MBNA Corp. REPORT

1. Business Sumary

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, formerly known as MBNA International Bank Limited and MBNA Canada Bank. Through the Bank, the Corporation is an independent credit card lender and an issuer of affinity credit cards, marketed primarily to members of associations and customers of financial institutions. In addition to its credit card lending, the Company also makes other consumer loans and offers insurance and deposit products. The Company is also the parent of MBNA America (Delaware), N.A., a newly chartered national bank converted from a pre-existing state chartered bank that offers home equity loans, aircraft loans and corporate loan products.

Web site http://www.mbna.com

Investor Relation: http://www.mbna.com/about_investor.html

2. Business Analysis

2.1. *What does MBNA do*?

MBNA is a bank, "a business establishment in which money is kept for saving or commercial purposes or is invested, supplied for loans, or exchanged" according to http://www.dictionary.com. MNBA is the branchless bank and focuses on credit card lending. Besides the main business of credit card lending, the bank also do point of sale lending and insurance (partnership with AIG).

MBNA 's major market is the US market, however, the bank expands its business through Europe and Canada. I think the European and Canada market still have room to grow as well as the new market like Far East or Asian.

MBNA 's income source are interest income, credit card fee, interchange income and other income. The interest income is the major source of income. If the interest rate is changed, it might impact the earning. The credit card fee (late fee + annual fee) and interchange income doesn't affect by the fluctuation of the interest rate.

2.2. Who are MBNA 's main customers?

MBNA 's motto is "Success is getting the right Customers and keeping them". The bank uses affinity marketing to attract and retain customers. 67% of all physicians, 47% of all lawyers, 67% of all dentist and 30% of all nurses, teachers, engineers and architects in the US carry MBNA credit card.

TYPICAL CUSTOMER PROFILE

	94	**95**	**96**	**97**	**98**	**99**	**00**	**01**
Family Income	51K	57K	60K	59K	60K	64K	68K	**70K**
Home Ownership	74%	77%	76%	76%	75%	77%	75%	**75%**
Employment History	11yrs	11yrs	11yrs	10yrs	10yrs	11yrs	11yrs	**11yrs**
Paying Bill History	13yrs	13yrs	13yrs	13yrs	14yrs	16yrs	17yrs	**17yrs**

Source: MBNA

TYPICAL CUSTOMER SPENDING HABITS

	MBNA	**Industry**
Average Account Balance	$3519	$2311
Average Transaction	$129	$99

Source: MBNA

The bank focuses on high quality customer i.e. wealthy customers, but willing to carry balance. The quality of its customer helps the bank grow its earning consistently for ten years.

Awards: MBNA is on the list of Fortune magazine for "Best Company to Work for" and "Most Admired Company" as well as "100 Best Company for working mothers".

2.3. Who are MBNA 's main competitors?

From Hoovers, there are three main competitors which are Citi Group, First USA Bank, Fleet Boston. However, during the Salomon Smith Barney, the CFO mentions about Bank One. I still don't have enough information/time to evaluate the competitive landscape.

2.4. What are MBNA 's potential problems?

2.4.1. Market Saturation

MBNA uses the affinity marketing to attract and keep customers. After a while, there are no more affinity group to acquire and gain more customers. I think it takes more than five years to worry about that since MBNA expands in European and Canada. Furthermore, new young people enter the labor market and become the customers when they are qualified.

2.4.2. Loan Lost

The quality of the customer is high so the loan lost is low. However, if the economy is bad, the loan lost is increased, but I think it is still low compare with the industry.

2.4.3. Interest Rate Change

If the Fed increases the interest rate, MBNA margin can be reduced. The counter strategy is increase the lending rate, getting more customers or reduce the bottom line.

2.4.4. Customer Turnover

Nothing change, still as before.

2.4.5. Tele marketing prohibition

Minor problem. It affects all the credit card company not just MBNA.

2.4.6. "Enron" polution

Need more investigation.

3. Sources:

http://biz.yahoo.com/p/k/krb.html

http://www.mbna.com

http://www.fortune.com

http://www.workingwoman.com

http://www.better-investing.org/ (I-list)

http://forums.compuserve.com/vlforums/default.asp?SRV=NAIC&loc=us&access=public
(stock study MBNA by Lynn Ostrem)

Tear sheet spread sheet by John Parmley
http://www.geocities.com/mineralpoint/

Tearsheet for:	MBNA INC(NYSE)	Enter Ticker: KRB

Select Data Source: Imported SSG, Ticker: krb

Company Overview

MBNA Corporation is the parent company of MBNA America Bank, N.A., MBNA International Bank Limited, and MBNA Canada Bank. Through MBNA America Bank, N.A., the corporation is an independent credit card lender and is an issuer of affinity credit cards, marketed primarily to members of associations and customers of financial institutions. In addition to its credit card lending, the corporation also makes other consumer loans and offers insurance and deposit products. Source: Zacks

Quality & Valuation

INDUSTRY LEADERSHIP (4 Stars): ****
QUALITY OF MANAGEMENT (4 Stars): **
MOTLEY FOOL RULE MAKER (6 Stars): ****

BUY/HOLD/SELL:	HOLD
PRICE TARGET APPRECIATION:	123%
UP-SIDE DOWN-SIDE RATIO:	3 To 1
BUY RANGE FROM:	$19.08 - $32.47
SELL RANGE FROM:	$59.25 - $72.64

R/V (NAIC):	107%	R/V Price Range:	$24.38 / $33.52
R/V (Industry):	86%	PEG:	0.96
R/V (S&P):	63%	S&P PEG:	3.84

Company Overview		Industry Leadership	Company	Industry	Opinions		Current Statistics:	3/2/02
					Morningstar Stock Grades			
Industry:	Finance						Recent Price:	$32.55
Sector:	Financials	ROA%:	4.2	1.51	Growth:	A+	52 Wk High:	$38.18
Stock Type:	Classic Growth	ROE%:	24.24	15.89	Profitablity:	A+	52 Wk Low:	$25.05
Sales $MM	5768.1 m	Net Margin%:	NA	19.51	Financial Health:	A+	P/E Ratio (TTM):	18.09
60 Month Beta:	1.53	Debt to Equity:	NA	NA			EPS (TTM):	$1.80
Inst Hldgs / Insiders:	69% / 13.6%						S&P P/E Ratio (TTM):	28.80

Source: Zacks, Morningstar — Source: Marketguide — Source: Morningstar — Source: Zacks, Marketguide, Morningstar

Top Mutual Fund Holders

	Chg. in Shr. (000's)	Shares Held (000's)	Date Rpt.	Percent Held
ALLIANCE PREMIER GROWTH FUND	0.0	24,159.0	9/30/01	2.84
AXP NEW DIMENSIONS FUND	(1,500.0)	7,500.0	12/31/01	0.88
VANGUARD 500 INDEX FUND	32.7	7,030.0	6/30/01	0.83
LEGG MASON VALUE TRUST	0.0	5,400.0	9/30/01	0.63
OAK ASSOC FDS WHITE OAK GR STK	0.0	5,375.0	12/31/01	0.63
PUTNAM VOYAGER FUND	745.2	4,314.0	9/30/01	0.51
PUTNAM INVESTORS FUND	75.6	4,043.0	9/30/01	0.47
AIM CONSTELLATION FUND	625.0	3,837.0	9/30/01	0.45
ALLIANCE GROWTH FUND	0.0	3,577.0	9/30/01	0.42
VANGUARD INST INDEX FD	64.0	2,758.0	6/30/01	0.32

Source: ThompsonInvestor

Growth Rates

**** Historical Growth Rate Averages ****

Qtr/Qtr	1 Yr	3 Yr	5 Yr
Sales 9%	22%	21%	26%
EPS 27%	27%	26%	27%

Source: Marketguide

KRB meets the NAIC requirement for Yr/Yr growth rates
KRB meets the NAIC requirement for Qtr/Qtr growth rates

**** Projected Growth Rates ****

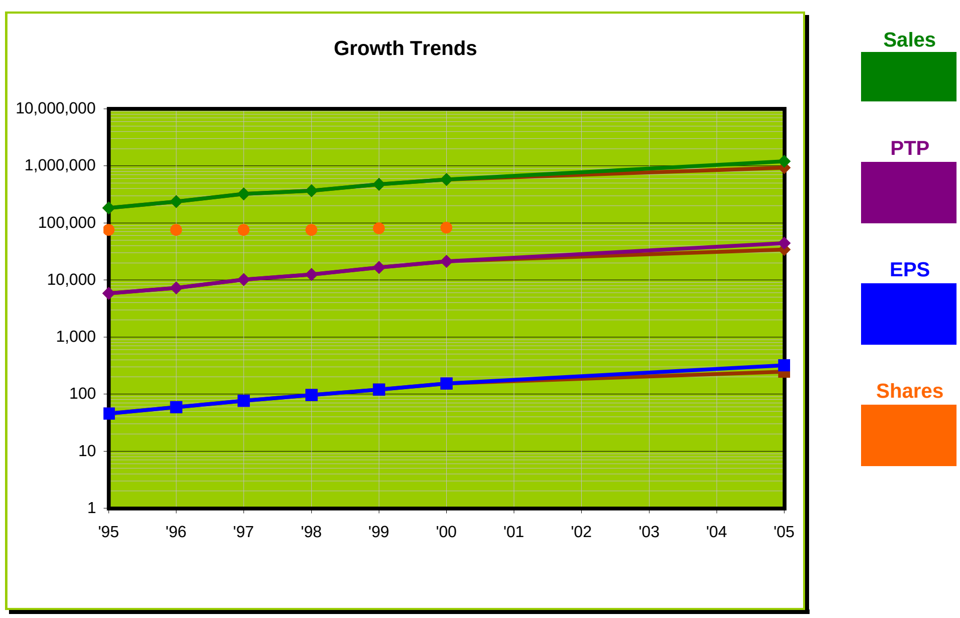
	KRB	(FIN-CONS LOANS)	S&P 500
This Year	16.6%	14.0%	-21.7%
Nxt Year	16.1%	7.4%	12.3%
5 Years	18.8%	18.4%	7.5%

Source: Quicken

KRB is anticipated to grow 0.4% more than it's peers over the next 3-5 years

**** Potential 5 Yr EPS Growth Estimates ****

Potential 5 Yr High Growth Rate % 16
Potential 5 Yr Low Growth Rate % 10



Source: Marketguide

Zack's 5 Yr Growth Est + 10% Reduced Est

High Growth Estimate 25% (14 estimates) - 22.5%
Mean Growth Estimates 18.82% (14 estimates) - 16.94%
Low Growth Estimate 15% (14 estimates) - 13.5%

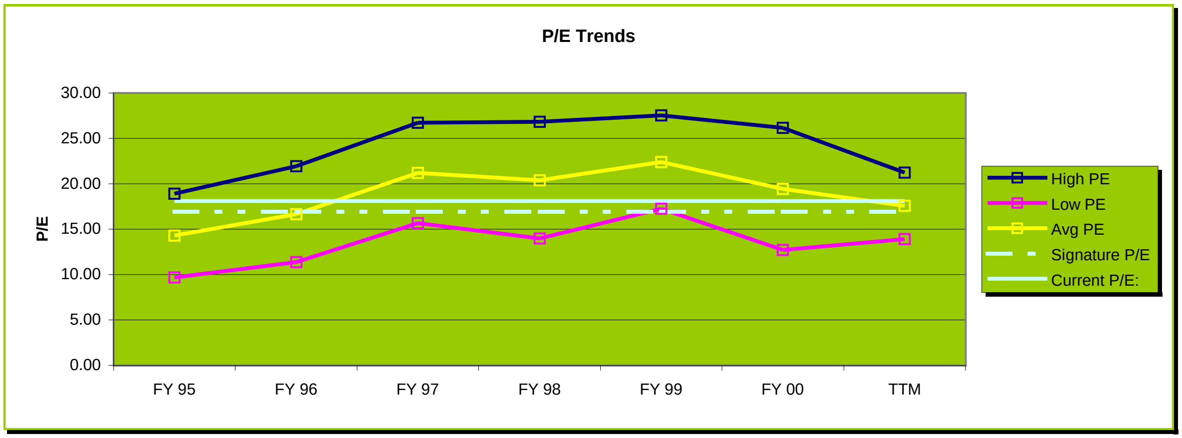
Tearsheet for: **MBNA INC(NYSE)**

Quality of Management (Section 2 of NAIC SSG)

	1995	1996	1997	1998	1999	2000	TTM	5 Yr Avg	Trend
Pre-Tax Profit Margin	31.9	31.0	31.5	34.3	35.0	36.8	N/A	33.7	UP
Return On Equity	27.1	26.0	29.1	30.3	23.0	19.0	N/A	25.5	DOWN

Source: Marketguide

Price-Earnings History (Section 3 of NAIC SSG)



Year	High	Low	EPS	High P/E	Low P/E	Avg P/E*
TTM	38.18	25.05	1.80	21.2	13.9 ✓	17.6
FY 00	40.13	19.50	1.53	26.2	12.7	19.4
FY 99	33.25	20.81	1.21	27.5	17.2 ✓	22.4
FY 98	25.88	13.50	0.97	26.8	14.0 ✓	20.4
FY 97	20.39	11.94	0.76	26.7	15.7 ✓	21.2
FY 96	12.96	6.72	0.59	21.9	11.4	16.6
FY 95	8.62	4.42	0.46	18.9	9.7 ✓	14.3
FY 94	5.41	3.80	0.35	15.4	10.9	13.2
FY 93	4.99	2.82	0.27	18.3	10.3	14.3

* Red denotes Year w/higher P/E than Current P/E

EPS Data Source: Imported SSG, Ticker: krb
Marketguide

	TTM	FTM
Current P/E:	18.1	15.6
Avg. P/E:	16.9	
RV (NAIC):	106.8%	92.1%
RV vs S&P:	63%	

Source: Marketguide

Evaluating Risk and Reward over the next 5 years (Section 4 of NAIC SSG)

A High Price -- Next 5 Years | **Forecasted High Growth Rate: 16.0**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
NAIC Forecasted High PE 22.6	22.6	22.6	22.6	22.6	22.6
Last Yrs Actual $1.53 plus Proj. Growth Rate	$1.78	$2.06	$2.39	$2.78	$3.22
High Price -- Next 5 Years	$40.12	$46.53	$53.98	$62.62	$72.64

User Defined High Growth Rate 16%

Note: High/Low EPS Analysts Spread 10%
Note: You are forecasting a PEG of 1.41

B Low Price -- Next 5 Years | **Forecasted Low Growth Rate: 10.0**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
NAIC Forecasted Low PE 11.3	11.3	11.3	11.3	11.3	11.3
Last Yrs Actual $1.53 plus Proj. Growth Rate	$1.69	$1.85	$2.04	$2.24	$2.47

User Defined Low Growth Rate 10%

(a) Calculated Low	$19.08 ◉
(b) Avg. Low Price of Last 5 Years	$16.25 ○
(c) Recent Severe Market Low Price	$19.50 ○
(d) Current 52 wk Low	$25.05 ○
(e) Lowest Price of all options or 20% below Current or 52wk Low	$16.25 ○
Low Price -- Next 5 Years	$19.08

Current Price	$32.55
52 Week Low	$25.05
52 Week High	$38.18

Current share price is -15% from it's 52 week high of $38.18.

Current share price is 30% above it's 52 week low of $25.05.

C Zoning 25/50/25 **HOLD**

BUY	$19.08	to	$32.47
HOLD	$32.47	to	$59.25
SELL	$59.25	to	$72.64

Current Price is in the HOLD Range

Current Price is in the HOLD Range

Buy Range would have a Forward PE of 18.26 and a Trailing PE of 18.05

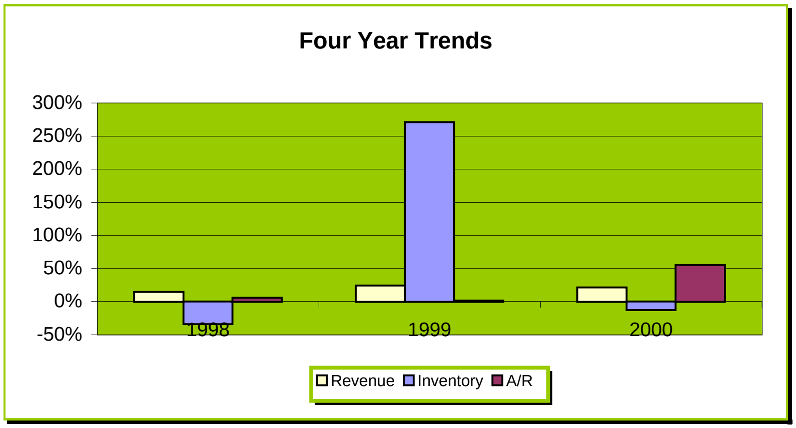
D Up-Side Down-Side Ratio **3.0 to 1 Ratio**

E Price Target/Appreciation over 5 Years **123.2%**

Tearsheet for: **MBNA CORP (NYSE:KRB)**

Revenue vs Inventory & Receivable Trends, (Annual & Quarterly)

	Annual Growth			Quarterly Growth		
	1998	1999	2000	Q1-2001	Q2-2001	Q3-2001
Revenue	14.8%	24.5%	21.6%	1%	7%	10%
Inventory	-33.7%	270.8%	-12.1%	-14%	7%	-14%
A/R	6.0%	1.8%	55.0%	9%	0.3%	23.5%

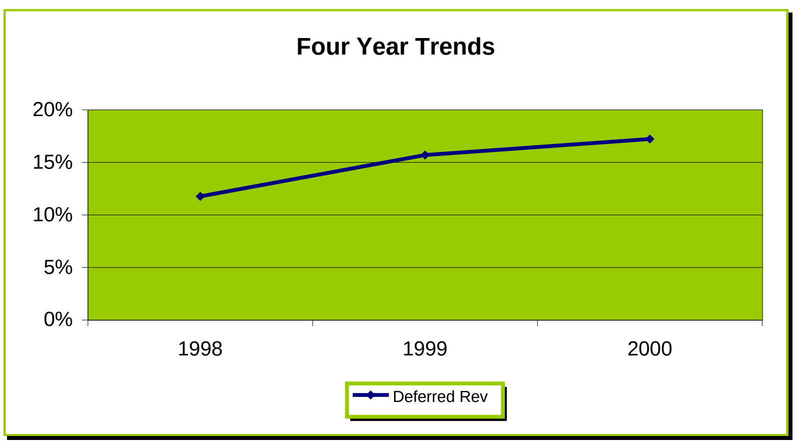


Revenue that is growing at a much slower rate than accounts receivable or inventory.

Compare the percentage change of inventory and accounts receivable (both are on the balance sheet) in the lastest quarter (or year) to the change in revenue (on the income statement), for the same period. If either is rising much faster than revenue, it can mean the company isn't selling goods it has manufactured as fast as planned or that it is having trouble collecting money owned it by customers. Those are signs of a weakening business. (Data Source: The Motley Fool)

Deferred Revenue Trends, (Annual & Quarterly)

	Annual Growth			Quarterly Growth		
	1998	1999	2000	Q1-2001	Q2-2001	Q3-2001
Deferred Rev	12%	16%	17%	4%	-5%	10%

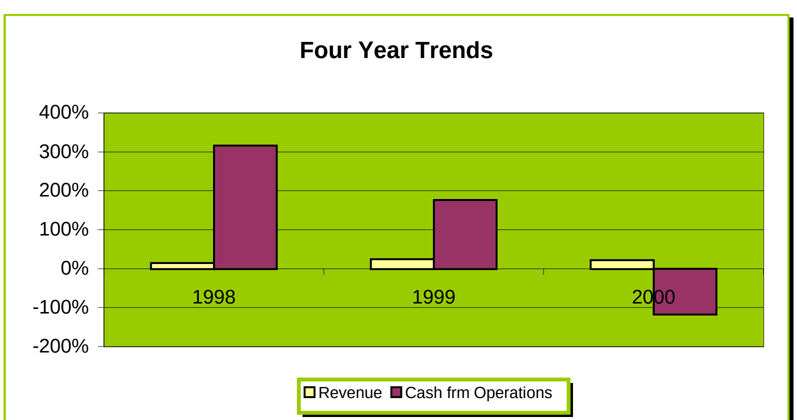


A big increase in deferred revenue

This figure (which can be found on the balance sheet) is basically an account where a company stores money it has collected from customers before delivering the goods or services. When deferred revenue rises sharply, it can indicate a company is having trouble delivering its products at promised. (Data Source: The Motely Fool)

Revenue vs Cash from Operations, (Annual)

	Annual Growth					
	1998	1999	2000	Q1-2001	Q2-2001	Q3-2001
Revenue	14.8%	24.5%	21.6%	1%	7%	10%
Cash frm Operations	316.0%	176.1%	-117.4%	73%	-381%	-93%



Cash from operations that is increasing or decreasing at a different rate than net income

This can be a quick indication that net income is being fooled with. Unlike net income, which can be massaged with all sorts of accounting gimmicks, cash from operations (which is reported in the statement of cash flows) is a measure of how much cash is coming into or flowing out of a firm. Both should change in step with each other. (Data Source: The Motley Fool)