

MBNA

*The World's Largest Independent Credit Card Issuer
Getting the right customers and keeping them is the foundation of MBNA's business.*

Date: 1/27/03
Proposal: MBNA Watch List Proposal
Ticker: KRB
Current Price: \$ 16.11
Analyst: John Fogelsong and Nishant Berlia
Profile: MBNA Corporation, a registered bank holding company, is the parent company of MBNA America Bank, N.A. (the Bank). The Bank has two wholly owned foreign bank subsidiaries, MBNA Europe Limited, located in the United Kingdom and MBNA Canada Bank. Through the Bank, the Company is a significant independent credit card lender worldwide and a significant issuer of endorsed credit cards, marketed primarily to members of associations and customers of financial institutions. In addition to its credit card lending, the Company makes other consumer loans and offers insurance and deposit products. The Company is also the parent of MBNA America (Delaware), N.A., a national bank that offers home equity loans, aircraft loans and business card products.
From Yahoo! Finance

The Numbers:

Market Cap:	20.58 B	P/E (Current):	12.31
Shares Outstanding:	1.28 B	P/Sales:	7.25
Book Value:	6.69	P/Book:	2.78%
Net Margins:	52.30%	PEG Ratio:	0.67
ROE:	21.83%	Debt:	22.19 B
ROA:	3.76%	Debt/Equity:	0.97
Cash:	1.01 B	EPS (02)	1.33
Dividend:	0.32	RPS (02):	2.56
Dividend Yield:	1.94%	Payout Ratio	19.37

Financial Growth Rates:

Sales: 11.7% (1 year) 18.3% (5 year)
EPS: 25.1% 26.5%
Div: 12.5% 14.0%

Standard & Poor's reported that MBNA had the best 5 year annualized return of any bank in the S&P 500

Account Growth Rates:

9.8 mil new account in 2002 as of September
9.5 mil new accounts in 2001
13.7 mil new account in 2000

Upcoming Earnings Announcement: 1/23/03

Business Overview:

Credit Cards. Offers a variety of premium and standard cards under the Visa and MasterCard names. The average premium account conducts more transactions for a larger dollar value than standard accounts.

Consumer Loans. Includes home equity and aircraft loans. Issues unsecured lines of credit from which MBNA collects either a fixed monthly payment or a minimum payment. Used for large transactions or consolidation of outstanding debt.

Insurance. Includes credit related life and disabilities insurance as well as automobile, annuities, life, and health insurance products.

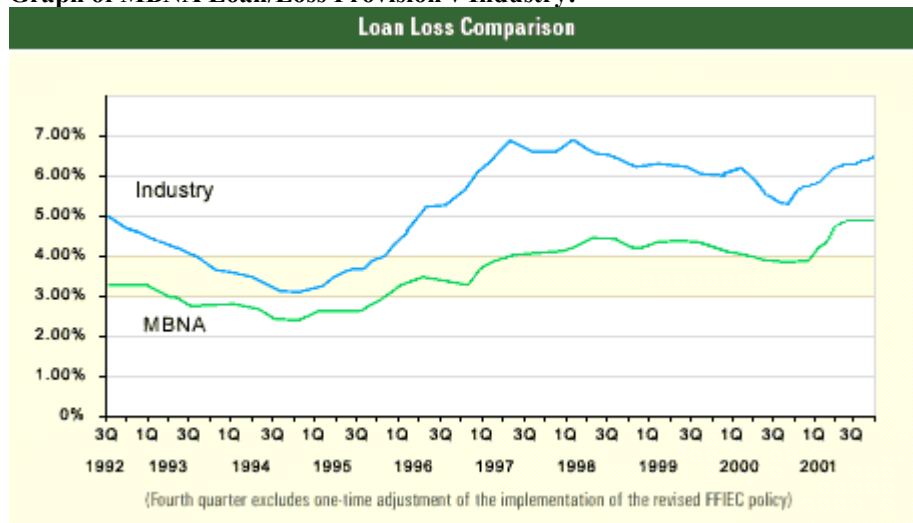
Deposits. Offers money market accounts and CDs

Credit Card Operations: MBNA bundles credit card debts accumulated by customers and then sells these debt by offering Credit Card Backed Securities. Offerings generally range from \$200 million to \$1.5 billion. Three classes of offerings exist and are determined by the credit rating of the individuals holding the debt. Class A offerings are set at LIBOR plus 5 to 15 basis points depending on the life span of the asset backed notes. Class B and C offerings are similarly priced incrementally above LIBOR.

Differentiating Factor: Affinity Cards Offer Lowest Default Rates. MBNA partners with existing organizations to offer credit based products to the organizations registered members. Targeting individuals already screened by one organization helps reduce the possibility of signing a customer who is likely to declare bankruptcy. Partner organizations include the Stanford Alumni Association, Harrah's Entertainment, U.S. Tennis Association (USTA), PGA Tour, American Trial Lawyers Association, and various other universities, sports teams, or civil awareness groups. As of 2001, MBNA partner list included 5,000 organizations 439 of which were added in 2001. "MBNA cards are carried by 72% of all physicians, 53% of all lawyers, 68% of all dentists, 52% of all engineers, 59% of all nurses and 38% of all teachers in the United States." (www.mbna.com)

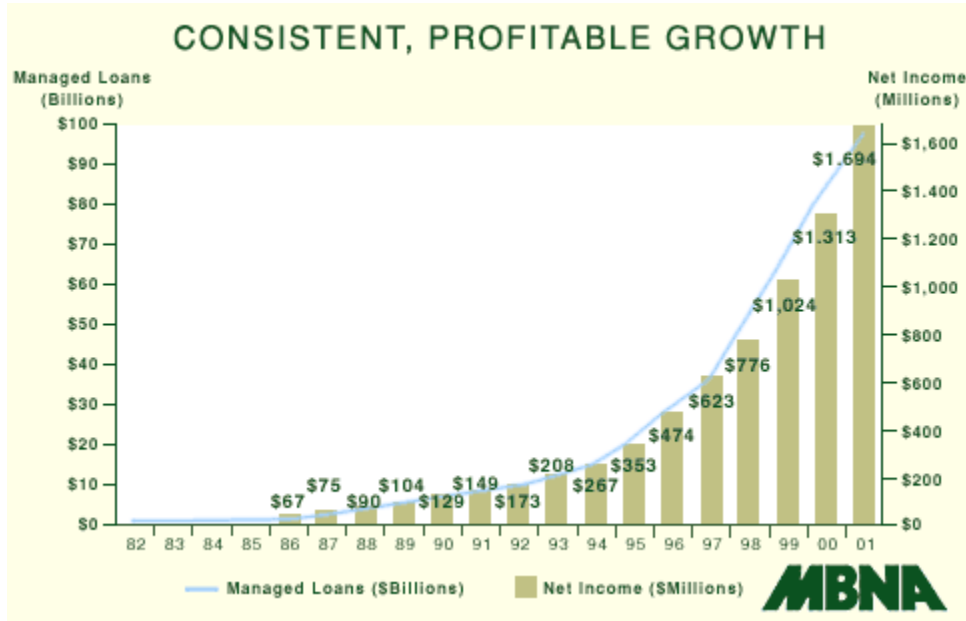
The Ideal Customer: Employed for 13 years, household income of \$64,000, owns a home, and has a 16-year history of paying bills promptly. Fewer than half of all applicants qualify for MBNA cards. These stringent conditions on account applicants allow MBNA to enjoy a low Loan/Loss ratio.

Graph of MBNA Loan/Loss Provision v Industry:

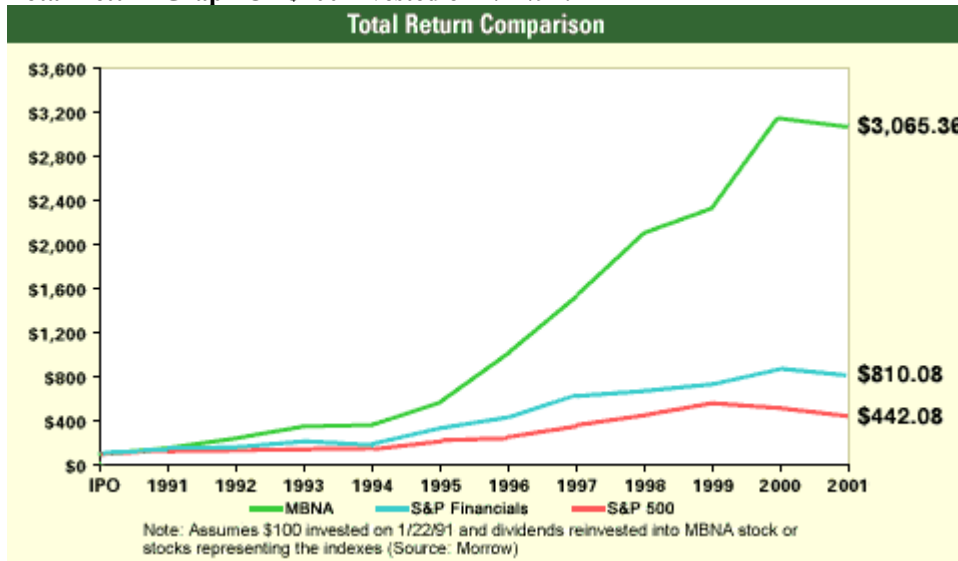


The Plan Works: Targeting the ideal customer in combination with effective management of the \$100 billion loan portfolio has produced a consistent earnings increases for MBNA in each of the 46 quarters since it became a public company. "In the second quarter of 2002, net income rose to \$458 million, an increase of 20%, compared with \$380 million in the second quarter of 2001." (www.mbna.com)

Net Income and Size of Loan Portfolio:



Total Return Graph On \$100 invested on 1/22/91:



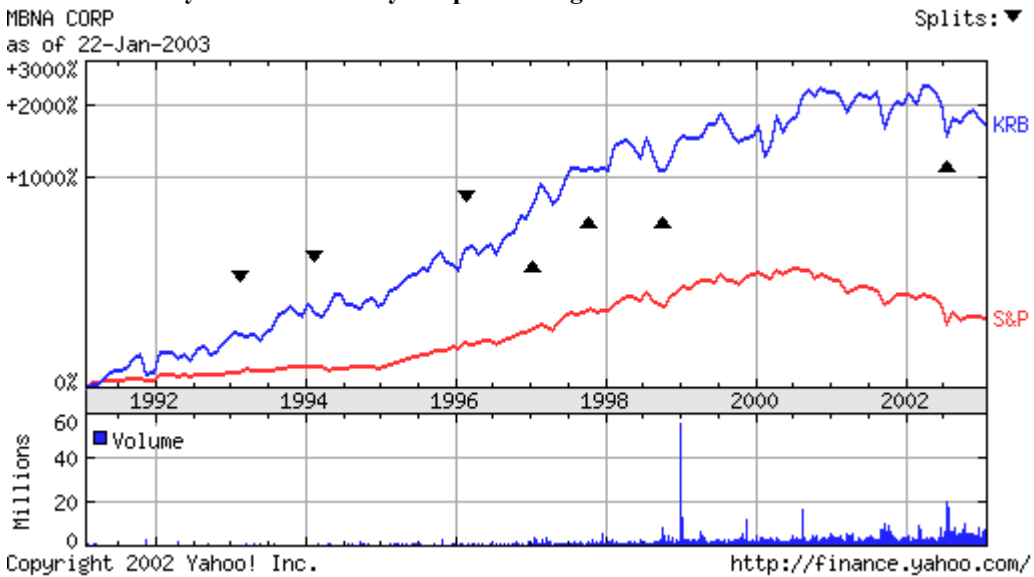
The Question: Sustainability?

With high levels of consumer debt, increasing unemployment rates, and the possibility of continued economic slowdown, can MBNA continue to execute at the same pace it averaged over the past five years?

Five Day Graph: Where will she trade now?



KRB v S&P 10 years: Consistently Outperforming



General Info:

Shareholder Composition:	Institution as percentage of float (as of September 2002)
	Alliance Capital Management: 14.89%
	Goldman Sachs Asset Management: 3.34%
	State Street Global Advisors: 2.50%

Institutional ownership accounts for 72.6% of shares outstanding.

Base of Operations: Wilmington, Delaware
Employees: 28,000

Member S&P 500

23 analysts follow the stock according to company website.
 27 according to Multex (8 analysis rate as buy, 11 outperform, 7 hold, and 1 underperform)

KRB began trading on Jan 22, 1991 at the split adjusted price of \$.99