

COMMERCE BANCORP INC /NJ/
Form 11-K
June 28, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number 333-26965

A. Full title of the plan and address of the plan, if different from that of the
issuer named below:

Commerce Bancorp, Inc. 401(k) Retirement Plan

B. Name of issuer of the securities held pursuant to the plan and the address of
its principal executive office:

Commerce Bancorp, Inc.
1701 Route 70 East
Cherry Hill, NJ 08034-5400
(856) 751-9000

Commerce Bancorp, Inc. 401(k) Retirement Plan
Financial Statements and Supplemental Schedule

Years ended December 31, 2003 and 2002

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Report of Independent Registered Public Accounting Firm

Board of Directors
Commerce Bancorp, Inc.

We have audited the accompanying statements of assets available for benefits of Commerce Bancorp, Inc. 401(k) Retirement Plan (the "Plan") as of December 31, 2003 and 2002, and the related statements of changes in assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in its assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets

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(held at end of year) as of December 31, 2003, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements for the year ended December 31, 2003 and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania

June 11, 2004

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Commerce Bancorp, Inc. 401(k) Retirement Plan
Statements of Assets Available for Benefits

	December 31	
	2003	2002
	-----	-----
Assets		
Investments, at fair value	\$164,533,385	\$127,587,195
Contributions receivable:		
Participant		321,137
Employer	821,602	660,742
	-----	-----
	821,602	981,879
	-----	-----
Assets available for benefits	\$165,354,987	\$128,569,074
	=====	=====

See accompanying notes.

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Commerce Bancorp, Inc. 401(k) Retirement Plan
Statements of Changes in Assets Available for Benefits

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	Year ended December 31	
	2003	2002
	-----	-----
Additions:		
Contributions:		
Participant	\$ 8,836,056	\$ 6,939,753
Employer match	3,364,610	2,586,550
Rollovers and transfers in from other plans	1,528,631	1,456,831
Consolidation of Commerce Bancorp, Inc. ESOP assets		65,944,305
	-----	-----
Total contributions	13,729,297	76,927,439
Investment income:		
Net appreciation in fair value of investments	28,140,557	4,564,825
Interest and dividends	2,548,039	1,586,767
	-----	-----
Total investment income	30,688,596	6,151,592
	-----	-----
Total additions	44,417,893	83,079,031
Deductions:		
Benefits paid directly to participants	7,580,938	7,820,762
Other	51,042	100,364
	-----	-----
Total deductions	7,631,980	7,921,126
	-----	-----
Net increase in assets available for benefit	36,785,913	75,157,905
Assets available for benefits:		
Beginning of year	128,569,074	53,411,169
	-----	-----
End of year	\$165,354,987	\$128,569,074
	=====	=====

See accompanying notes.

Commerce Bancorp, Inc. 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2003

1. Description of Plan

The following description of the Commerce Bancorp, Inc. 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

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The Plan, established April 1, 1997, is a defined contribution plan covering all eligible employees of Commerce Bancorp, Inc. (the Company) who have at least six months of service and are age 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective January 1, 2002, the Commerce Bancorp, Inc. Employee Stock Ownership Plan (ESOP) was merged with and into the Commerce Bancorp, Inc. 401(k) Retirement Plan to allow for greater administrative efficiencies. In connection with this merger, \$65,944,305 of net assets were transferred into the Plan during January 2002. The net assets of the former ESOP are nonparticipant-directed and are maintained in a separate account (the ESOP Account) for each participant in accordance with the Plan.

Participants of various other employee benefit plans became eligible to participate in the Plan as a result of acquisitions by the Company. During 2002, net assets totaling \$0.1 million were transferred into the Plan as a result of the Sanford & Purvis acquisition. No assets, resulting from acquisitions, were transferred into the plan during 2003.

Contributions

Each year, participants may contribute up to 15% of pretax annual compensation as defined in the Plan up to maximum IRS limitations. Participants may also contribute amounts representing distributions from other qualified retirement plans. The Company may, but is not obligated to, contribute a matching contribution for the plan year as determined by the board of directors. In 2003 and 2002, the Company provided a matching contribution equal to the employee contribution up to a maximum of 2.5% of the employee's salary. Contributions are subject to certain limitations.

Commerce Bancorp, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Contributions (continued)

Participants may direct employer and employee contributions in any of various fund options offered by the Plan or they may elect to open accounts that allow participant-directed investments.

Participant Accounts

Each participant's 401(k) account is credited with (a) the participant's contributions; (b) Company's contributions; (c) Plan earnings; and (d) is charged with an allocation of administrative expenses if any costs are paid by the Plan. Allocations are based on participant earnings or account balances, as defined. Forfeitures of Company matching contributions arising from breaks in service experienced by participants with less than fully vested interests in the Plan shall be applied as promptly as possible to reduce Company matching

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contributions. Forfeited employer's contributions of approximately \$105,000 and \$59,000 were used to offset matching contributions paid in 2004 and 2003, respectively. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Each participant's ESOP Account is credited with an allocation of Plan earnings and an allocation of forfeitures based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. When a participant terminates employment or otherwise suffers five (5) consecutive breaks in service (fewer than 501 hours of service worked per year), all or a portion of his or her nonvested interest may be forfeited. If this happens, the amount forfeited is reallocated among the accounts of the remaining participants as though the forfeited amount was an Employer contribution. At December 31, 2003 and 2002, 100% of forfeited nonvested accounts had been reallocated to active participants.

Vesting

Participants are immediately vested in their contributions and all investment earnings thereon that have been allocated to their accounts.

Commerce Bancorp, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Vesting (continued)

Participants vest in the Company matching contributions (if any) based on the following:

Participant's Years of Service	Vested Percentage
Less than 2	None
2 but fewer than 3	20%
3 but fewer than 4	40%
4 but fewer than 5	60%
5 but fewer than 6	80%
6 years or more	100%

Loans

Participants may borrow funds from the Plan subject to requirements of the Plan. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan administrator. Principal and interest is paid ratably through payroll deductions.

Payment of Benefits

Benefits are payable upon retirement, death, disability, or termination of

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employment. Benefits are distributed to the participant or beneficiary in a lump-sum payment as provided in the provisions of the Plan. Included in assets available for benefits at December 31, 2002 is \$72,000 which represents amounts due to participants who have requested withdrawals. There were no distributions submitted for processing in 2003 that were not paid in 2003.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in any previously unvested Company contributions.

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Commerce Bancorp, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Administrative Costs

Administrative costs of the Plan are paid by the Company, unless the Company elects to have such costs paid by the Plan. For 2003 and 2002, no administrative costs were paid by the Plan.

2. Summary of Significant Accounting Policies

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value which is based on net asset value of shares on the last business day of the plan year for pooled accounts and the last available quoted market price for shares of common stock and debt securities. The participant loans are valued at their outstanding balances, which approximate fair value. Purchases and sales of securities are recorded on a trade-date basis. The cost of investments sold is determined on an average historical cost basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

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

3. Investments

The Plan's pooled accounts are administered by Provident Mutual Life Insurance Company. The Commerce Bancorp, Inc. Common Stock and self-directed accounts are administered by Janney Montgomery Scott. During the years ended December 31, 2003 and 2002, the Plan's investments appreciated (depreciated) in fair value as follows:

Commerce Bancorp, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

3. Investments (continued)

	Year ended December 2003	
	-----	-----
Pooled accounts	\$ 5,296,670	\$ (2
Commerce Bancorp, Inc. Common Stock	18,317,339	7
Other	4,526,548	
	-----	-----
	\$ 28,140,557	\$ 4
	=====	=====

Investments that represent 5% or more of the fair value of the Plan's assets are as follows:

	December 31	
	2003	2002
	-----	-----
Commerce Bancorp, Inc. Common Stock (includes \$81.0 million in nonparticipant-directed accounts)	\$117,133,011	\$ 9

4. Nonparticipant-Directed Investments

Nonparticipant-directed investments are the investments in Commerce Bancorp, Inc. common stock previously owned by the ESOP, which were merged into the Plan effective January 1, 2002. Information about the nonparticipant-directed investments in the common stock of the Company and the significant components of changes in those investments is as follows:

	2003	2002
	-----	-----
Investments, at fair value at January 1,	\$70,422,147	\$
Merger of ESOP assets	--	65,944
Dividend income	1,050,376	990
Net appreciation in fair value	14,614,192	6,153
Distributions to participants	(5,063,825)	(2,666
Administrative expense	--	
	-----	-----
Investments, at fair value at December 31,	\$81,022,890	\$70,422
	=====	=====

Commerce Bancorp, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

5. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated July 8, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan has been amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain the qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

6. Transactions with Parties-in-Interest

The Plan held 2,218,005 and 2,285,816 shares of the common stock of the Company at December 31, 2003 and 2002, respectively. The Plan held 7,000 shares of Commerce Capital Trust II preferred shares at December 31, 2003 and 2002.

During 2003 and 2002, the Plan received \$1,497,149 and \$1,391,825, respectively, in dividends from the Company.

Supplemental Schedule

Commerce Bancorp, Inc. 401(k) Retirement Plan

Schedule H, Line 4i -
Schedule of Assets (Held at End of Year) (continued)

December 31, 2003

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Identity of issue, borrower, lessor or similar party	Description	Cur va

Pooled Accounts		
Provident Stable Value Fund	Units of pooled accounts	\$ 5
Provident Global Aggressive Fund		3
Provident Domestic Aggressive Fund		7
Provident Domestic Moderate Fund		6
Provident Domestic Conservative Fund		2
American Century Ultra Fund		2
Deposit Account		
Janus Aspen WW GW Fund		2
Fidelity VIP II Contra Fund		3
Scudder Equity 500 IX		3

Total Pooled Accounts		36
Common Stock		
+*Commerce Bancorp, Inc. (nonparticipant-directed)	Shares of common stock	81
*Commerce Bancorp, Inc. (participant-directed)		20
*Commerce Bancorp, Inc. (self-directed)		16

Total Common Stock		117
Self-directed investments		
Loans receivable from participants	Interest rates ranging from 5.00% to 10.50%	10

		\$ 164
=====		

* Party-in-interest to the Plan.

+ The cost associated with the nonparticipant-directed shares is \$9,339,302.

"Cost" is not required for participant-directed investments.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have

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duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

COMMERCE BANCORP, INC. RETIREMENT PLAN 401 (K)

Date: June 25, 2004

By: /s/ Douglas J. Pauls

Commerce Bancorp, Inc.
Douglas J. Pauls
Senior Vice President and
Chief Financial Officer

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EXHIBIT INDEX

Exhibit No. -----	Description -----
23.1	Consent of Ernst & Young LLP.

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