan portfolio of the Company by type of loan as of December 31, for each of the years 1996 through 2000.

	December 31,				
	2000	1999	1998	1997	1996
(dollars in thousands)					
Commercial real estate:					
Owner-occupied	$ 685,916	$ 512,087	$ 425,764	$ 332,745	$ 252,629
Investor/developer	471,604	395,086	330,769	270,822	281,099
Construction	380,804	185,712	122,797	64,948	60,434
	1,538,324	1,092,885	879,330	668,515	594,162
Commercial:					
Term	469,564	393,953	282,556	211,827	205,990
Line of credit	430,811	277,917	192,485	118,631	106,326
Demand	1,400	1,328	417	617	708
	901,775	673,198	475,458	331,075	313,024
Consumer:					
Mortgages (1-4 family residential)	351,644	428,453	322,310	184,479	171,102
Installment	154,415	125,856	96,188	89,150	83,953
Home equity	710,848	621,597	494,047	377,437	311,122
Credit lines	30,254	19,099	12,993	12,330	10,967
	1,247,161	1,195,005	925,538	663,396	577,144
Total loans	$3,687,260	$2,961,088	$2,280,326	$1,662,986	$1,484,330

The Company manages risk associated with its loan portfolio through diversification, underwriting policies and procedures, and ongoing loan monitoring efforts. The commercial real estate portfolio includes owner-occupied (owner occupies greater than 50% of the property), investor/developer loans, and construction loans. Owner-occupied and other investor/developer loans generally have five year call provisions and bear the personal guarantees of the principals involved. Construction loans are primarily used for single family residential properties. Financing is provided against firm agreements of sale, with speculative construction limited to one sample per project. The commercial loan portfolio is comprised primarily of amortizing loans to small businesses in the New Jersey/Southeastern Pennsylvania/Delaware market area. These loans are generally secured by business assets, personal guarantees, and/or personal assets of the borrower. The consumer loan portfolio is comprised primarily of loans secured by first and second mortgage liens on residential real estate.

The maturity ranges of the loan portfolio and the amount of loans with predetermined interest rates and floating rates in each maturity range, as of December 31, 2000, are summarized in the following table.

	December 31, 2000			
	Due in One Year or Less	Due in One to Five Years	Due in Over Five Years	Total
(dollars in thousands)				
Commercial real estate:				
Owner-occupied and investor/ developer	$ 145,278	$ 882,280	$129,962	$1,157,520
Construction	231,526	145,585	3,693	380,804
	376,804	1,027,865	133,655	1,538,324
Commercial:				
Term	135,222	277,303	57,039	469,564
Line of credit	416,876	13,935		430,811
Demand	920	480		1,400
	553,018	291,718	57,039	901,775
Consumer:				
Mortgages (1-4 family Residential)	7,890	35,493	308,261	351,644
Installment	71,723	73,206	9,486	154,415
Home equity	83,776	285,968	341,104	710,848
Credit lines	11,510	18,744		30,254
	174,899	413,411	658,851	1,247,161
Total loans	$1,104,721	$1,732,994	$849,545	$3,687,260
Interest rates:				
Predetermined	$ 368,168	$1,373,070	$641,422	$2,382,660
Floating	736,553	359,924	208,123	1,304,600
Total loans	$1,104,721	$1,732,994	$849,545	$3,687,260

During 2000, loans increased $726.2 million, or 24% from $3.0 billion to $3.7 billion. At December 31, 2000, loans represented 50% of total deposits and 44% of total assets. All segments of the loan portfolio experienced growth in 2000, including loans secured by commercial real estate, commercial loans, and consumer loans.

The Company has traditionally been an active provider of commercial real estate loans to creditworthy local borrowers, with such loans secured by properties within the Company's primary trade area. At December 31, 2000, $685.9 million, or 45%, of commercial real estate loans (other than construction) were secured by owner-occupied properties. Commercial loan growth was led by activity in the middle market and healthcare sectors. Growth in consumer loans was due primarily to home equity loans and home equity lines of credit. The Company securitized $106.5 million and $252.4 million of residential mortgage loans during the third and fourth quarter, respectively, and included the securities in its held to maturity investment portfolio.

Commercial real estate construction loans increased $195.1 million to $380.8 million in 2000. At December 31, 2000, construction loans for 1-4 family residential dwellings totaled $13.7 million and construction loans secured by commercial properties amounted to $146.6 million. The balance of $220.5 million was for land development, of which $131.0 million was residential. As of December 31, 2000, there were no concentrations of loans to any one type of industry exceeding 10% of total loans nor were there any loans classified as highly leveraged transactions.

Non-Performing Loans and Assets

Non-performing assets (non-performing loans and other real estate, excluding loans past due 90 days or more and still accruing interest) at December 31, 2000 were $16.6 million or .20% of total assets, as compared to $12.2 million or .18% of total assets at December 31, 1999.

Total non-performing loans (non-accrual loans, and restructured loans excluding loans past due 90 days or more and still accruing interest) at December 31, 2000 were $13.6 million as compared to $8.7 million a year ago. The Company generally places a loan on non-accrual status and ceases accruing interest when loan payment performance is deemed unsatisfactory. Generally loans past due 90 days are placed on non-accrual status, unless the loan is both well secured and in the process of collection. At December 31, 2000, loans past due 90 days or more and still accruing interest amounted to $489 thousand, compared to $499 thousand at December 31, 1999. Additional loans considered as potential problem loans ($36.3 million at December 31, 2000) by the Company's internal loan review department have been evaluated as to risk exposure in determining the adequacy of the allowance for loan losses.

Other real estate (ORE) totaled $3.0 million at December 31, 2000 as compared to $3.5 million at December 31, 1999. These properties have been written down to the lower of cost or fair value less disposition costs.

The Company has on an ongoing basis updated appraisals on loans secured by real estate, particularly those categorized as non-performing loans and potential problem loans. In those instances where updated appraisals reflect reduced collateral values, an evaluation of the borrowers' overall financial condition is made to determine the need, if any, for possible writedowns or appropriate additions to the allowance for loan losses.

The following summary presents information regarding non-performing loans and assets as of December 31, 1996 through 2000.

	Year Ended December 31,				
	2000	1999	1998	1997	1996
(dollars in thousands)					
Non-accrual loans [1]:					
Commercial	$ 4,955	$ 2,254	$ 2,655	$ 2,937	$ 1,746
Consumer	1,295	674	831	703	1,164
Real estate					
Construction	1,459	55		1,345	2,156
Mortgage	5,840	5,230	4,849	7,886	6,378
Total non-accrual loans	13,549	8,213	8,335	12,871	11,444
Restructured loans [1]:					
Commercial	11	277	17	19	21
Real estate mortgage	82	192	217		481
Total restructured loans	93	469	234	19	502
Total non-performing loans	13,642	8,682	8,569	12,890	11,946
Other real estate	2,959	3,523	6,081	5,845	8,252
Total non-performing assets	$16,601	$12,205	$14,650	$18,735	$20,198
Non-performing assets as a percent of total assets	0.20%	0.18%	0.27%	0.43%	0.56%
Loans past due 90 days or more and still accruing interest	$ 489	$ 499	$ 1,029	$ 818	$ 948

(1) Interest income of approximately $1,731,000, $986,000, $1,030,000, $1,434,000 and $1,263,000 would have been recorded in 2000, 1999, 1998, 1997 and 1996 respectively, on non-performing loans in accordance with their original terms. Actual interest recorded on these loans amounted to $525,000 in 2000, $255,000 in 1999, $266,000 in 1998, $323,000 in 1997, and $262,000 in 1996.

Allowance for Loan Losses

The allowance for loan losses is increased by provisions charged to expense and reduced by loan charge-offs net of recoveries. Management has established a loan loss reserve which it believes is adequate for estimated losses in its loan portfolio. Based on an evaluation of the loan portfolio, management presents a quarterly review of the loan loss reserve to the Board of Directors, indicating any changes in the reserve since the last review and any recommendations as to adjustments in the reserve. In making its evaluation, management considers the results of recent regulatory examinations, the effects on the loan portfolio of current economic indicators and their probable impact on borrowers, the amount of charge-offs for the period, the amount of non-performing loans and related collateral security, the evaluation of its loan portfolio by the internal loan review department and the annual examination of the Company's financial statements by its independent auditors. Charge-offs occur when loans are deemed to be uncollectible.

Through an internal loan review function that operates independently of the lending function, management employs several methodologies to measure the appropriate level of loan loss reserves. Those methodologies include migration analyses based on historical experience and the related internal ratings of loans charged off, and an allocation methodology based on the review of individual loans, individual loan classifications, and collateral values. When utilizing the allocation methodology, an unallocated portion of the reserve is determined based on management's assessment of general national, regional, and local economic conditions. This determination inherently involves a higher degree of subjectivity, and considers risk factors that may not have yet manifested themselves in the Company's historical loss experience or other methodology criteria.

During 2000, net charge-offs amounted to $3.6 million, or .11% of average loans outstanding for the year, compared to $2.1 million or .08% of average loans outstanding for 1999. During 2000, the Company recorded provisions of $13.9 million to the allowance for loan losses compared to $9.2 million for 1999. At December 31, 2000, the allowance aggregated $48.7 million or 1.32% of total loans and provided coverage of 357% of non-performing loans.

The following table presents, for the periods indicated, an analysis of the allowance for loan losses and other related data.

	Year Ended December 31,				
	2000	1999	1998	1997	1996
(dollars in thousands)					
Balance at beginning of period	$38,382	$31,265	$24,150	$20,397	$17,919
Provisions charged to operating expenses	13,931	9,175	8,762	5,805	5,798
	52,313	40,440	32,912	26,202	23,717
Recoveries of loans previously charged-off:					
Commercial	313	551	418	360	378
Consumer	249	286	305	415	276
Commercial real estate	14	132	764	144	95
Total recoveries	576	969	1,487	919	749
Loans charged-off:					
Commercial	(2,936)	(1,599)	(1,281)	(1,481)	(1,647)
Consumer	(1,220)	(1,078)	(1,352)	(1,344)	(1,119)
Commercial real estate	(53)	(350)	(501)	(146)	(1,303)
Total charged-off	(4,209)	(3,027)	(3,134)	(2,971)	(4,069)
Net charge-offs	(3,633)	(2,058)	(1,647)	(2,052)	(3,320)
Balance at end of period	$48,680	$38,382	$31,265	$24,150	$20,397
Net charge-offs as a percentage of average loans outstanding	0.11%	0.08%	0.08%	0.13%	0.24%
Allowance for loan losses as a percentage of year-end loans	1.32%	1.30%	1.37%	1.45%	1.37%

Allocation of the Allowance for Loan Losses

The following table details the allocation of the allowance for loan losses to the various categories. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future loan losses may occur. The total allowance is available to absorb losses from any segment of loans.

	Allowance for Loan Losses at December 31,									
	2000		1999		1998		1997		1996	
	Amount	% Gross Loans	Amount	% Gross Loans	Amount	% Gross Loans	Amount	% Gross Loans	Amount	% Gross Loans
(dollars in thousands)										
Commercial	$20,396	24%	$14,268	23%	$ 7,738	21%	$ 5,236	20%	$ 4,108	21%
Consumer	4,632	34	4,120	40	7,800	41	6,406	40	4,808	39
Commercial real estate	23,652	42	19,994	37	15,727	38	12,508	40	11,481	40
	$48,680	100%	$38,382	100%	$31,265	100%	$24,150	100%	$20,397	100%

Investment Securities

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.

	December 31,		
	2000	1999	1998
(dollars in thousands)			
U.S. Government agency and mortgage-backed obligations	$1,900,912	$1,582,933	$1,154,765
Obligations of state and political subdivisions	46,544	42,182	26,041
Equity securities	16,825	9,107	15,397
Other	57,045	30,035	108,801
Securities available for sale	$2,021,326	$1,664,257	$1,305,004
U.S. Government agency and mortgage-backed obligations	$1,437,993	$1,134,115	$1,165,290
Obligations of state and political subdivisions	42,938	35,667	30,654
Other	32,525	32,110	24,930
Securities held to maturity	$1,513,456	$1,201,892	$1,220,874

Consistent with accounting and regulatory pronouncements, the Company has segregated a portion of its investment portfolio as securities available for sale. The balance of the investment portfolio (excluding trading securities) is categorized as securities held to maturity. Investment securities are classified as available for sale if they might be sold in response to changes in interest rates, prepayment risk, the Company's income tax position, the need to increase regulatory capital, liquidity needs or other similar factors. These securities are carried at fair market value. Investment securities are classified as held to maturity when the Company has the intent and ability to hold those securities to maturity. Securities held to maturity are carried at cost and adjusted for accretion of discounts and amortization of premiums. Trading securities are carried at market value, with gains and losses, both realized and unrealized, included in other operating income.

In total, investment securities increased $660.1 million from $3.0 billion to $3.6 billion at December 31, 2000. Deposit growth and other funding sources were used to increase the Company's investment portfolio. The available for sale portfolio increased $357.1 million to $2.0 billion, and the securities held to maturity portfolio increased $311.6 million to $1.5 billion at year-end 2000. The portfolio of trading securities decreased $8.5 million from year-end 1999 to $109.3 million at year-end 2000. At December 31, 2000, the average life and duration of the investment portfolio were approximately 6.9 years and 4.9 years, respectively, as compared to 6.3 years and 4.5 years, respectively, at December 31, 1999. At December 31, 2000 the yield on the portfolio was 6.80%, up from 6.53% at December 31, 1999.

The Company's investment portfolio consists primarily of U.S. Government agency and mortgage-backed obligations. These securities have little, if any, credit risk since they are either backed by the full faith and credit of the U.S. Government, or are guaranteed by an agency of the U.S. Government, or are AAA rated. These investment securities carry fixed coupons whose rate does not change over the life of the securities. Certain securities are purchased at premiums or discounts. Their yield will change depending on any change in the estimated rate of prepayments. The Company amortizes premiums and accretes discounts over the estimated average life of the securities. Changes in the estimated average life of the investment portfolio will lengthen or shorten the period in which the premium or discount must be amortized or accreted, thus affecting the Company's investment yields. For the year ended December 31, 2000, the yield on the investment portfolio was 6.76%, an increase of 37 basis points from 6.39% in fiscal 1999.

At December 31, 2000, the net unrealized depreciation in securities available for sale included in stockholders' equity totaled $5.2 million, net of tax, compared to net unrealized depreciation of $39.7 million, net of tax, at December 31, 1999.

The contractual maturity distribution and weighted average yield of the Company's investment portfolio (excluding equity and trading securities) at December 31, 2000, are summarized in the following table. Weighted average yield is calculated by dividing income within each maturity range by the outstanding amount of the related investment and has been tax effected on tax-exempt obligations.

	December 31, 2000									
	Due Under 1 Year		Due 1-5 Years		Due 5-10 Years		Due Over 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(dollars in thousands)										
Securities available for sale:										
U.S. Government agency and mortgage-backed obligations	$34,683	6.29%	$47,817	6.05%	$26,490	6.33%	$1,791,922	6.82%	$1,900,912	6.79%
Obligations of state and political subdivisions	4,796	7.20	17,440	6.97	20,509	6.50	3,799	6.56	46,544	6.75
Other securities	2,882	5.56	7,230	9.04	33,864	7.31	13,069	9.51	57,045	7.95
	$42,361	6.39%	$72,487	6.57%	$80,863	6.78%	$1,808,790	6.84%	$2,004,501	6.82%
Securities held to maturity:										
U.S. Government agency and mortgage-backed obligations	$89,000	7.21%	$37,872	6.42%	$45,343	6.44%	$1,265,778	6.78%	$1,437,993	6.79%
Obligations of state and political subdivisions	42,103	7.01			835	7.31			42,938	7.02
Other securities	31,716	6.00	650	9.50			159	6.81	32,525	6.07
	$162,819	6.92%	$38,522	6.48%	$46,178	6.46%	$1,265,937	6.78%	$1,513,456	6.78%

Deposits

Total deposits at December 31, 2000 were $7.4 billion, an increase of $1.8 billion or 32% above total deposits of $5.6 billion at December 31, 1999. The Company remains a deposit-driven financial institution with emphasis on core deposit accumulation and retention as a basis for sound growth and profitability. The Company regards core deposits as all deposits other than certificates of deposit, retail and public, in excess of $100 thousand. Deposits in the various core categories increased $1.4 billion from year-end 1999 to year-end 2000. Certificates of deposit in excess of $100 thousand, retail and public, increased $403.6 million from year-end 1999.

Total deposits averaged $6.5 billion for 2000, an increase of $1.3 billion or 24% above the 1999 average. The average balance of noninterest-bearing demand deposits in 2000 was $1.5 billion, a $316.9 million or 26% increase over the average balance for 1999. The average total balance of passbook and statement savings accounts increased $340.7 million, or 34% compared to the prior year. The average balance of interest-bearing demand accounts (money market and N.O.W. accounts) for 2000 was $2.3 billion, a $484.4 million or 26% increase over the average balance for the prior year. The average balance of time deposits for 2000 was $1.3 billion, a $129.9 million increase over the average balance for 1999. For 2000, the cost of total deposits was 2.84% as compared to 2.38% in 1999.

The Company believes that its record of sustaining core deposit growth is reflective of the Company's retail approach to banking which emphasizes a combination of free checking accounts (subject to a small minimum balance requirement), convenient branch locations, extended hours of operation, quality service, and active marketing.

The average balances and weighted average rates of deposits for each of the years 2000, 1999 and 1998 are presented below.

	2000		1999		1998	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
(dollars in thousands)						
Demand deposits:						
Noninterest-bearing	$1,519,313		$1,202,412		$ 927,601	
Interest-bearing (money market and N.O.W. accounts)	2,319,447	3.15%	1,835,011	2.47%	1,397,154	2.53%
Savings deposits	1,352,364	2.73	1,011,642	2.06	868,311	2.39
Time deposits/public funds	1,332,752	5.63	1,202,849	4.91	1,169,691	5.36
Total deposits	$6,523,876		$5,251,914		$4,362,757	

The remaining maturity of certificates of deposit for $100,000 or more as of December 31, 2000, 1999 and 1998 is presented below:

Maturity	2000	1999	1998
(dollars in thousands)			
3 months or less	$641,342	$323,029	$332,300
3 to 6 months	98,763	49,983	47,123
6 to 12 months	54,489	22,733	33,077
Over 12 months	12,420	7,628	9,172
Total	$807,014	$403,373	$421,672

Interest Rate Sensitivity and Liquidity

The Company's risk of loss arising from adverse changes in the fair 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 those policies. The guidelines established by ALCO are reviewed by the Company's Board of Directors.

An interest rate sensitive asset or liability is one that, within a defined time period, either matures or experiences an interest rate change in line with general market interest rates. Historically, the most common method of estimating interest rate risk was to measure the maturity and repricing relationships between interest-earning assets and interest-bearing liabilities at specific points in time ("GAP"), typically one year. Under this method, a company is considered liability sensitive when the amount of its interest-bearing liabilities exceeds the amount of its interest-earning assets within the one year horizon. However, assets and liabilities with similar repricing characteristics may not reprice at the same time or to the same degree. As a result, the Company's GAP does not necessarily predict the impact of changes in general levels of interest rates on net interest income.

The following table illustrates the GAP position of the Company as of December 31, 2000.

Interest Rate Sensitivity Gaps
December 31, 2000

	1-90 Days	91-180 Days	181-365 Days	1-5 Years	Beyond 5 Years	Total
(dollars in millions)						
Rate sensitive:						
Interest-earning assets						
Loans	$1,511.9	$70.7	$149.9	$1,342.3	$640.7	$3,715.5
Investment securities	192.9	179.7	341.5	1,798.8	1,131.2	3,644.1
Federal funds sold	52.0					52.0
Total interest-earning assets	1,756.8	250.4	491.4	3,141.1	1,771.9	7,411.6
Interest-bearing liabilities						
Transaction accounts	1,265.9				2,799.3	4,065.2
Time deposits	783.2	246.1	322.3	181.5		1,533.1
Other borrowed money	283.7					283.7
Long-term debt				23.0	57.5	80.5
Total interest-bearing liabilities	2,332.8	246.1	322.3	204.5	2,856.8	5,962.5
Period gap	(576.0)	4.3	169.1	2,936.6	(1,084.9)	$1,449.1
Cumulative gap	$(576.0)	$(571.7)	$(402.6)	$2,534.0	$1,449.1	
Cumulative gap as a percentage of total interest-earning assets	(7.8)%	(7.7)%	(5.4)%	34.2%	19.6%	

Management believes that the simulation of net interest income in different interest rate environments provides a more meaningful measure of 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 Asset/Liability Committee (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 December 31, 2000, the Company's income simulation model indicates net income would increase by 5.0% and 2.6% in the first year and over a two year time frame, respectively, if rates decreased as described above, as compared to an increase of 4.8% and 1.0%, respectively, at December 31, 1999. The model projects that net income would decrease by 7.9% and 8.1% in the first year and over a two year time frame, respectively, if rates increased as described above, as compared to a decrease of 6.7% and 5.6%, respectively, at December 31, 1999. All of these forecasts are within an acceptable level of interest rate risk per the policies established by ALCO.

In the event the model indicates 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 investment 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 60% or more of the excess of market value over book value in the current rate scenario. At December 31, 2000, the market value of equity indicates an acceptable level of interest rate risk.

The market value of equity model reflects certain estimates and assumptions regarding the impact on the market value of the Company's assets and liabilities given an immediate 200 basis point change in interest rates. One of the key assumptions is the market value assigned to the Company's core deposits, or the core deposit premium. The Company has completed and updated comprehensive core deposit studies in order to assign its own core deposit premiums as permitted by regulation. The studies have consistently confirmed management's assertion that the Company's core deposits have stable balances over long periods of time, and are generally insensitive to changes in interest rates. Thus, these core deposit balances provide an internal hedge to market value fluctuations in the Company's fixed rate assets. Management believes the core deposit premiums produced by its core deposit study and utilized in its market value of equity model at December 31, 2000 provide an accurate assessment of the Company's interest rate risk.

Liquidity involves the Company's ability to raise funds to support asset growth or reduce 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, and cash flow from its amortizing investment and loan portfolios. 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. During 2000, deposit growth and short-term borrowings were used to fund growth in the loan portfolio and purchase additional investment securities.

Short-Term Borrowings

Short-term borrowings, or other borrowed money, which consist primarily of securities sold under agreement to repurchase, federal funds purchased, and lines of credit, including Federal Home Loan Bank advances, were used in 2000 to meet short-term liquidity needs. For 2000, short-term borrowings averaged $268.3 million as compared to $183.6 million in 1999. The average rate on the Company's short-term borrowings was 6.31% and 5.38% during 2000 and 1999, respectively. As of December 31, 2000, short-term borrowings included $283.7 million of securities sold under agreements to repurchase at an average rate of 6.70%.

Long-Term Debt

On June 9, 1997, the Company issued $57.5 million of 8.75% Trust Capital Securities through Commerce Capital Trust I, a newly formed Delaware business trust subsidiary of the Company. All $57.5 million of the Trust Capital Securities qualify as Tier I capital for regulatory capital purposes. Proceeds of this offering were earmarked for general corporate purposes, including additional capitalization of existing banking subsidiaries.

Stockholders' Equity and Dividends

At December 31, 2000, stockholders' equity totaled $492.2 million, up $135.4 million or 38% over stockholders' equity of $356.8 million at December 31, 1999. This increase was due to the Company's net income for the year, shares issued under dividend reinvestment and compensation and benefit plans, and unrealized appreciation on securities available for sale. Stockholders' equity as a percent of total assets was 5.93% at December 31, 2000, as compared to 5.38% at December 31, 1999.

Risk-based capital standards issued by bank regulatory authorities in the United States attempt to relate a banking company's capital to the risk profile of its assets and provide the basis for which all banking companies and banks are evaluated in terms of capital adequacy. The risk-based capital standards require all banks to have Tier 1 capital of at least 4% and total capital, including Tier 1 capital, of at least 8% of risk-adjusted assets. Tier 1 capital includes stockholders' equity (adjusted for goodwill, other intangibles, and the unrealized appreciation/depreciation in securities available for sale) plus the Trust Capital Securities. Total capital is comprised of all of the components of Tier 1 capital plus qualifying subordinated debt instruments and the reserve for possible loan losses.

Banking regulators have also issued leverage ratio requirements. The leverage ratio requirement is measured as the ratio of Tier 1 capital to adjusted average assets. The following table provides a comparison of the Company's risk-based capital ratios and leverage ratio to the minimum regulatory requirements for the periods indicated.

	December 31,		Minimum Regulatory Requirements	
	2000	1999	2000	1999
Risk based capital ratios:				
Tier 1	10.79%	11.40%	4.00%	4.00%
Total capital	11.92	12.72	8.00	8.00
Leverage ratio	6.92	7.02	4.00	4.00

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), which became law in December of 1991, required each federal banking agency including the Board of Governors of the Federal Reserve System ("FRB"), to revise its risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risks of non-traditional activities, as well as reflect the actual performance and expected risk of loss on multi-family mortgages. This law also requires each federal banking agency, including the FRB, to specify, by regulation, the levels at which an insured institution would be considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." At December 31, 2000, the Company's consolidated capital levels and each of the Company's banking 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%.

The Company's common stock is listed for trading on the New York Stock Exchange under the symbol CBH. The quarterly market price ranges and dividends declared per common share for each of the last two years are shown in the table below. As of February 1, 2001, there were approximately 20,000 holders of record of the Company's common stock.

Common Share Data	Market Prices		Cash Dividends
	High	Low	Per Share
2000 Quarter Ended			
December 31	$70.00	$50.69	$0.24500
September 30	58.50	46.63	0.24500
June 30	48.94	37.88	0.24500
March 31	39.63	31.31	0.23333
1999 Quarter Ended			
December 31	$44.34	$38.16	$0.20952
September 30	43.63	38.45	0.20952
June 30	43.58	37.80	0.20952
March 31	47.50	39.28	0.19955

The Company offers a Dividend Reinvestment and Stock Purchase Plan by which dividends on the Company's Common Stock and optional monthly cash payments may be invested in Common Stock at a 3% discount (subject to change) to the market price and without payment of brokerage commissions.

Results of Operations - 1999 versus 1998

Net income for 1999 was $66.0 million compared to $42.2 million in 1998. Diluted net income per common share was $2.17 compared to $1.42 per common share for the prior year.

Net interest income on a tax-equivalent basis for 1999 amounted to $249.6 million, an increase of $52.0 million, or 26% over 1998.

Interest income on a tax-equivalent basis increased $64.1 million or 20% to $391.6 million in 1999. This increase was primarily related to volume increases in the loan and investment portfolios. Interest expense for 1999 rose $12.1 million to $142.1 million from $130.0 million in 1998. This increase was primarily related to increases in the Company's levels of deposits.

The provision for loan losses was $9.2 million in 1999 compared to $8.8 million in the prior year.

For 1999, noninterest income totaled $114.6 million, an increase of $18.3 million or 19% from 1998. The increase was due primarily to increased other operating income, which rose $9.8 million from 1998, including an increase of $7.1 million in revenues from Commerce National Insurance. In addition, deposit charges and service fees increased $8.8 million over 1998 due primarily to higher transaction volumes, and net investment securities gains were $310 thousand lower in 1999 than the prior year.

Noninterest expenses totaled $252.5 million for 1999, an increase of $38.6 million, or 18% over 1998. Contributing to this increase was the addition of 24 new branches during 1999 and the expansion of Commerce National Insurance. With the addition of these new offices, staff, facilities, marketing and related expenses rose accordingly. Other noninterest expenses rose $4.8 million to $40.7 million in 1999. This increase resulted primarily from higher bank-card related service charges, increased business development expenses, and higher provisions for non-credit-related losses.

Mergers and Acquisitions

During 2000, the Company acquired Traber and Vreeland, Inc. and Guarantee Service Agency, Inc. t/a Maywood Agency, insurance brokerage agencies, which were merged with and into Commerce National Insurance. The Company issued approximately 301,000 shares of common stock in exchange for all of the outstanding shares of these agencies. The transactions were accounted for as poolings of interests. However, the Company did not restate the financial statements of the periods prior to the acquisitions as the changes, in the aggregate, were immaterial.

Commerce Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets

		December 31,	
	(dollars in thousands)	**2000**	1999
Assets	Cash and due from banks	**$ 443,918**	$ 317,624
	Federal funds sold	**52,000**	5,300
	Cash and cash equivalents	**495,918**	322,924
	Loans held for sale	**41,791**	5,704
	Trading securities	**109,306**	117,837
	Securities available for sale	**2,021,326**	1,664,257
	Securities held to maturity	**1,513,456**	1,201,892
	(market value 2000-$1,503,202; 1999-$1,155,447)		
	Loans	**3,687,260**	2,961,088
	Less allowance for loan losses	**48,680**	38,382
		3,638,580	2,922,706
	Bank premises and equipment, net	**276,097**	198,515
	Other assets	**200,042**	201,958
		$8,296,516	$6,635,793
Liabilities	Deposits:		
	Demand:		
	Interest-bearing	**$2,628,358**	$2,063,899
	Noninterest-bearing	**1,789,371**	1,420,865
	Savings	**1,436,800**	1,054,791
	Time	**1,533,065**	1,069,365
	Total deposits	**7,387,594**	5,608,920
	Other borrowed money	**283,714**	558,092
	Other liabilities	**52,484**	31,525
	Trust Capital Securities - Commerce Capital Trust I	**57,500**	57,500
	Long-term debt	**23,000**	23,000
		7,804,292	6,279,037
Stockholders' Equity	Common stock, 31,761,453 shares issued (29,844,314 shares in 1999)	**49,627**	44,418
	Capital in excess of par or stated value	**422,375**	321,443
	Retained earnings	**27,083**	32,263
	Accumulated other comprehensive income	**(5,239)**	(39,744)
		493,846	358,380
	Less treasury stock, at cost	**1,622**	1,624
	Total stockholders' equity	**492,224**	356,756
		$8,296,516	$6,635,793

See accompanying notes.

Commerce Bancorp, Inc. and Subsidiaries
Consolidated Statements of Income

		Year Ended December 31,		
	(dollars in thousands, except per share amounts)	**2000**	1999	1998
Interest Income	Interest and fees on loans	**$292,066**	$215,170	$167,914
	Interest on investment securities	**208,769**	170,300	154,164
	Other interest	**4,465**	978	2,565
	Total interest income	**505,300**	386,448	324,643
Interest Expense	Interest on deposits:			
	Demand	**72,975**	45,274	35,477
	Savings	**36,935**	20,835	20,672
	Time	**75,046**	59,021	62,692
	Total interest on deposits	**184,956**	125,130	118,841
	Interest on other borrowed money	**16,943**	9,880	4,014
	Interest on long-term debt	**6,471**	7,071	7,127
	Total interest expense	**208,370**	142,081	129,982
	Net interest income	**296,930**	244,367	194,661
	Provision for loan losses	**13,931**	9,175	8,762
	Net interest income after provision for loan losses	**282,999**	235,192	185,899
Noninterest Income	Deposit charges and service fees	**56,306**	44,196	35,343
	Other operating income	**91,241**	67,818	58,042
	Net investment securities gains	**3,213**	2,582	2,892
	Total noninterest income	**150,760**	114,596	96,277
Noninterest Expense	Salaries	**123,476**	101,650	87,078
	Benefits	**25,323**	20,232	18,475
	Occupancy	**31,419**	22,407	18,565
	Furniture and equipment	**40,436**	31,659	24,995
	Office	**23,548**	21,356	16,974
	Audit and regulatory fees and assessments	**3,256**	2,623	2,246
	Marketing	**11,706**	10,155	8,451
	Other real estate (net)	**1,042**	1,786	1,348
	Other	**55,151**	40,655	35,818
	Total noninterest expenses	**315,357**	252,523	213,950
	Income before income taxes	**118,402**	97,265	68,226
	Provision for federal and state income taxes	**38,355**	31,305	26,071
	Net income	**$ 80,047**	$ 65,960	$ 42,155
	Net income per common and common equivalent share:			
	Basic	**$ 2.59**	$ 2.26	$ 1.49
	Diluted	**$ 2.49**	$ 2.17	$ 1.42
	Average common and common equivalent shares outstanding:			
	Basic	**30,878**	29,155	28,254
	Diluted	**32,111**	30,465	29,662
	Cash dividends declared, common stock	**$ 0.97**	$ 0.83	$ 0.87

See accompanying notes.

Commerce Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	(dollars in thousands)	Year Ended December 31, 2000	1999	1998
Operating Activities	Net income	**$80,047**	$ 65,960	$ 42,155
	Adjustments to reconcile net income to net cash (used) provided by operating activities:			
	Provision for loan losses	**13,931**	9,175	8,762
	Provision for depreciation, amortization and accretion	**32,596**	28,186	26,640
	Gains on sales of securities available for sale	**(3,213)**	(2,582)	(2,892)
	Proceeds from sales of mortgages held for sale	**56,101**	111,055	67,125
	Originations of mortgages held for sale	**(92,188)**	(94,341)	(61,629)
	Net loan (chargeoffs)	**(3,633)**	(2,058)	(1,647)
	Net decrease (increase) in trading securities	**8,531**	(32,478)	(77,448)
	Increase in other assets	**(17,494)**	(60,142)	(44,022)
	Increase (decrease) in other liabilities	**26,271**	(23,064)	48,226
	Deferred income tax benefit	**(2,812)**	(3,468)	(3,115)
	Net cash provided (used) by operating activities	**98,137**	(3,757)	2,155
Investing Activities	Proceeds from the sales of securities available for sale	**410,541**	398,274	435,488
	Proceeds from the maturity of securities available for sale	**345,160**	313,373	404,927
	Proceeds from the maturity of securities held to maturity	**174,124**	241,690	374,540
	Purchase of securities available for sale	**(1,055,694)**	(1,002,738)	(807,276)
	Purchase of securities held to maturity	**(127,194)**	(236,623)	(616,780)
	Net increase in loans	**(1,085,090)**	(810,530)	(617,341)
	Purchases of premises and equipment	**(109,701)**	(73,303)	(48,320)
	Net cash used by investing activities	**(1,447,854)**	(1,169,857)	(874,762)
Financing Activities	Net increase in demand and savings deposits	**1,314,974**	721,147	976,959
	Net increase (decrease) in time deposits	**463,700**	(41,035)	167,272
	Net (decrease) increase in other borrowed money	**(274,378)**	530,247	(195,455)
	Issuance of common stock			1,795
	Dividends paid	**(29,761)**	(23,476)	(23,062)
	Proceeds from issuance of common stock under dividend reinvestment and other stock plans	**53,670**	31,428	9,428
	Other	**(5,494)**	612	8,509
	Net cash provided by financing activities	**1,522,711**	1,218,923	945,446
	Increase in cash and cash equivalents	**172,994**	45,309	72,839
	Cash and cash equivalents at beginning of year	**322,924**	277,615	204,776
	Cash and cash equivalents at end of year	**$495,918**	$ 322,924	$ 277,615
	Supplemental disclosures of cash flow information:			
	Cash paid during the year for:			
	Interest	**$206,144**	$ 141,810	$ 124,535
	Income taxes	**36,373**	26,753	29,755
	Other noncash activities:			
	Transfer of securities to securities available for sale		91,010	
	Securitization of loans	**358,918**	129,768	

See accompanying notes.

Commerce Bancorp, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2000, 1999 and 1998

(in thousands, except per share amounts)	Common Stock	Preferred Stock	Capital in Excess of Par or Stated Value	Retained Earnings	Commitment to ESOP	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balances at December 31, 1997	**$29,652**	**$7,506**	**$190,166**	**$52,755**	**$(2,308)**	**$(1,624)**	**$ 3,753**	**$279,900**
Acquisition of investment firm/insurance brokerage agency (735 shares)	794		(552)	7,997				8,239
As adjusted balance at January 1, 1998	30,446	7,506	189,614	60,752	(2,308)	(1,624)	3,753	288,139
Net income				42,155				42,155
Other comprehensive income, net of tax								
Unrealized gain on securities (pre-tax $5,005)							3,157	3,157
Reclassification adjustment (pre-tax $147)							96	96
Other comprehensive income								3,253
Total comprehensive income								45,408
Common stock dividends and cash paid in lieu of fractional shares (5,671 shares)	8,860		29,449	(38,395)				(86)
Cash dividends paid				(22,976)				(22,976)
Shares issued under dividend reinvestment and compensation and benefit plans (429 shares)	671		10,629					11,300
Convert preferred C stock to common stock (647 shares)	1,011	(7,506)	6,495					0
Other			741		1,026			1,767
Balances at December 31, 1998	**$40,988**	**$ 0**	**$236,928**	**$41,536**	**$(1,282)**	**$(1,624)**	**$ 7,006**	**$323,552**
Acquisition of insurance brokerage agencies (74 shares)	110		212					322
As adjusted balance at January 1, 1999	41,098	0	237,140	41,536	(1,282)	(1,624)	7,006	323,874
Net income				65,960				65,960
Other comprehensive income, net of tax								
Unrealized loss on securities (pre-tax ($71,923))							(45,431)	(45,431)
Reclassification adjustment (pre-tax ($1,919))							(1,319)	(1,319)
Other comprehensive income								(46,750)
Total comprehensive income								19,210
Common stock dividend and cash paid in lieu of fractional shares (1,145 shares)	1,790		49,968	(51,890)				(132)
Cash dividends paid				(23,343)				(23,343)
Shares issued under dividend reinvestment and compensation and benefit plans (980 shares)	1,530		29,897					31,427
Other			4,438		1,282			5,720
Balances at December 31, 1999	**$44,418**	**$ 0**	**$321,443**	**$32,263**	**$ 0**	**$(1,624)**	**$(39,744)**	**$356,756**
Acquisition of insurance brokerage agencies (301 shares)	470		(450)	(5,519)				(5,499)
As adjusted balance at January 1, 2000	44,888	0	320,993	26,744	0	(1,624)	(39,744)	351,257
Net income				80,047				80,047
Other comprehensive income, net of tax								
Unrealized gain on securities (pre-tax $52,382)							33,837	33,837
Reclassification adjustment (pre-tax $1,027)							668	668
Other comprehensive income								34,505
Total comprehensive income								114,552
Common stock dividend and cash paid in lieu of fractional shares (1,417 shares)	2,214		47,734	(50,031)				(83)
Cash dividends paid				(29,678)				(29,678)
Shares issued under dividend reinvestment and compensation and benefit plans (1,615 shares)	2,523		51,147					53,670
Other	2		2,501	1		2		2,506
Balances at December 31, 2000	**$49,627**	**$ 0**	**$422,375**	**$27,083**	**$ 0**	**$(1,622)**	**$ (5,239)**	**$492,224**

See accompanying notes.

1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Commerce Bancorp, Inc. (the Company) and its wholly-owned subsidiaries, Commerce Bank, N.A. (Commerce NJ), Commerce Bank/Pennsylvania, N.A. (Commerce PA), Commerce Bank/Shore, N.A. (Commerce Shore), Commerce Bank/North (Commerce North), Commerce Bank/Central, N.A. (Commerce Central), Commerce Bank/Delaware, N.A. (Commerce Delaware), Commerce National Insurance Services, Inc. (Commerce National Insurance), Commerce Capital Trust I, and Commerce Capital Markets, Inc. (CCMI). All material intercompany transactions have been eliminated. Certain amounts from prior years have been reclassified to conform with 2000 presentation.

The Company is a multi-bank holding company headquartered in Cherry Hill, New Jersey, operating primarily in the metropolitan Philadelphia, New Jersey, and Delaware markets. Through its subsidiaries, the Company provides retail and commercial banking services, corporate trust services, municipal bond underwriting services, and insurance brokerage services.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities

Trading account securities are carried at market value. Gains and losses, both realized and unrealized, are included in other operating income. Trading gains were $8.4 million, $7.8 million, and $5.6 million in 2000, 1999 and 1998, respectively.

Investment securities are classified as held to maturity when the Company has the intent and ability to hold those securities to maturity. Securities held to maturity are stated at cost and adjusted for accretion of discounts and amortization of premiums.

Those securities that might be sold in response to changes in market interest rates, prepayment risk, the Company's income tax position, the need to increase regulatory capital, or similar other factors are classified as available for sale. Available for sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a component of stockholders' equity. The amortized cost of debt securities in this category is adjusted for accretion of discounts and amortization of premiums. Realized gains and losses are determined on the specific certificate method and are included in noninterest income.

Loans

Loans are stated at principal amounts outstanding, net of deferred loan origination fees and costs. Interest income on loans is accrued and credited to interest income monthly as earned. Loan origination fees are generally considered as adjustments of interest rate yields and are amortized into interest income on loans over the terms of the related loans.

Loans are placed on a non-accrual status and cease accruing interest when loan payment performance is deemed unsatisfactory. However, all loans past due 90 days are placed on non-accrual status, unless the loan is both well secured and in the process of collection.

Allowance for Loan Losses

The allowance for loan losses is increased by provisions charged to expense and reduced by loan charge-offs net of recoveries. Based upon management's evaluation of the loan portfolio, the allowance is maintained at a level considered adequate to absorb estimated inherent losses in the loan portfolio. The level of the allowance is based on an evaluation of the risk characteristics included in the loan portfolio, including such factors as the volume and composition of the portfolio, historical loan loss experience, present and prospective financial condition of borrowers, general national and local economic conditions, and other relevant factors.

Bank Premises and Equipment
Bank premises and equipment are carried at cost less accumulated depreciation. Depreciation and amortization are determined on the straight-line method for financial reporting purposes, and accelerated methods for income tax purposes.

Other Real Estate (ORE)
Real estate acquired in satisfaction of a loan is reported in other assets at the lower of cost or fair value less disposition costs. Properties acquired by foreclosure or deed in lieu of foreclosure are transferred to ORE and recorded at the lower of cost or fair value less disposition costs based on their appraised value at the date actually or constructively received. Losses arising from the acquisition of such property are charged against the allowance for loan losses. Subsequent adjustments to the carrying values of ORE properties are charged to operating expense.

Intangible Assets
The excess of cost over fair value of net assets acquired (goodwill) is included in other assets and is being amortized on a straight-line basis over the period of expected benefit, which approximates 15 years. Goodwill amounted to $2.2 million and $2.5 million at December 31, 2000 and 1999, respectively. Other intangible assets are amortized on a straight-line basis over 10 to 15 year lives. Other intangibles amounted to $1.6 million and $1.8 million at December 31, 2000 and 1999, respectively.

Income Taxes
The provision for income taxes is based on current taxable income. When income and expenses are recognized in different periods for book purposes, deferred taxes are provided.

Restriction on Cash and Due From Banks
The Banks are required to maintain reserve balances with the Federal Reserve Bank. The weighted average amount of the reserve balances for 2000 and 1999 were approximately $7.1 million and $13.6 million, respectively.

Derivative Financial Instruments
The Company utilizes an interest rate swap to manage interest rate risk associated with its Commerce Capital Trust Securities. Net amounts payable or receivable from this contract are accrued as an adjustment to interest expense. Unrealized gains or losses on this contract are not recognized on the balance sheet.

As part of CCMI's broker-dealer activities, the Company maintains a trading securities portfolio for distribution to customers in order to meet those customers' needs. Derivative instruments, primarily interest rate futures and options, are used in order to reduce the exposure to interest rate risk relating to the trading portfolio. These contracts are carried at fair value with changes in fair value included in other operating income.

Recent Accounting Statements
SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended (FAS 133), requires the Company to recognize all derivatives on the balance sheet at fair value. FAS 133 allows for hedge

accounting treatment and sets forth specific criteria to be used to determine when hedge accounting is appropriate. Hedge accounting allows for changes in fair value of both the derivative and hedged item to be recognized in earnings in the same period. Changes in fair value of derivatives not considered an effective hedge are recognized in earnings immediately. Derivatives for which hedge accounting does not apply must also be adjusted to fair value through income. The Company adopted FAS 133 on January 1, 2001. Due to the Company's minimal use of derivatives, adoption did not have a significant effect on the results of operations or the financial position of the Company. Future impact of FAS 133 will depend on the nature and purpose of the derivative instruments in use by the Company at that time.

In September 2000, the FASB issued Statement No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 140). FAS 140 revises the standards for existing accounting for securitizations and will require the Company to disclose additional information related to securitizations. Certain provisions of FAS 140, including disclosure requirements, became effective on December 15, 2000. Other provisions relating to the transfer and servicing of financial assets and extinguishments of liabilities become effective after March 31, 2001. Management does not expect the adoption of FAS 140 to have a significant effect on results of operations or the financial position of the Company.

The Company securitized $358.9 million and $129.8 million of residential mortgage loans during 2000 and 1999, respectively, and included the securitized assets in its held to maturity investment portfolio. No gains or losses were recognized on these transactions.

2. Mergers and Acquisitions

In August 1998, J.A. Montgomery, Inc., Wilmington, DE, an insurance brokerage agency, was merged with and into Commerce National Insurance. The Company issued approximately 211,000 shares of common stock in exchange for all of the outstanding shares of this agency. In November, 1999, Mullaney Insurance Associates, Oakhurst, NJ, an insurance brokerage agency was merged with and into Commerce National Insurance. The Company issued approximately 67,000 shares of common stock in exchange for all of the outstanding shares of this agency. In January 2000, Traber and Vreeland, Inc., Randolph, NJ, and in October 2000, Guarantee Service Agency, Inc. t/a Maywood Agency, Maywood, NJ, insurance brokerage agencies, were merged with and into Commerce National Insurance. The Company issued approximately 301,000 shares of common stock in exchange for all the outstanding shares of these agencies. All of these transactions were accounted for as poolings of interests. However, financial statements of the periods prior to the acquisitions have not been restated, as the changes, in the aggregate, would be immaterial.

In the first quarter of 1998, the Company completed the acquisition of A. H. Williams & Co., Inc., (Williams) Philadelphia, PA, a public finance investment firm, and combined Williams with Commerce Capital, the bank securities dealer division of Commerce NJ, to form Commerce Capital Markets, Inc., a wholly-owned nonbank subsidiary of the Company. The acquisition was completed by the issuance of common stock of the Company totaling approximately 436,000 shares. The transaction was accounted for as a pooling of interests, however, financial statements of the periods prior to the acquisition have not been restated, as the changes, in the aggregate, would be immaterial.

Effective January 15, 1999, the Company acquired Community First Banking Company (CFBC), and CFBC's wholly-owned bank subsidiary, Tinton Falls State Bank, was merged with and into Commerce Shore. The Company issued approximately 1,428,000 shares of common stock to effect the merger. Also effective January 15, 1999, the Company acquired Prestige Financial Corp. (PFC), and PFC's wholly-owned bank subsidiary, Prestige State Bank, was re-chartered as a national bank and renamed Commerce Bank/Central, N.A. The Company issued approximately 1,950,000 shares of common stock to effect the merger. The transactions were accounted for as poolings of interests. The Company's originally reported financial position and results of operations have been restated herein to include CFBC's and PFC's results of operations for all periods presented.

3. Investment Securities

A summary of the amortized cost and market value of securities available for sale and securities held to maturity (in thousands) at December 31, 2000 and 1999 follows:

	December 31,							
	2000				1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Government agency and mortgage-backed obligations	$1,912,261	$ 6,562	$(17,911)	$1,900,912	$1,644,698	$ 7	$(61,772)	$1,582,933
Obligations of state and political subdivisions	46,528	436	(420)	46,544	43,379	87	(1,284)	42,182
Equity securities	13,823	3,170	(168)	16,825	7,655	2,206	(754)	9,107
Other	56,989	1,083	(1,027)	57,045	30,209	71	(245)	30,035
Securities available for sale	$2,029,601	$11,251	$(19,526)	$2,021,326	$1,725,941	$2,371	$(64,055)	$1,664,257
U.S. Government agency and mortgage-backed obligations	$1,437,993	$ 5,111	$(15,365)	$1,427,739	$1,134,115	$ 87	$(46,527)	$1,087,675
Obligations of state and political subdivisions	42,938			42,938	35,667			35,667
Other	32,525			32,525	32,110		(5)	32,105
Securities held to maturity	$1,513,456	$ 5,111	$(15,365)	$1,503,202	$1,201,892	$ 87	$(46,532)	$1,155,447

The amortized cost and estimated market value of investment securities (in thousands) at December 31, 2000, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because obligors have the right to repay obligations without prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in one year or less	$ 37,716	$ 37,361	$ 162,819	$ 162,677
Due after one year through five years	44,687	44,406	650	650
Due after five years through ten years	53,168	54,373	835	835
Due after ten years	18,962	18,660	159	159
Mortgage backed securities	1,861,245	1,849,701	1,348,993	1,338,881
Equity securities	13,823	16,825		
	$2,029,601	$2,021,326	$1,513,456	$1,503,202

Proceeds from sales of securities available for sale during 2000, 1999 and 1998 were $410.5 million, $398.3 million and $435.5 million, respectively. Gross gains of $3.2 million, $2.6 million and $3.3 million were realized on the sales in 2000, 1999 and 1998, respectively, and gross losses of $0, $27,000 and $376,000 were realized in 2000, 1999 and 1998, respectively.

At December 31, 2000 and 1999, investment securities with a carrying value of $998.9 million and $564.8 million, respectively, were pledged to secure deposits of public funds.

In connection with the acquisition of CFBC and PFC, management reclassified $91.0 million of investment securities from held to maturity to available for sale in the first quarter of 1999. Unrealized losses on those securities transferred were approximately $330,000.

4. Loans

The following is a summary of loans outstanding (in thousands) at December 31, 2000 and 1999:

	December 31,	
	2000	1999
Commercial real estate:		
Owner-occupied	**$ 685,916**	$ 512,087
Investor/developer	**471,604**	395,086
Construction	**380,804**	185,712
	1,538,324	1,092,885
Commercial loans:		
Term	**469,564**	393,953
Line of credit	**430,811**	277,917
Demand	**1,400**	1,328
	901,775	673,198
Consumer:		
Mortgages (1-4 family residential)	**351,644**	428,453
Installment	**154,415**	125,856
Home equity	**710,848**	621,597
Credit lines	**30,254**	19,099
	1,247,161	1,195,005
	$3,687,260	$2,961,088

At December 31, 2000 and 1999, loans of approximately $14.4 million and $11.3 million, respectively, were outstanding to certain of the Company's and its subsidiaries' directors and officers, and approximately $44.0 million and $21.2 million, respectively, of loans were outstanding from companies with which certain of the Company's and its subsidiaries' directors and officers are associated, exclusive of loans to any such person and associated companies which in aggregate did not exceed $60,000. The terms of these loans are substantially the same as those prevailing at the time for comparable unrelated transactions. A summary (in thousands) of the related party loans outstanding at December 31, 2000 is as follows:

	2000
Balance, January 1	$32,503
New loans	39,041
Loan payments	13,138
Balance, December 31	$58,406

The Company engaged in certain activities with entities affiliated with directors of the Company. The Company received real estate appraisal services from a company owned by a director of the Company. Such real estate appraisal services amounted to $202,000 in 2000, $334,000 in 1999 and $304,000 in 1998. The Company received legal services from two law firms of which two directors of the Company are partners. Such aggregate legal services amounted to $1.7 million in 2000 and $1.6 million in 1999 and 1998.

5. Allowance for Loan Losses

The following is an analysis of changes in the allowance for loan losses (in thousands) for 2000, 1999 and 1998:

	2000	1999	1998
Balance, January 1	**$38,382**	$31,265	$24,150
Provision charged to operating expense	**13,931**	9,175	8,762
Recoveries of loans previously charged off	**576**	969	1,487
Loan charge-offs	**(4,209)**	(3,027)	(3,134)
Balance, December 31	**$48,680**	$38,382	$31,265

6. Non-accrual and Restructured Loans and Other Real Estate

The total of non-performing loans (non-accrual and restructured loans) was $13.6 million and $8.7 million at December 31, 2000 and 1999, respectively. Non-performing loans of $1.3 million, $1.6 million and $3.4 million net of charge offs of $26,000, $39,000 and $0 were transferred to other real estate during 2000, 1999 and 1998, respectively. Other real estate ($3.0 million and $3.5 million at December 31, 2000 and 1999, respectively) is included in other assets.

At December 31, 2000 and 1999, the recorded investment in loans considered to be impaired under FASB Statement No. 114 "Accounting by Creditors for Impairment of a Loan" totaled $9.1 million and $5.5 million, respectively, all of which are included in non-performing loans. As permitted, all homogenous smaller balance consumer and residential mortgage loans are excluded from individual review for impairment. The majority of impaired loans were measured using the fair market value of collateral. No portion of the allowance for loan losses for 2000 or 1999 was allocated to these loans. During 2000 and 1999, impaired loans averaged approximately $7.3 million and $4.6 million, respectively. Interest income of approximately $1.7 million and $1.0 million would have been recorded on non-performing loans (including impaired loans) in accordance with their original terms in 2000 and 1999, respectively. Actual interest income recorded on these loans amounted to $525,000 and $255,000 during 2000 and 1999, respectively.

7. Bank Premises, Equipment, and Leases

A summary of bank premises and equipment (in thousands) is as follows:

	December 31,	
	2000	1999
Land	**$ 54,066**	$ 40,952
Buildings	**121,908**	88,427
Leasehold improvements	**20,979**	9,657
Furniture, fixtures and equipment	**177,708**	128,642
Leased property under capital leases	**124**	124
	374,785	267,802
Less accumulated depreciation and amortization	**98,688**	69,287
	$276,097	$198,515

At December 31, 2000, Commerce NJ leased one of its branches under a capital lease with an unrelated party. All other branch leases are accounted for as operating leases with the related rental payments being expensed ratably over the life of the lease.

The Company leases its operations facilities from two limited partnerships in which the Company is a limited partner at December 31, 2000. The leases are accounted for as operating leases with an aggregate annual rent of $1.5 million, which escalates to $1.8 million in 2011. One lease expires in 2014, and the other expires in 2014 and is renewable for five additional terms of five years each.

At December 31, 2000, the Company leased from related parties under separate operating lease agreements the land on which it has constructed 20 branch offices. The aggregate annual rental under these related party leases for 2000 was approximately $1.1 million, and was approximately $723,000 and $440,000 in 1999 and 1998, respectively. These leases expire periodically through 2020 but are renewable through 2040. Aggregate annual rentals escalate to $1.2 million in 2006. The Company leases land to a limited partnership partially comprised of the directors of Commerce PA and Commerce NJ. The initial lease term is 25 years, with two successive 10-year options. As of December 31, 2000, the total future minimum lease payments to be received by the Company amount to approximately $315,000 for the remainder of the initial lease term. In accordance with the provision of the land lease, the limited partnership constructed and owns the office building located on the land. Commerce PA leases the building as a branch facility through 2010. Commerce North leases one of its branches from a director and its headquarters facility from a partnership in which a director has a substantial interest. The aggregate annual rental under these related party leases was approximately $486,000 for 2000 and $432,000 for 1999 and 1998. The leases expire in 2007 and 2017. Commerce Central leases one of its branches and its headquarters facility from partnerships in which two directors have substantial interests. The aggregate annual rental under these related party leases was approximately $550,000 in 2000, $484,000 in 1999 and $474,000 in 1998. The leases expire in 2004 and 2015.

Total rent expense charged to operations under operating leases was approximately $10.4 million in 2000, $7.8 million in 1999 and $6.3 million in 1998.

The future minimum rental commitments, by year, under the non-cancelable leases are as follows (in thousands) at December 31, 2000:

	Capital	Operating
2001	$12	$9,596
2002	12	8,922
2003	12	8,744
2004	12	8,289
2005	12	8,050
Later years	111	74,998
Net minimum lease payment	$171	$118,599
Less amount representing interest	75	
Present value of net minimum lease payments	$96	

The Company obtained interior design and general contractor services for $2.0 million, $2.5 million and $1.3 million in 2000, 1999 and 1998, respectively, from a business owned by the spouse of the Chairman of the Board of the Company. Additionally, the business received commissions of approximately $1.6 million, $1.4 million and $814,000 in 2000, 1999 and 1998, respectively, on furniture and facility purchases made directly by the Company.

8. Deposits

The aggregate amount of time certificates of deposits in denominations of $100,000 or more was $807.0 million and $403.4 million at December 31, 2000 and 1999, respectively.

9. Other Borrowed Money

Other borrowed money consists primarily of securities sold under agreements to repurchase, federal funds purchased, and lines of credit, including Federal Home Loan Bank advances. The following table represents information for other borrowed money:

	December 31,			
	2000		1999	
	Amount	**Average Rate**	Amount	Average Rate
Securities sold under agreements to repurchase	**$283,714**	**6.70%**	$292,266	5.88%
Federal funds purchased			20,000	4.50
Lines of credit			245,826	5.67
	$283,714		$558,092	
Average amount outstanding	**$268,304**	**6.31%**	$183,554	5.38%
Maximum month-end balance	**583,208**		558,092	

As of December 31, 2000, the Company had a line of credit of $414.1 million from the Federal Home Loan Bank of New York, all of which was available, a line of credit of $100.0 million from the Federal Home Loan Bank of Pittsburgh, all of which was available, and a line of credit of $30.0 million from another bank, all of which was available. In addition, CCMI had a line of credit of $10.0 million from another bank, all of which was available.

10. Long-Term Debt

On July 15, 1993, the Company issued $23.0 million of 8 3/8% subordinated notes due 2003. Interest on the debt is payable semi-annually on January 15 and July 15 of each year. The notes may be redeemed in whole or in part at the option of the Company after July 15, 2000 at a price from 102% to 100% of the principal plus accrued interest, if any, to the date fixed for redemption, subject to certain conditions. A portion of the notes qualify for total risk-based capital for regulatory purposes, subject to certain limitations.

On June 9, 1997, the Company issued $57.5 million of 8 3/4% Trust Capital Securities through Commerce Capital Trust 1, a newly formed Delaware business trust subsidiary. The Trust Capital Securities evidence a preferred ownership interest in the Trust, of which 100% of the common equity is owned by the Company. The proceeds from the issuance of the Trust Capital Securities were invested in substantially similar Junior Subordinated Debt of the Company. The Trust Capital Securities are unconditionally guaranteed by the Company. Interest on the debt is payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year. The Trust Capital Securities are scheduled to mature on June 30, 2027. The Trust Capital Securities may be redeemed in whole or in part at the option of the Company on or after June 30, 2002 at 100% of the principal plus accrued interest, if any, to the date fixed for redemption, subject to certain conditions. All $57.5 million of the Trust Capital Securities qualify as Tier I capital for regulatory capital purposes.

11. Income Taxes

The provision for income taxes consists of the following (in thousands):

	2000	1999	1998
Current:			
Federal	**$40,563**	$34,339	$28,012
State	**604**	434	1,174
Deferred:			
Federal	**(2,812)**	(2,368)	(3,060)
State		(1,100)	(55)
	$38,355	$31,305	$26,071

The above provision includes income taxes related to securities gains of $1.1 million, $900 thousand and $1.0 million for 2000, 1999 and 1998, respectively.

The provision for income taxes differs from the expected statutory provision as follows:

	2000	1999	1998
Expected provision at statutory rate:	**35.0%**	35.0%	35.0%
Difference resulting from:			
Tax-exempt interest on loans	**(1.4)**	(0.7)	(0.4)
Tax-exempt interest on securities	**(2.1)**	(1.0)	(1.8)
Purchase accounting adjustments	**0.1**	0.1	0.1
Other, including acquisition costs	**0.8**	(1.2)	5.3
	32.4%	32.2%	38.2%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The significant components of the Company's deferred tax liabilities and assets as of December 31, 2000 and 1999 are as follows (in thousands):

	2000	1999
Deferred tax assets:		
Loan loss reserves	**$15,577**	$11,797
Fair value adjustment, available for sale securities	**3,036**	21,940
Intangibles	**2,901**	336
Other reserves	**2,597**	1,546
Other	**1,738**	1,026
Total deferred tax assets	**25,849**	36,645
Deferred tax liabilities:		
Depreciation	**1,440**	677
Other	**1,326**	2,053
Total deferred tax liabilities	**2,766**	2,730
Net deferred assets	**$23,083**	$33,915

12. Commitments and Letters of Credit

In the normal course of business, there are various outstanding commitments to extend credit, such as letters of credit, which are not reflected in the accompanying financial statements. These arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies. Collateral is obtained based on management's credit assessment of the borrower. At December 31, 2000, the Banks had outstanding standby letters of credit in the amount of $169.3 million.

In addition, the Banks are committed as of December 31, 2000 to advance $303.7 million on construction loans, $234.2 million on home equity lines of credit and $570.0 million on lines of credit. All other commitments total approximately $256.3 million. The Company anticipates no material losses as a result of these transactions.

13. Common Stock and Preferred Stock

At December 31, 2000, the Company's common stock had a par value of $1.5625. The Company had 50,000,000 shares authorized as of this date.

On December 19, 2000, the Board of Directors declared a cash dividend of $0.275 for each share of common stock outstanding payable January 18, 2001 to stockholders of record on January 4, 2001.

14. Earnings Per Share

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

	Year Ended December 31,		
(dollars in thousands)	**2000**	1999	1998
Basic:			
Net income applicable to common stock	**$80,047**	$65,960	$42,155
Average common shares outstanding	**30,878**	29,155	28,254
Net income per common share	**$ 2.59**	$ 2.26	$ 1.49
Diluted:			
Net income applicable to common stock on a diluted basis	**$80,047**	$65,960	$42,155
Average common shares outstanding	**30,878**	29,155	28,254
Additional shares considered in diluted computation assuming:			
Exercise of stock options	**1,233**	1,310	1,303
Conversion of preferred stock			105
Average common and common equivalent shares outstanding	**32,111**	30,465	29,662
Net income per common and common equivalent share	**$ 2.49**	$ 2.17	$ 1.42

15. Benefit Plans

Employee Stock Option Plan

The Company has the 1997 Employee Stock Option Plan (the Plan) for the officers and employees of the Company and its subsidiaries as well as a plan for its non-employee directors. The Plan authorizes the issuance of up to 8,617,000 shares of common stock (as adjusted for stock dividends) upon the exercise of options. 3,649,000 options have been issued under the Plan. The option price for options issued under the Plan must be at least equal to 100% of the fair market value of the Company's common stock as of the date the option is granted. These options generally become exercisable to the extent of 25% annually beginning one year from the date of grant, although the amount exercisable beginning one year from the date of grant may be greater depending on the employees' length of service. The options expire not later than 10 years from the date of grant. In addition, there are options outstanding from prior stock option plans of the Company which were granted under similar terms. No additional options may be issued under these plans.

Information concerning option activity for the periods indicated is as follows:

	Shares Under Option	Weighted Average Exercise Price
Balance at January 1, 1999	4,541,606	$27.67
Options granted	1,129,991	38.82
Options exercised	345,472	12.55
Options canceled	130,294	39.87
Balance at December 31, 1999	5,195,831	30.79
Balance at January 1, 2000	5,195,831	$30.79
Options granted	48,825	36.51
Options exercised	760,612	23.89
Options canceled	157,131	40.42
Balance at December 31, 2000	4,326,913	31.72

Information concerning options outstanding as of December 31, 2000 is as follows:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable as of 12/31/2000	Weighted Average Exercise Price
$3.00 to $32.50	1,888,375	5.4	$20.28	1,838,302	$19.98
$32.51 and greater	2,438,538	7.9	40.58	1,895,592	40.86

The Company has elected not to adopt the recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123), which requires a fair value based method of accounting for all employee stock compensation plans. 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):

	2000	1999	1998
Pro forma net income	**$70,706**	$57,619	$36,251
Pro forma net income per share:			
Basic	**$ 2.29**	$ 1.98	$ 1.28
Diluted	**2.22**	1.91	1.23

The fair value of options granted in 2000, 1999 and 1998 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 4.54% to 6.54%, dividend yields of 3%, volatility factors of the expected market price of the Company's common stock of .288 to .332, and weighted average expected lives of the options of 4 to 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.

Employee Stock Ownership Plan
As of December 31, 2000, the Company maintains an Employee Stock Ownership Plan (ESOP) for the benefit of its officers and employees who meet age and service requirements. The ESOP holds 890,000 shares of the Company's common stock, all of which are allocated to participant accounts. Employer contributions are determined at the discretion of the Board of Directors. The total contribution expense associated with the Plan for 2000, 1999 and 1998 was $100,000, $547,000 and $1.1 million, respectively.

Post-employment or Post-retirement Benefits
The Company offers no post-employment or post-retirement benefits.

16. Fair Value of Financial Instruments

FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" (FAS 107), requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. FAS 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following table represents the carrying amounts and fair values of the Company's financial instruments at December 31, 2000 and 1999:

	December 31,			
	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 495,918	$ 495,918	$ 322,924	$ 322,924
Loans held for sale	41,791	41,791	5,704	5,704
Trading securities	109,306	109,306	117,837	117,837
Investment securities	3,534,782	3,524,528	2,866,149	2,819,704
Loans (net)	3,638,580	3,652,000	2,922,706	2,960,855
Financial liabilities:				
Deposits	7,387,594	7,400,507	5,608,920	5,618,204
Other borrowed money	283,714	283,714	558,092	558,092
Long-term debt	80,500	81,475	80,500	76,820
Off-balance sheet liabilities:				
Standby letters of credit		$ 1,693		$ 1,080
Commitments to extend credit		932		906

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, loans held for sale and trading securities: The carrying amounts reported approximate those assets' fair value.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans receivable were estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loans with significant collectibility concerns were fair valued on a loan-by-loan basis utilizing a discounted cash flow method. The carrying amount of accrued interest approximates its fair value.

Deposit liabilities: The fair values disclosed for demand deposits (e.g., interest-bearing and noninterest-bearing checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates of deposit to a schedule of aggregated expected monthly maturities on time deposits.

Other borrowed money: The carrying amounts reported approximate fair value.

Long-term debt: Current quoted market prices were used to estimate fair value.

Off-balance sheet liabilities: Off-balance sheet liabilities of the Company consist of letters of credit, loan commitments and unfunded lines of credit. Fair values for the Company's off-balance sheet liabilities are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

17. Quarterly Financial Data (unaudited)

The following represents summarized unaudited quarterly financial data of the Company which, in the opinion of management, reflects adjustments (comprising only normal recurring accruals) necessary for fair presentation (in thousands, except per share amounts):

	Three Months Ended			
	December 31	September 30	June 30	March 31
2000				
Interest income	$138,606	$131,185	$123,283	$112,226
Interest expense	58,861	55,621	49,861	44,027
Net interest income	79,745	75,564	73,422	68,199
Provision for loan losses	3,128	3,668	3,642	3,493
Net investment securities gains	2,393			820
Provision for federal and state income taxes	9,588	10,092	9,459	9,216
Net income	21,384	20,991	19,377	18,295
Net income per common share:				
Basic	$ 0.68	$ 0.68	$ 0.63	$ 0.60
Diluted	0.65	0.64	0.61	0.59
1999				
Interest income	$106,629	$99,097	$93,556	$87,166
Interest expense	40,252	36,118	33,727	31,984
Net interest income	66,377	62,979	59,829	55,182
Provision for loan losses	3,064	1,653	2,274	2,184
Net investment securities gains	1,047	270	400	865
Provision for federal and state income taxes	8,377	7,704	7,726	7,498
Net income	17,623	16,840	16,016	15,481
Net income per common share:				
Basic	$ 0.59	$ 0.58	$ 0.55	$ 0.54
Diluted	0.57	0.56	0.53	0.51

18. Condensed Financial Statements of the Parent Company and Other Matters

Balance Sheets

	December 31,	
(dollars in thousands)	**2000**	1999
Assets		
Cash	**$ 1,090**	$ 381
Securities available for sale	**36,392**	36,137
Investment in subsidiaries	**536,324**	406,485
Other assets	**16,018**	11,588
	$589,824	$454,591
Liabilities		
Other liabilities	**$ 17,100**	$ 17,335
Trust Capital Securities	**57,500**	57,500
Long-term debt	**23,000**	23,000
	97,600	97,835
Stockholders' equity		
Common stock	**49,627**	44,418
Capital in excess of par or stated value	**422,375**	321,443
Retained earnings	**27,083**	32,263
Accumulated other comprehensive income	**(5,239)**	(39,744)
	493,846	358,380
Less treasury stock	**1,622**	1,624
Total stockholders' equity	**492,224**	356,756
	$589,824	$454,591

Statements of Income

	Year Ended December 31,		
(dollars in thousands)	**2000**	1999	1998
Income:			
Dividends from subsidiaries	**$ 9,150**	$15,750	$18,357
Interest income	**497**	507	293
Other	**5,652**	3,690	2,098
	15,299	19,947	20,748
Expenses:			
Interest expense	**7,244**	7,375	7,259
Operating expenses	**2,352**	2,508	3,053
	9,596	9,883	10,312
Income before income taxes and equity in undistributed income of subsidiaries	**5,703**	10,064	10,436
Income tax benefit	**(1,274)**	(2,636)	(2,692)
	6,977	12,700	13,128
Equity in undistributed income of subsidiaries	**73,070**	53,260	29,027
Net income	**$80,047**	$65,960	$42,155

Statements of Cash Flows

	Year Ended December 31,		
(dollars in thousands)	**2000**	1999	1998
Operating activities:			
Net income	**$80,047**	$65,960	$42,155
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed income of subsidiaries	**(73,070)**	(53,260)	(29,027)
Gains on sales of securities available for sale		(639)	
Increase in other assets	**(4,430)**	(1,335)	(211)
Increase in other liabilities	**1,723**	13,846	2,111
Net cash provided by operating activities	**4,270**	24,572	15,028
Investing activities:			
Investment in subsidiaries	**(28,770)**	(31,000)	(40,253)
Proceeds from sale of securities available for sale	**9,997**	5,733	
Proceeds from the maturity of securities available for sale	**117,863**	26,980	
Purchase of securities available for sale	**(126,522)**	(54,723)	(4,308)
Other	**(38)**	27	51
Net cash used by investing activities	**(27,470)**	(52,983)	(44,510)
Financing activities:			
Proceeds from issuance of common stock under dividend reinvestment plan	**36,110**	27,830	7,427
Cash dividends	**(29,761)**	(23,476)	(21,563)
Proceeds from exercise of stock options	**17,560**	3,598	2,001
Net cash provided (used) by financing activities	**23,909**	7,952	(12,135)
Increase (decrease) in cash and cash equivalents	**709**	(20,459)	(41,617)
Cash and cash equivalents at beginning of year	**381**	20,840	62,457
Cash and cash equivalents at end of year	**$ 1,090**	$ 381	$20,840
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	**$ 7,089**	$ 7,089	$ 7,089
Income taxes	**36,135**	26,056	27,626

Holders of common stock of the Company are entitled to receive dividends when declared by the Board of Directors out of funds legally available. Under the New Jersey Business Corporation Act, the Company may pay dividends only if it is solvent and would not be rendered insolvent by the dividend payment and only to the extent of surplus (the excess of the net assets of the Company over its stated capital).

The approval of the Comptroller of the Currency is required for a national bank to pay dividends if the total of all dividends declared in any calendar year exceeds net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. New Jersey state banks are subject to similar dividend restrictions. Commerce NJ, Commerce PA, Commerce Shore, Commerce North, and Commerce Central can declare dividends in 2001 without additional approval of approximately $74.9 million, $6.1 million, $23.7 million, $18.9 million and $1.1 million, respectively, plus an additional amount equal to each bank's net profit for 2001 up to the date of any such dividend declaration.

The Federal Reserve Act requires the extension of credit by any of the Company's banking subsidiaries to certain affiliates, including Commerce Bancorp, Inc. (parent), be secured by readily marketable securities, that extension of credit to any one affiliate be limited to 10% of the capital and capital in excess of par or stated value, as defined, and that extensions of credit to all such affiliates be limited to 20% of capital and capital in excess of par or stated value. At December 31, 2000 and 1999, the Company complies with these guidelines.

The Company and its subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiaries to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-based assets (as defined) and of Tier I capital to average assets (as defined), or leverage. Management believes, as of December 31, 2000, that the Company and its subsidiaries meet all capital adequacy requirements to which they are subject.

The following table presents the Company's and Commerce NJ's risk-based and leverage capital ratios at December 31, 2000 and 1999:

			Per Regulatory Guidelines			
	Actual		Minimum		"Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2000						
Company						
Risk based capital ratios:						
Tier I	$551,167	10.79%	$204,316	4.00%	$306,474	6.00%
Total capital	609,047	11.92	408,633	8.00	510,791	10.00
Leverage ratio	551,167	6.92	318,444	4.00	398,055	5.00
Commerce NJ						
Risk based capital ratios:						
Tier 1	$288,630	9.80%	$117,775	4.00%	$176,663	6.00%
Total capital	317,052	10.77	235,550	8.00	294,438	10.00
Leverage ratio	288,630	6.51	177,474	4.00	221,843	5.00
December 31, 1999						
Company						
Risk based capital ratios:						
Tier I	$449,698	11.40%	$157,847	4.00%	$236,771	6.00%
Total capital	501,879	12.72	315,694	8.00	394,618	10.00
Leverage ratio	449,698	7.02	256,362	4.00	320,453	5.00
Commerce NJ						
Risk based capital ratios:						
Tier 1	$225,189	10.35%	$ 87,054	4.00%	$130,582	6.00%
Total capital	246,263	11.32	174,109	8.00	217,636	10.00
Leverage ratio	225,189	6.33	142,233	4.00	177,791	5.00

19. Segment Reporting

The Company operates one reportable segment of business, Community Banks, which includes Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware. Through its Community Banks, the Company provides a broad range of retail and commercial banking services, and corporate trust services. Parent/Other includes the holding company, Commerce National Insurance (whose revenues of $45.6 million, $32.4 million and $25.2 million in 2000, 1999 and 1998, respectively, were reported in other operating income), CCMI, and Commerce Capital Trust I.

Selected segment information for each of the three years ended December 31 is as follows:

	2000			1999			1998		
	Community Banks	**Parent/ Other**	**Total**	Community Banks	Parent/ Other	Total	Community Banks	Parent/ Other	Total
Net interest income	**$298,985**	**$(2,055)**	**$296,930**	$ 251,132	$ (6,765)	$ 244,367	$ 200,998	$ (6,337)	$ 194,661
Provision for loan losses	**13,931**		**13,931**	9,175		9,175	8,762		8,762
Net interest income after provision	**285,054**	**(2,055)**	**282,999**	241,957	(6,765)	235,192	192,236	(6,337)	185,899
Noninterest income	**90,464**	**60,296**	**150,760**	66,127	48,469	114,596	58,426	37,851	96,277
Noninterest expense	**263,001**	**52,356**	**315,357**	209,808	42,715	252,523	180,736	33,214	213,950
Income (loss) before income taxes	**112,517**	**5,885**	**118,402**	98,276	(1,011)	97,265	69,926	(1,700)	68,226
Income tax expense (benefit)	**35,255**	**3,100**	**38,355**	31,963	(658)	31,305	26,299	(228)	26,071
Net income (loss)	**$77,262**	**$2,785**	**$80,047**	$ 66,313	$ (353)	$ 65,960	$ 43,627	$ (1,472)	$ 42,155
Average assets (in millions)	**$6,626,429**	**$722,534**	**$7,348,963**	$5,301,844	$602,025	$5,903,869	$4,395,127	$470,878	$4,866,005

The financial information for each segment is reported on the basis used internally by the Company's management to evaluate performance. Measurement of the performance of each segment is based on the management structure of the Company and is not necessarily comparable with financial information from other entities. The information presented is not necessarily indicative of the segment's results of operations if each of the Community Banks were independent entities.

20. Derivative Financial Instruments

As part of CCMI's broker-dealer activities, the Company maintains a trading securities portfolio for distribution to its customers in order to meet those customers' needs. In order to reduce the exposure to market risk relating to the inventory, the Company buys and sells a variety of derivative financial instruments including futures and option contracts. Market risk includes changes in interest rates or value fluctuations in the underlying financial instruments. The Company uses notional (contract) amounts to measure derivative activity. Notional amounts are not included on the balance sheet, as those amounts are not actually paid or received at settlement. The following table reflects the open commitments for futures and options and the associated unrealized gains (losses) for the year ended December 31, 2000:

	Notional Amount	Unrealized Gain (Loss)
Municipal bond futures	$44,100	$(664)
Treasury bond futures	9,200	(372)
Treasury bond put options	2,210	(7)
Treasury bond call options	9,400	(250)
Treasury bond call options	3,100	(9)
Total	$68,010	$(1,302)

The average notional amount for futures and options contracts for the year ended December 31, 2000 was $67.5 million and $6.7 million, respectively. Realized and unrealized gains and losses related to derivative financial instruments are included in other operating income in the statement of income.

Commerce Bancorp, Inc. and Subsidiaries Report of Independent Auditors

The Board of Directors and Stockholders
Commerce Bancorp, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Commerce Bancorp, Inc. and Subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of two wholly-owned subsidiaries, which statements reflect net interest income constituting 12.3% of the related consolidated totals in 1998. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for the two subsidiaries, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Commerce Bancorp, Inc. and Subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Philadelphia, Pennsylvania
January 30, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 2000
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from ________________ to ________________. Commission File #0-12874

COMMERCE BANCORP, INC.
(Exact name of registrant as specified in its charter)

New Jersey (State of other jurisdiction of incorporation or organization)	22-2433468 (I.R.S. Employee Identification Number)
Commerce Atrium 1701 Route 70 East Cherry Hill, New Jersey (Address of principal executive offices)	08034-5400 (Zip Code)

Registrant's telephone number, including area code: 856-751-9000

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10- K. [X]

The aggregate market value of voting stock held by non-affiliates of the Registrant is $1,749,057,600.(1)

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 practicable date.

Title of Class	No. of Shares Outstanding as of 3/2/01
Common Stock $1.5625 Par Value	31,960,287

DOCUMENTS INCORPORATED BY REFERENCE

Parts II and IV incorporate certain information by reference from the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2000 (the "Annual Report"). Part III incorporates certain information by reference from the Registrant's Proxy Statement for the 2001 Annual Meeting of Shareholders.

(1) The aggregate dollar amount of the voting stock set forth equals the number of shares of the Registrant's Common Stock outstanding reduced by the amount of Common Stock held by officers, directors, and shareholders owning in excess of 10% of the Registrant's Common Stock multiplied by the last sale price for the Registrant's Common Stock on March 2, 2001. The information provided shall in no way be construed as an admission that the officer, director, or 10% shareholder in the Registrant may be deemed an affiliate of the Registrant or that he is the beneficial owner of the shares reported as being held by him, and any such inference is hereby disclaimed. The information provided herein is included solely for the recordkeeping purpose of the Securities and Exchange Commission.

COMMERCE BANCORP, INC.
FORM 10-K CROSS-REFERENCE INDEX

The preceding Annual Report and Form 10-K incorporates into a single document the requirements of the accounting profession and the Securities and Exchange Commission. There has been no action by the Commission, however, to approve or disapprove or pass upon the accuracy or adequacy of the Annual Report and Form 10-K.

(a) (3) - Exhibits:

3.1	Restated Certificate of Incorporation of the Company, as amended. (I)
3.2	By-laws of the Company, as amended. (K)
4.1	Form of Trust Indenture, dated July 15, 1993, between the Company and United Jersey Bank, with respect to the Company's $23,000,000 8 3/8% Subordinated Notes due July 15, 2003. (I)
4.2	Form of Indenture between the Company and Wilmington Trust Company, as Debenture Trustee. (M)
4.3	Certificate of Trust of Commerce Capital Trust I. (M)
4.4	Form of Amended and Restated Declaration of Trust of Commerce Capital Trust I. (M)
4.5	Form of Capital Security Certificate for Commerce Capital Trust I (included in Exhibit 4.4). (M)
4.6	Form of Guarantee Agreement. (M)
10.1	Ground lease, dated July 1, 1984, between Commerce NJ and Group Four Equities, relating to the branch office in Gloucester Township, New Jersey. (A)
10.2	Ground lease, dated April 15, 1986, between Commerce NJ and Mount Holly Equities, relating to Commerce NJ's branch office in Mt. Holly, New Jersey. (C)
*10.3	The Company's 1984 Incentive Stock Option Plan. (A)
*10.4	The Company's Employee Stock Ownership Plan. (F)
10.5	Lease, dated March 29, 1985, between Commerce PA and Devon Properties (Ltd.), and lease dated September 4, 1985, between Commerce PA and Devon Properties (Ltd.), relating to Commerce PA's branch office in Devon, Pennsylvania. (B)
10.6	Assignment of Lease and Assumption Agreement dated November 30, 1987, between the Company and Commerce PA, relating to Commerce PA's branch office in Devon, Pennsylvania. (C)
10.7	Lease between the Company and Astoria Associates, relating to the Company's and Commerce NJ's headquarters facilities. (B)

10.8	Ground lease, dated April 15, 1986, between Commerce NJ and U.S. Equities, relating to one of Commerce NJ's branch offices in Washington Township, New Jersey. (D)
10.9	Ground lease, dated February 1, 1988, between Commerce NJ and Diversified Properties of New Jersey, relating to one of Commerce NJ's branch offices in Washington Township, New Jersey. (D)
10.10	Ground lease, dated February 15, 1988, between Commerce NJ and Diversified Properties of New Jersey, relating to one of Commerce NJ's branch offices in Cherry Hill, New Jersey. (D)
*10.11	The Company's 1989 Stock Option Plan for Non-Employee Directors. (E)
*10.12	A copy of employment contracts with Vernon W. Hill, II, C. Edward Jordan, Jr., and Peter Musumeci, Jr., dated January 2, 1992. (G)
*10.13	A copy of the Retirement Plan for Outside Directors of Commerce Bancorp, Inc. (H)
*10.14	The Company's 1994 Employee Stock Option Plan. (J)
*10.15	The Company's 1997 Employee Stock Option Plan. (L)
*10.16	A copy of employment contracts with Dennis M. DiFlorio and Robert D. Falese dated January 1, 1998. (N)
10.17	Ground lease, dated June 1, 1994, between Commerce NJ and Absecon Associates, L.L.C., relating to Commerce NJ's branch office in Absecon, New Jersey. (N)
10.18	Ground lease, dated September 11, 1995, between Commerce Shore and Whiting Equities, L.L.C., relating to Commerce Shore's branch office in Manchester Township, New Jersey. (N)
10.19	Ground lease, dated November 1, 1995, between Commerce NJ and Evesboro Associates, L.L.C., relating to Commerce NJ's branch office in Evesham Township, New Jersey. (N)
10.20	Ground lease, dated October 1, 1996, between Commerce NJ and Triad Equities, L.L.C., relating to one of Commerce NJ's branch offices in Gloucester Township, New Jersey. (N)
10.21	Ground lease, dated October 11, 1996, between Commerce PA and Plymouth Equities, L.L.C., relating to Commerce PA's branch office in Plymouth Township, PA. (N)
10.22	Ground lease, dated January 16, 1998, between Commerce NJ and Ewing Equities, L.L.C., relating to Commerce NJ's branch in Ewing, New Jersey. (P)
*10.23	The Company's 1998 Stock Option Plan for Non-Employee Directors. (O)
10.24	Ground lease, dated July 31, 1998, between Commerce NJ and English Creek Properties, L.L.C., relating to Commerce NJ's branch in Egg Harbor Township, New Jersey. (P)
10.25	Ground lease, dated November 30, 1998, between Commerce Shore and Brick/Burnt Tavern Equities, L.L.C., relating to Commerce Shore's branch office in Brick, New Jersey. (Q)
10.26	Ground lease, dated November 30, 1998, between Commerce Shore and Aberdeen Equities, L.L.C., relating to Commerce Shore's branch office in Aberdeen, New Jersey. (Q)
10.27	Ground lease, dated November 30, 1998, between Commerce NJ and Hamilton/Wash Properties, L.L.C., relating to Commerce NJ's branch office in Hamilton Township, New Jersey. (Q)
10.28	Ground lease, dated April 2, 1999, between Commerce PA and Abington Equities, L.L.C., relating to Commerce PA's branch office in Abington Township, Pennsylvania. (Q)
10.29	Ground lease, dated October, 1999, between Commerce PA and Bensalem Equities, L.L.C., relating to Commerce PA's branch office in Bensalem, Pennsylvania.
10.30	Ground lease, dated June 9, 2000, between Commerce NJ and Galloway Equities, L.L.C., relating to Commerce NJ's branch office in Galloway, New Jersey.
11.1	Computation of Net Income Per Share 71
13.1	The Registrant's Annual Report to Shareholders for its fiscal year ended December 31, 2000.
21.1	Subsidiaries of the Company (incorporated by reference from PART I, Item 1. "BUSINESS" of this Report on Form 10-K.) 87
23.1	Consent of Ernst & Young LLP.

(A) Incorporated by reference from the Company's Registration Statement on Form S-1, and Amendments Nos. I and 2 thereto (Registration No. 2-94189).

(B) Incorporated by reference from the Company's Registration Statement on Form S-2 (Registration No 33-12603).

(C) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1987.

(D) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

(E) Incorporated by reference from the Company's Registration Statement on Form S-2 and Amendments Nos. 1 and 2 thereto (Registration No. 33-31042).

(F) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.

(G) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

(H) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

(I) Incorporated by reference from the Company's Registration Statement on Form S-2 and Amendments Nos. 1 and 2 thereto (Registration No. 33-62702).

(J) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

(K) Incorporated by reference from the Company's Registration Statement on Form S-4 (Registration No. 333-10771).

(L) Incorporated by reference from the Company's Definitive Proxy Statement for its 1997 Annual Meeting of Shareholders, Exhibit A thereto.

(M) Incorporated by reference from the Company's Registration Statement on Form S-3 (Registration No. 333-28311).

(N) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.

(O) Incorporated by reference from the Company's Definitive Proxy Statement for its 1998 Annual Meeting of Shareholders, Exhibit A thereto.

(P) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(Q) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

* Management contract or compensation plan or arrangement.

(b) There were no reports on Form 8-K filed in the fourth quarter of 2000.

(c)(d) Exhibits and Financial Statement Schedules - All other exhibits and schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted.

Item 15. Signatures 95

PART I

Item 1. Business

Forward-Looking Statements

Commerce Bancorp, Inc. (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 Annual Report and Form 10-K and the exhibits hereto and thereto), 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.

General

The Company is a New Jersey business corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "Holding Company Act"). The Company was incorporated on December 9, 1982 and became an active bank holding company on June 30, 1983 through the acquisition of 100% of the outstanding shares of Commerce Bank, N.A. ("Commerce, NJ"). On January 2, 1987, the Company acquired all of the outstanding shares of Commerce Bank/Pennsylvania, N.A. ("Commerce PA"). On December 31, 1988 the Company acquired all of the outstanding shares of Citizens State Bank of New Jersey, Forked River, which was subsequently converted to a national charter and renamed Commerce Bank/Shore, N.A. ("Commerce Shore"). On September 30, 1993, the Company acquired all of the outstanding shares of The Coastal Bank, Ocean City, New Jersey, ("Coastal") which was merged into Commerce NJ.

Effective January 21, 1997, the Company acquired Independence Bancorp, Inc., a bank holding company headquartered in Bergen County, New Jersey. Independence Bancorp, Inc.'s wholly-owned state-chartered bank subsidiary, Independence Bank of New Jersey, was subsequently renamed Commerce Bank/North ("Commerce North"). Effective January 15, 1999, the Company acquired Community First Banking Company ("CFBC"), a one-bank holding company headquartered in Tinton Falls, New Jersey. CFBC's wholly-owned bank subsidiary, Tinton Falls State Bank, was merged with and into Commerce Shore. Also effective January 15, 1999, the Company acquired Prestige Financial Corp. ("PFC"), a one-bank holding company headquartered in Flemington, New Jersey. PFC's wholly-owned state-chartered bank subsidiary, Prestige State Bank, was subsequently re-chartered as a national bank and renamed Commerce Bank/Central, N.A. ("Commerce Central"). In 1998, the Company received regulatory approvals to open Commerce Bank/Delaware, N.A. ("Commerce Delaware"). Commerce Delaware's first branch opened in New Castle County, Delaware, on December 18, 1999.

On November 15, 1996, two insurance brokerage agencies, Keystone National Companies, Inc., Cherry Hill, New Jersey, and Morales, Potter & Buckelew, Inc., t/a Buckelew & Associates, Toms River, New Jersey, were acquired by the Company and thereafter merged to form Commerce National Insurance Services, Inc. ("Commerce National Insurance"). Commerce National Insurance is currently a wholly-owned subsidiary of Commerce North. In December 1996, Chesley & Cline, Inc., Mount Holly, New Jersey, was merged with and into Commerce National Insurance. In January 1997, Colkate, Inc., t/a The Morrissey Agency, Mt. Laurel, New Jersey, was merged with and into Commerce National Insurance. In December 1997, Joseph J. Reinhart and Associates, Inc., Cherry Hill, NJ, a risk/loss management and loss investigation consulting firm, and Associated Insurance Management Inc., Haddonfield, NJ, an employee and executive benefit consulting firm, were merged with and into Commerce National Insurance. In August 1998, J.A. Montgomery, Inc., Wilmington, DE, an insurance brokerage agency, was merged with and into Commerce National Insurance. In November, 1999, Mullaney Insurance Associates, Oakhurst, NJ, an insurance brokerage agency, was merged with and into Commerce National Insurance. In January, 2000, Traber and Vreeland, Inc., Randolph, NJ and in October 2000, Guarantee Service Agency, Inc. t/a Maywood Agency, Maywood, NJ, insurance brokerage agencies, were merged with and into Commerce National Insurance.

On March 27, 1998, the Company completed the acquisition of A. H. Williams & Co., Inc., ("Williams") Philadelphia, PA, a public finance investment firm, and combined Williams with Commerce Capital, the bank securities dealer division of Commerce NJ, to form Commerce Capital Markets, Inc. ("CCMI") a wholly-owned subsidiary of the Company.

On June 9, 1997, the Company issued $57,500,000 of 8 3/4% Trust Capital Securities through Commerce Capital Trust 1, a newly formed Delaware business trust subsidiary of the Company.

Except as otherwise indicated, all references herein to the Company include Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, Commerce Delaware, Commerce Capital Trust I, Commerce National Insurance, and CCMI.

The Company's principal executive offices are located at Commerce Atrium, 1701 Route 70 East, Cherry Hill, New Jersey 08034-5400, and its telephone number is (856) 751-9000.

The total number of full-time equivalent persons employed by the Company was 4,230 as of December 31, 2000. The Company believes that its relationship with its employees is good.

Commerce NJ

Commerce NJ provides retail and commercial banking services through 53 retail branch offices in Camden, Burlington, Gloucester, Mercer, Atlantic, and Cape May Counties in New Jersey. Commerce NJ' s deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

As of December 31, 2000, Commerce NJ had total assets of $4.560 billion, total deposits of $3.582 billion, and total stockholders' equity of $283.7 million.

Service Area

Commerce NJ's primary service area includes Burlington, Camden, Gloucester, Mercer, Atlantic and Cape May Counties, New Jersey. Commerce NJ has attempted to locate its branches in the fastest growing communities within its service area. Retail deposits gathered through these focused branching activities are used to support Commerce NJ's lending throughout Southern New Jersey.

Retail Banking Activities

Commerce NJ provides a broad range of retail banking services and products, including free checking accounts (subject to minimum balances) and savings programs, money market accounts, negotiable orders of withdrawal ("NOW") accounts, certificates of deposit, safe deposit facilities, consumer loan programs (including installment loans for home improvement and the purchase of consumer goods and automobiles), home equity and Visa Gold card revolving lines of credit, overdraft checking and automated teller facilities. Commerce NJ also offers construction loans and permanent mortgages for houses.

Trust Activities

Commerce NJ offers trust services primarily focusing on corporate trust activities, particularly as bond trustee, paying agent, and registrar for municipal bond offerings.

Commercial Banking Activities

Commerce NJ offers a broad range of commercial banking services, including free checking accounts (subject to minimum balance), night depository facilities, money market accounts, certificates of deposit, short-term loans for seasonal or working capital purposes, term loans for fixed assets and expansion purposes, revolving credit plans and other commercial loans to fit the needs of its customers. Commerce NJ also finances the construction of business properties and makes real estate mortgage loans on completed buildings. Where the needs of a customer exceed Commerce NJ's legal lending limit for any one customer (approximately $47.6 million as of December 31, 2000), Commerce NJ may participate with other banks, including Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware in making a loan.

Commerce PA

In 1987, the Company acquired all of the issued and outstanding shares of capital stock of Commerce PA. As a result of this transaction, Commerce PA became a wholly-owned subsidiary of the Company.

Commerce PA was organized as a national bank on December 28, 1983 and commenced operations on June 29, 1984. As of December 31, 2000, Commerce PA had total assets of $1.505 billion, total deposits of $1.411 billion and total stockholders' equity of $82.8 million.

Commerce PA provides retail and commercial banking services through 36 retail branch offices in Philadelphia, Bucks, Chester, Delaware and Montgomery Counties in Southeastern Pennsylvania. Commerce PA's deposits are insured by the FDIC.

Commerce PA generally provides the same retail and commercial banking services and products as Commerce NJ, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware. Commerce PA offers trust services similar to those offered by Commerce NJ.

Commerce Shore

In 1988, the Company acquired all of the issued and outstanding shares of capital stock of Commerce Shore. As a result of this transaction, Commerce Shore became a wholly-owned subsidiary of the Company.

Commerce Shore was organized as a state-chartered bank on December 8, 1972 and commenced operations on January 29, 1973. In 1989, Commerce Shore converted to a national charter. As of December 31, 2000, Commerce Shore had total assets of $1.175 billion, total deposits of $1.099 billion and total stockholders' equity of $73.7 million.

Commerce Shore provides retail and commercial banking services through 25 retail branch offices in Ocean and Monmouth Counties, New Jersey. Commerce Shore's deposits are insured by the FDIC.

Commerce Shore generally provides the same retail and commercial banking services and products as Commerce NJ, Commerce PA, Commerce North, Commerce Central, and Commerce Delaware. Commerce Shore does not offer trust services.

Commerce North

In 1997, the Company acquired Independence Bancorp, Inc. As a result of this transaction, Independence Bancorp Inc.'s wholly-owned state-chartered bank subsidiary, Independence Bank of New Jersey, became a wholly-owned subsidiary of the Company, and was subsequently renamed Commerce North.

Commerce North was organized as a state-chartered bank in 1974 and commenced operations in 1975. As of December 31, 2000, Commerce North had total assets of $1.064 billion, total deposits of $850.0 million, and total stockholders' equity of $60.0 million.

Commerce North provides retail and commercial banking services through 16 retail branch offices in Bergen and Passaic Counties, New Jersey. Commerce North's deposits are insured by the FDIC.

Commerce North generally provides the same retail and commercial banking services and products as Commerce NJ, Commerce PA, Commerce Shore, Commerce Central, and Commerce Delaware. Commerce North does not offer trust services.

Commerce Central

Effective January 15, 1999, the Company acquired Prestige Financial Corp., and PFC's wholly-owned state-chartered bank subsidiary, Prestige State Bank, was subsequently re-chartered as a national bank and renamed Commerce Central.

Commerce Central was organized as a state-chartered bank and commenced operations in 1990. As of December 31, 2000, Commerce Central had total assets of $433.5 million, total deposits of $394.0 million, and total stockholders' equity of $31.2 million.

Commerce Central provides retail and commercial banking services through 15 retail branch offices in Hunterdon, Middlesex, Morris, Somerset, and Union Counties, New Jersey. Commerce Central's deposits are insured by the FDIC.

Commerce Central generally provides the same retail and commercial banking services and products as Commerce NJ, Commerce PA, Commerce Shore, Commerce North, and Commerce Delaware. Commerce Central does not offer trust services.

Commerce Delaware

In 1998, the Company received regulatory approvals to open Commerce Delaware. Commerce Delaware began operations on December 18, 1999, with the opening of its first branch office.

As of December 31, 2000, Commerce Delaware had total assets of $72.1 million, total deposits of $67.0 million, and total stockholders' equity of $6.0 million.

Commerce Delaware generally provides the same retail and commercial banking services and products as Commerce NJ, Commerce PA, Commerce Shore, Commerce North, and Commerce Central. Commerce Delaware offers trust services similar to those offered by Commerce NJ and Commerce PA.

Commerce Delaware provides retail and commercial banking services through five retail branch offices in New Castle County, Delaware. Commerce Delaware's deposits are insured by the FDIC.

Commerce National Insurance

Commerce National Insurance operates as a regional insurance brokerage firm concentrating on commercial property, casualty and surety as well as personal lines. In addition, Commerce National Insurance offers a line of employee benefit programs including both group as well as individual medical, life, disability, pension, and risk management services. Commerce National Insurance currently operates out of 16 locations in New Jersey and three locations in Delaware. Commerce National Insurance places insurance for clients in multiple states, primarily New Jersey, Pennsylvania, and Delaware.

Commerce Capital Markets, Inc.

Commerce Capital Markets, Inc. is a wholly-owned subsidiary of the Company engaging in certain securities activities, including trading, underwriting, and advisory services. CCMI's principal place of business is Philadelphia, Pennsylvania, with branch locations in Cherry Hill and South Plainfield, New Jersey, Burlingame, California, and Fort Lauderdale, Florida.

Other Activities

NA Asset Management, a Delaware corporation, is a wholly-owned subsidiary of Commerce NJ which purchases, holds and sells investments of Commerce NJ. Commerce Mortgage Acceptance Corp., a Delaware Corporation is a wholly-owned subsidiary of Commerce NJ utilized in the securitization of certain residential mortgage loans. Shore Asset Management Corporation, a Delaware corporation, is a wholly-owned subsidiary of Commerce Shore which purchases, holds and sells investments of Commerce Shore. North Asset Management, a Delaware corporation, is a wholly-owned subsidiary of Commerce North which purchases, holds, and sells investments of Commerce North. Central Asset Management, a Delaware corporation, is a wholly-owned subsidiary of Commerce Central which purchases, holds, and sells investments of Commerce Central. Delaware Asset Management, a New Jersey corporation, is a wholly-owned subsidiary of Commerce Delaware, which purchases, holds, and sells investments of Commerce Delaware.

As part of the Commerce Network, the Company has an equity investment in Commerce Bank/Harrisburg, Camp Hill, Pennsylvania (15.08% beneficial ownership). The Commerce Network provides certain marketing support and technical support services to its members.

Competition

The Company's service area is characterized by intense competition in all aspects and areas of its business from commercial banks, savings and loan associations, mutual savings banks and other financial institutions. Other competitors, including credit unions, consumer finance companies, factors, insurance companies and money market mutual funds, compete with certain lending and deposit gathering services offered by the Company. Many competitors have substantially greater financial resources and larger lending limits and larger branch systems than those of the Company.

In commercial transactions, Commerce NJ's, Commerce PA's, Commerce Shore's, Commerce North's, Commerce Central's, and Commerce Delaware's legal lending limit to a single borrower (approximately $47.6 million, $13.6 million, $12.0 million, $9.6 million, $5.2 million, and $1.0 million, respectively, as of December 31, 2000) enables them to compete effectively for the business of smaller and mid-sized businesses. However, these legal lending limits are considerably lower than that of various competing institutions and thus may act as a constraint on Commerce NJ's, Commerce PA's, Commerce Shore's, Commerce North's, Commerce Central's, and Commerce Delaware's effectiveness in competing for financing in excess of these limits.

The Company believes that it is able to compete on a substantially equal basis with larger financial institutions because it offers longer hours of operation than those offered by most of its competitors, free checking accounts for customers maintaining certain minimum balances and competitive interest rates on savings and time accounts with low minimum deposit requirements.

The Company seeks to provide personalized services through management's knowledge and awareness of its market area, customers and borrowers. The Company believes this knowledge and awareness provides a business advantage in serving the retail depositors and the small and mid-sized commercial borrowers that comprise the Company's customer base.

Supervision and Regulation

THE FOLLOWING DISCUSSION SETS FORTH CERTAIN OF THE MATERIAL ELEMENTS OF THE REGULATORY FRAMEWORK APPLICABLE TO BANK HOLDING COMPANIES AND THEIR SUBSIDIARIES AND PROVIDES CERTAIN SPECIFIC INFORMATION RELEVANT TO THE COMPANY. THE REGULATORY FRAMEWORK IS INTENDED PRIMARILY FOR THE PROTECTION OF DEPOSITORS, OTHER CUSTOMERS AND THE FEDERAL DEPOSIT INSURANCE FUNDS AND NOT FOR THE PROTECTION OF SECURITY HOLDERS. TO THE EXTENT THAT THE FOLLOWING INFORMATION DESCRIBES STATUTORY AND REGULATORY PROVISIONS, IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PARTICULAR STATUTORY AND REGULATORY PROVISIONS. A CHANGE IN APPLICABLE STATUTES, REGULATIONS OR REGULATORY POLICY MAY HAVE A MATERIAL EFFECT ON THE BUSINESS OF THE COMPANY.

The Company

The Company is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended ("Holding Company Act"), and is therefore subject to supervision and regulation by the FRB. The Company is also regulated by the New Jersey Department of Banking.

Under the Holding Company Act, the Company is required to secure the prior approval of the FRB before it can merge or consolidate with any other bank holding company or acquire all or substantially all of the assets of any bank or acquire direct or indirect ownership or control of any voting shares of any bank that is not already majority owned by it, if after such acquisition it would directly or indirectly own or control more than 5% of the voting shares of such bank. See "Interstate Banking."

The Company is generally prohibited under the Holding Company Act from engaging in, or acquiring direct or indirect ownership or control or more than 5% of the voting shares of any company engaged in nonbanking activities unless the FRB, by order or regulation, has found such activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making such a determination, the FRB considers whether the performance of these activities by a bank holding company can reasonably be expected to produce benefits to the public which outweigh the possible adverse effects. The FRB has by regulation determined that certain activities are closely related to banking within the meaning of the Holding Company Act. These activities include, among others, operating a mortgage, finance, credit card or factoring company; performing certain data processing operations, providing investment and financial advice; acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; and certain stock brokerage and investment advisory services.

Satisfactory financial condition, particularly with regard to capital adequacy, and satisfactory Community Reinvestment Act ratings are generally prerequisites to obtaining federal regulatory approval to make acquisitions. All of the Company's subsidiary banks are currently rated "satisfactory" under the Community Reinvestment Act.

In addition, under the Holding Company Act, the Company is required to file periodic reports of its operations with, and is subject to examination by, the FRB.

The Company is under the jurisdiction of the Securities and Exchange Commission ("SEC") and various state securities commissions for matters relating to the offering and sale of its securities and is subject to the SEC's rules and regulations relating to periodic reporting, reporting to shareholders, proxy solicitation and insider trading.

There are various legal restrictions on the extent to which the Company and its nonbank subsidiaries can borrow or otherwise obtain credit from its banking subsidiaries. In general, these restrictions require that any such extensions of credit must be secured by designated amounts of specified collateral and are limited, as to any one of the Company or such nonbank subsidiaries, to ten percent of the lending bank's capital stock and surplus, and as to the Company and all such nonbank subsidiaries in the aggregate, to 20 percent of such lending bank's capital stock and surplus. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

The Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA") contains a "cross-guarantee" provision that could result in any insured depository institution owned by the Company being assessed for losses incurred by the FDIC in connection with assistance provided to, or the failure of, any other depository institution owned by the Company. Also, under FRB policy, the Company is expected to act as a source of financial strength to each of its banking subsidiaries and to commit resources to support each such bank in circumstances where such bank might not be in a financial position to support itself.

A discussion of capital guidelines and capital is included in the section entitled "Stockholders' Equity and Dividends" contained within Management's Discussion and Analysis of Financial Condition and Results of Operations on page 55 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2000, which page of the Annual Report appears elsewhere herein.

Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware

Commerce NJ, Commerce PA, Commerce Shore, Commerce Central, and Commerce Delaware, as national banks, are subject to the National Bank Act. Each is also subject to the supervision of, and is regularly examined by, the Office of the Comptroller of the Currency ("OCC") and is required to furnish quarterly reports to the OCC. The approval of the OCC is required for the establishment of additional branch offices by any national bank, subject to applicable state law restrictions.

Commerce North, as a New Jersey state-chartered bank, is subject to the New Jersey Banking Act. Commerce North is also subject to the supervision of, and is regularly examined by, the New Jersey Department of Banking and Insurance ("Department") and the FDIC, and is required to furnish quarterly reports to each agency. The Approval of the Department and FDIC is necessary for the establishment of any additional branch offices by any New Jersey state-chartered bank, subject to applicable state law restrictions.

Under present New Jersey law, Commerce NJ, Commerce Shore, Commerce North, and Commerce Central would be permitted to operate offices at any location in New Jersey, subject to prior regulatory approval. Under present Pennsylvania law, Commerce PA would be permitted to operate offices within any county in Pennsylvania, subject to prior regulatory approval. Under present Delaware law, Commerce Delaware would be permitted to operate offices at any location in Delaware at which deposits are received, checks are paid, or money is lent, subject to prior regulatory approval.

Under the Community Reinvestment Act, as amended ("CRA"), a bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with CRA. CRA requires that the applicable regulatory agency to assess an institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The CRA requires public disclosure of an institution's CRA rating and requires that the applicable regulatory agency provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. An institution's CRA rating is considered in determining whether to grant charters, branches and other deposit facilities, relocations, mergers, consolidations and acquisitions. Performance less than satisfactory may be the basis for denying an application. In addition, under applicable regulations a bank having a less than satisfactory rating is not entitled to participate on the bid list for FDIC offerings. For their most recent examinations, Commerce NJ, Commerce PA, Commerce Shore, Commerce North, and Commerce Central each received a "satisfactory" rating.

Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware are also members of the FDIC and, except for Commerce North, members of the FRB and, therefore, are subject to additional regulation by these agencies. Some of the aspects of the lending and deposit business of Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware which are regulated by these agencies include personal lending, mortgage lending and reserve requirements. The operation of Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware are also subject to numerous federal, state and local laws and regulations which set forth specific restrictions and procedural requirements with respect to interest rates on loans, the extension of credit, credit practices, the disclosure of credit terms and discrimination in credit transactions.

Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware are subject to certain limitations on the amount of cash dividends that they can pay. See Note 18 of the Company's Notes to Consolidated Financial Statements which appears elsewhere herein.

The OCC has authority under the Financial Institutions Supervisory Act to prohibit national banks from engaging in any activity which, in the OCC's opinion, constitutes an unsafe or unsound practice in conducting their businesses. The Federal Reserve Board has similar authority with respect to the Company and the Company's non-bank subsidiaries. The FDIC has similar authority with respect to Commerce North.

All of the deposits of the banking subsidiaries are insured up to applicable limits by the FDIC and are subject to deposit insurance assessments. The insurance assessments are based upon a matrix that takes into account a bank's capital level and supervisory rating. Effective January 1, 1996, the FDIC reduced the insurance premiums it charged on bank deposits to the statutory minimum of $2,000 annually for "well capitalized" banks.

Interstate Banking

On September 29, 1994, the President signed into law the "Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994" (the "Interstate Act"). Among other things, the Interstate Act permits bank holding companies to acquire banks in any state after September 29, 1995. Beginning June 1, 1997, a bank may merge with a bank in another state so long as both states have not opted out of interstate branching between the date of enactment of the Interstate Act and May 31, 1997. States may enact laws opting out of interstate branching before June 1, 1997, subject to certain conditions. States may also enact laws permitting interstate merger transactions before June 1, 1997, and host states may impose conditions on a branch resulting from an interstate merger transaction that occurs before June 1, 1997, if the conditions do not discriminate against out-of-state banks, are not preempted by Federal law and do not apply or require performance after May 31, 1997. New Jersey and Pennsylvania have enacted laws opting in immediately to interstate merger and interstate branching transactions. Interstate acquisitions and mergers would both be subject, in general, to certain concentration limits and state entry rules relating to the age of the bank. Delaware has enacted a law opting in to interstate branching by merger only.

Under the Interstate Act, the Federal Deposit Insurance Act is amended to permit the responsible Federal regulatory agency to approve the acquisition of a branch of an insured bank by an out-of-state bank or bank holding company without the acquisition of the entire bank or the establishment of a "de novo" branch only if the law of the state in which the branch is located permits out-of-state banks to acquire a branch of a bank without acquiring the bank or permits out-of-state banks to establish "de novo" branches. Pennsylvania and New Jersey have each passed such a law. However, the New Jersey law does not authorize establishment of interstate branches other than by means of acquiring such branches from another institution. Delaware law does not permit interstate branching either through the original establishment of a branch in Delaware by an out-of-state bank or through acquisition of a branch in Delaware by an out-of-state bank.

Commerce National Insurance/ Commerce Capital Markets

Commerce National Insurance, a nonbank subsidiary of Commerce North, is currently subject to supervision, regulation and examination by the New Jersey Department of Banking and Insurance. Commerce Capital Markets, a nonbank subsidiary of Commerce NJ, engages in certain permitted securities activities and is regulated by the SEC. Commerce Capital Markets is also subject to rules and regulations promulgated by the National Association of Securities Dealers, Inc., the Securities Investors Protection Corporation and various state securities commissions and with respect to public finance activities the Municipal Securities Rulemaking Board.

Both Commerce National Insurance and Commerce Capital Markets are also subject to various state laws and regulations in which they do business. These laws and regulations are primarily intended to benefit clients and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible sanctions which may be imposed include the suspension of individual employees, limitations on engaging in business for specific periods, censures and fines.

Recent Legislation

On November 12, 1999 the Gramm-Leach-Bliley Act (the "Act") became law, repealing the 1933 Glass-Steagall Act's separation of the commercial and investment banking industries. The Act expands the range of nonbanking activities a bank holding company may engage in, while preserving existing authority for bank holding companies to engage in activities that are closely related to banking. The new legislation creates a new category of holding company called a "Financial Holding Company," a subset of bank holding companies that satisfy the following criteria: (1) all of the depository institution subsidiaries must be well capitalized and well managed; and (2) the holding company must have made an effective election with the Federal Reserve Board that it elects to be a financial holding company to engage in activities that would not have been permissible before the Act. In order for the election to be effective, all of the depository institution subsidiaries must have a CRA rating of "satisfactory" or better as of its most recent examination. The Company has not elected to be a financial holding company. Financial holding companies may engage in any activity that (i) is financial in nature or incidental to such financial activity or (ii) is complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. The Act specifies certain activities that are financial in nature. These activities include - acting as principal, agent or broker for insurance; - underwriting, dealing in or making a market in securities; and - providing financial and investment advice. The Federal Reserve Board and the Secretary of the Treasury have authority to decide whether other activities are also financial in nature or incidental to financial activity, taking into account changes in technology, changes in the banking marketplace, competition for banking services and so on.

These new financial activities authorized by the Act may also be engaged in by a "financial subsidiary" of a national or state bank, except for insurance or annuity underwriting, insurance company portfolio investments, real estate investment and development, and merchant banking, which must be conducted in a financial holding company. In order for the new financial activities to be engaged in by a financial subsidiary of a national or state bank, the Act requires each of the parent bank (and its sister-bank affiliates) to be well capitalized and well managed; the aggregate consolidated assets of all of that bank's financial subsidiaries may not exceed the lesser of 45% of its consolidated total assets or $50 billion; the bank must have at least a satisfactory CRA rating; and, if that bank is one of the 100 largest national banks, it must meet certain financial rating or other comparable requirements.

The Act establishes a system of functional regulation, under which the federal banking agencies will regulate the banking activities of financial holding companies and banks' financial subsidiaries, the U.S. Securities and Exchange Commission will regulate their securities activities and state insurance regulators will regulate their insurance activities. The Act also provides new protections against the transfer and use by financial institutions of consumers' nonpublic, personal information.

Except for the increase in competitive pressures faced by all banking organizations that is a likely consequence of the Act, the Company believes that the legislation and implementing regulations are likely to have a more immediate impact on large regional and national institutions than on community-based institutions engaged principally in traditional banking activities. Because the legislation permits bank holding companies to engage in activities previously prohibited altogether or severely restricted because of the risks they posed to the banking system, implementing regulations impose strict and detailed prudential safeguards on affiliations among banking and nonbanking companies in a holding company organization.

The foregoing discussion is qualified in its entirety by reference to the statutory provisions of the Act and the implementing regulations which are adopted by various government agencies pursuant to the Act. The exact impact of the Act on the Company and its subsidiaries, if any, cannot be predicted at this time.

National Monetary Policy

In addition to being affected by general economic conditions, the earnings and growth of the Company, Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware are affected by the policies of regulatory authorities, including the OCC, the FRB and the FDIC. An important function of the FRB, is to regulate the money supply and credit conditions. Among the instruments used to implement these objectives are open market operations in U.S.

Government securities, setting the discount rate, and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of credit, bank loans, investments and deposits, and their use may also affect interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the FRB had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon the future business, earnings and growth of the Company, Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, and Commerce Delaware cannot be predicted.

Legal Proceedings

Other than routine litigation incidental to its business, none of the Company, Commerce NJ, Commerce PA, Commerce Shore, Commerce North, Commerce Central, Commerce Delaware, Commerce Capital Trust 1, Commerce National Insurance, or CCMI, or any of their properties is subject to any material legal proceedings, nor are any such proceedings known to be contemplated.

Employee Stock Ownership Plan

Effective January 1, 1989, the Company's Board of Directors approved the restatement of the Company's Stock Bonus Plan to an Employee Stock Ownership Plan ("ESOP"). The ESOP is intended to be a qualified retirement plan established and maintained in accordance with the Employee Retirement Income Security Act of 1974 for the benefit of the Company's and its bank subsidiaries' eligible employees. The ESOP is intended to invest primarily in "Qualifying Employer Securities" (i.e., common stock or preferred stock which is convertible into common stock). The assets of the ESOP are held in a trust fund pursuant to a Trust Agreement. The trustees under the Trust Agreement are authorized to invest up to 100% of the trust fund in Qualifying Employer Securities. The trustees are also authorized to borrow money for the purpose of purchasing Qualifying Employer Securities.

Generally, each participant in the ESOP is entitled to direct the trustees with respect to the voting rights, if any, of the Qualifying Employer Securities allocated to the participant's account. The current trustees are Vernon W. Hill, II and C. Edward Jordan, Jr., the trustees under the Company's former Stock Bonus Plan.

The Company is responsible for the operation and administration of the ESOP. The Company determines investment policies under which the trustees act. These duties are carried out by a committee appointed by the Board of Directors. The Board of Directors has the sole responsibility to appoint and remove members of the committee of trustees, to determine the amount of contributions to the ESOP by the Company and its subsidiary banks, and to amend or terminate, in whole or in part, the ESOP or the Trust Agreement.

As of December 31, 2000, all of the approximately 890,000 shares of the Company's common stock held by the ESOP were allocated to participant accounts.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and 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.

By /s/ VERNON W. HILL, II
Vernon W. Hill, II
Chairman of the Board and President

Date: March 27, 2001

By /s/ DOUGLAS J. PAULS
Douglas J. Pauls
Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ VERNON W. HILL, II Vernon W. Hill, II	Chairman of the Board and President (Principal Executive Officer)	March 27, 2001
/s/ C. EDWARD JORDAN JR. C. Edward Jordan Jr.	Executive Vice President and Director	March 27, 2001
/s/ ROBERT C. BECK Robert C. Beck	Secretary and Director	March 27, 2001
/s/ DAVID BAIRD, IV David Baird, IV	Director	March 27, 2001
/s/ JACK R BERSHAD Jack R Bershad	Director	March 27, 2001
/s/ JOSEPH BUCKELEW Joseph Buckelew	Director	March 27, 2001
/s/ MORTON N. KERR Morton N. Kerr	Director	March 27, 2001
/s/ STEVEN M. LEWIS Steven M. Lewis	Director	March 27, 2001
/s/ DANIEL J. RAGONE Daniel J. Ragone	Director	March 27, 2001
/s/ WILLIAM A. SCHWARTZ JR. William A. Schwartz Jr.	Director	March 27, 2001
/s/ JOSEPH T. TARQUINI JR. Joseph T. Tarquini Jr.	Director	March 27, 2001
/s/ FRANK C. VIDEON SR. Frank C. Videon Sr.	Director	March 27, 2001

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Toms River, New Jersey 08754-8324

Commerce Bank/North
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Ramsey, New Jersey 07446-1275

Commerce Bank/Central, N.A.
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