

# Bankinter

UBS,

Madrid September 2006

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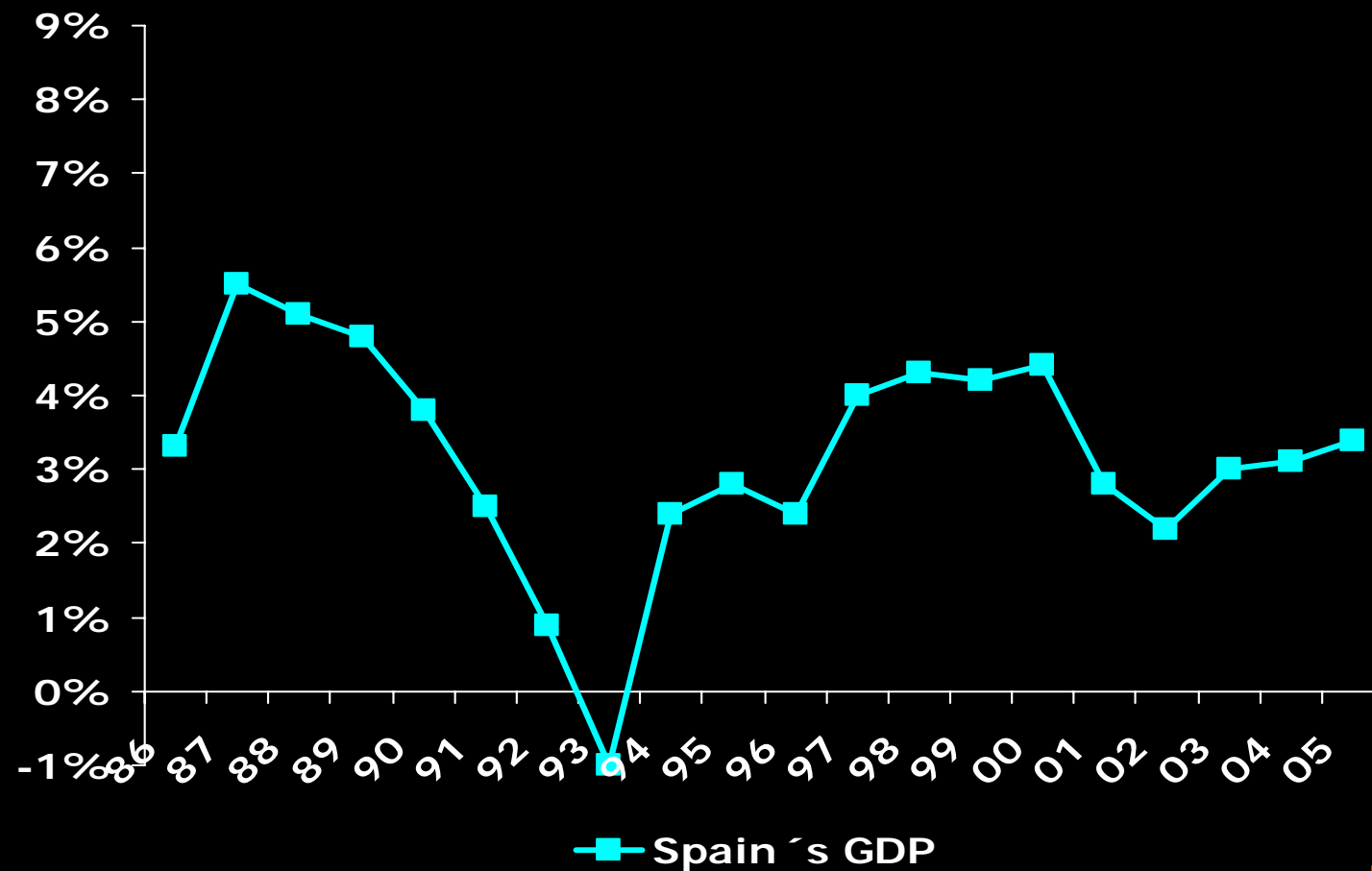
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# The real estate market

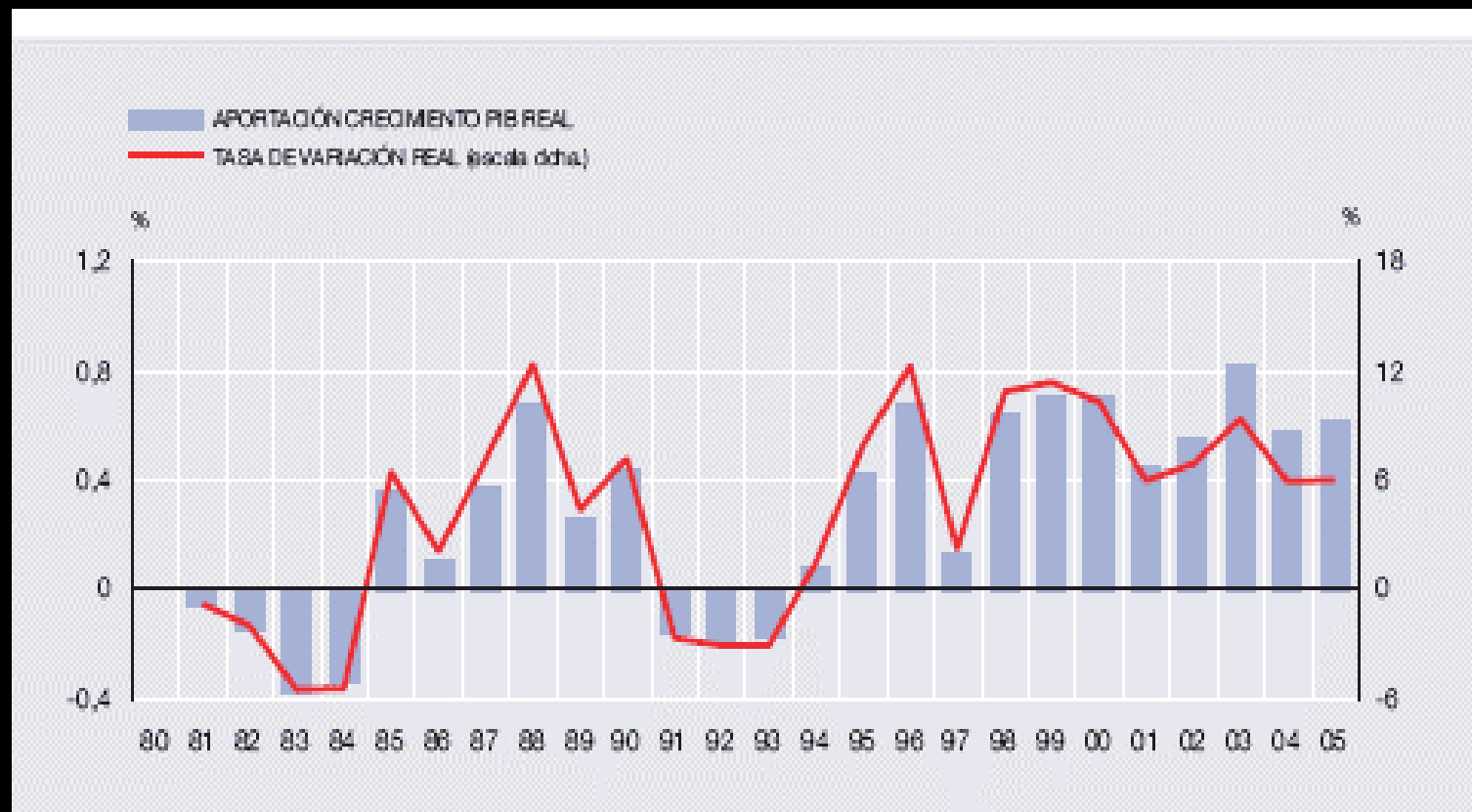


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# Sustained economic growth for the last decade

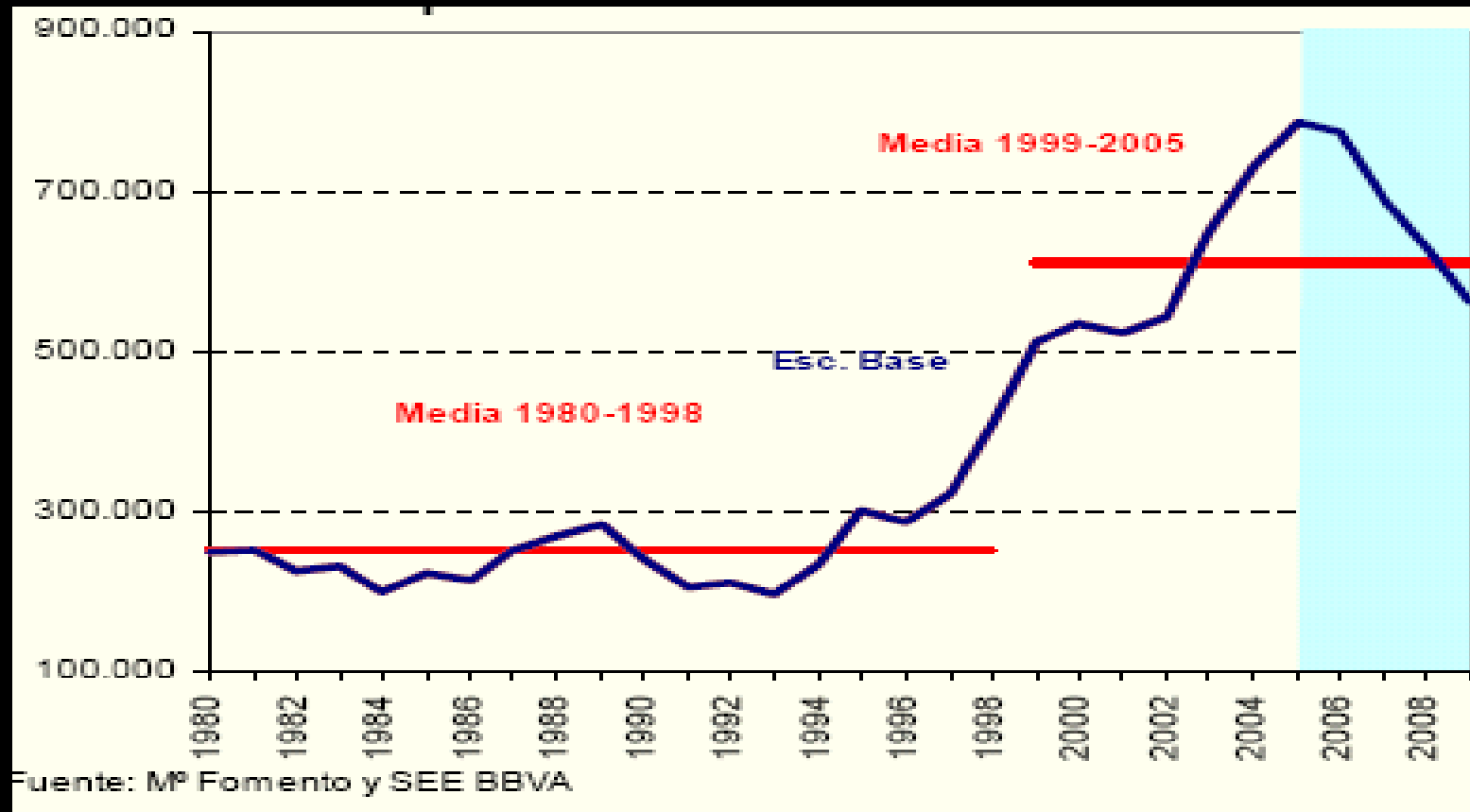


# Being real estate a main contributor



FUENTES: INE y Banco de España.

# Number of new licensed houses at record levels



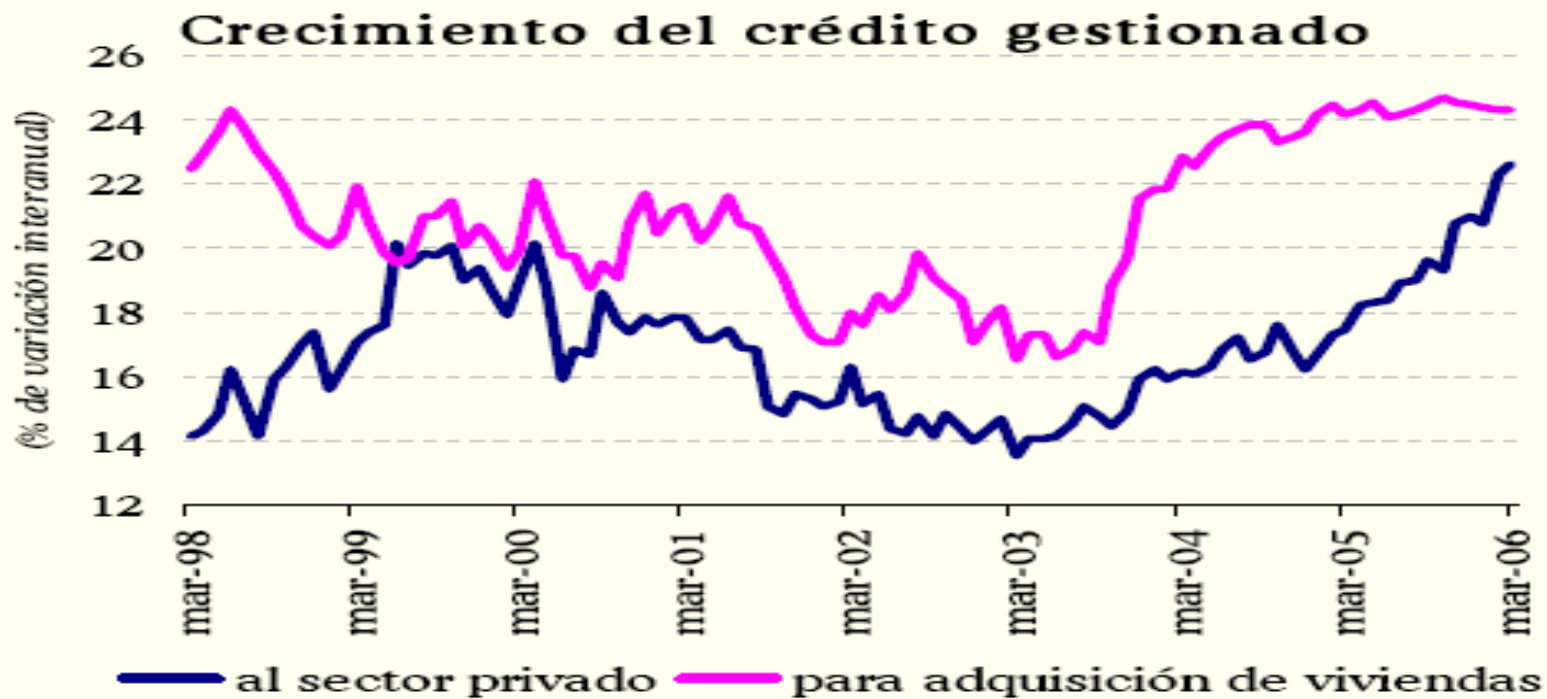
# Demand for housing

## 1. Objective factors

- Demography
- Economic: employment and income
- Financial: interest rates, mortgage market development..

## 2. Cultural factors

# Although mortgage lending growth still high



*Fuente: Banco de España*



# Household indebtedness increasing sharply

**Table 2.4. Ratio of Household Credit to Personal Disposable Income**  
(In percent)

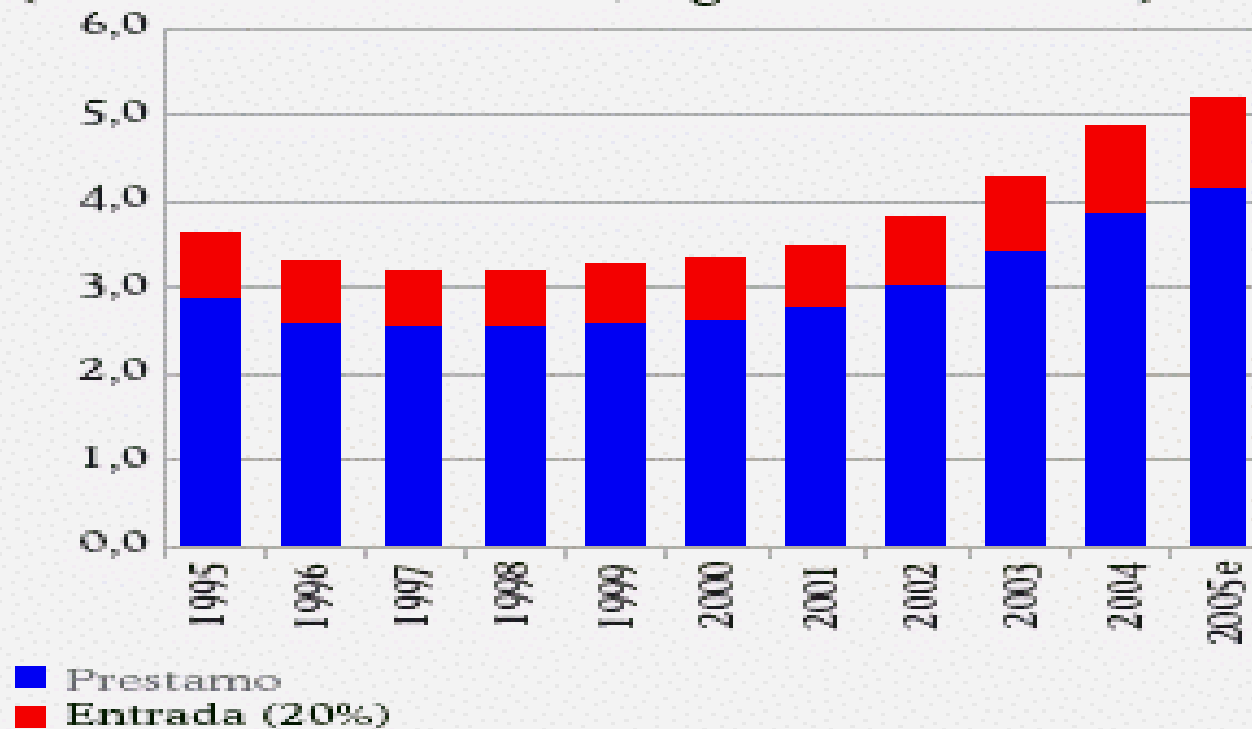
	2000	2001	2002	2003	2004	2005
<b>Emerging Markets</b>						
Czech Republic	8.5	10.1	12.9	16.4	21.3	27.1
Hungary	11.2	14.4	20.9	29.5	33.9	39.3
Poland	10.1	10.3	10.9	12.6	14.5	18.2
India	4.7	5.4	6.4	7.4	9.7	...
Korea	33.0	43.9	57.3	62.6	64.5	68.9
Philippines	1.7	4.6	5.5	5.5	5.6	...
Taiwan Province of China	75.1	72.7	76.0	83.0	95.5	...
Thailand	26.0	25.6	28.6	34.3	36.4	...
<b>Mature Markets</b>						
Australia	83.3	86.7	95.6	109.0	119.0	124.6
France	57.8	57.5	58.2	59.8	64.2	69.2
Germany	70.4	70.1	69.1	70.3	70.5	70.0
Italy	25.0	25.8	27.0	28.7	31.8	34.8
Japan	73.6	75.7	77.6	77.3	77.9	77.8
Spain	65.2	70.4	76.9	86.4	98.8	112.7
United States	104.0	105.1	110.8	118.2	126.0	132.7

Source: IMF staff estimates based on data from country authorities, CEIC, OECD, and Bloomberg.

# House price to Annual Income

## Accesibilidad a la vivienda

(Precio de la vivienda/ingresos salariales)



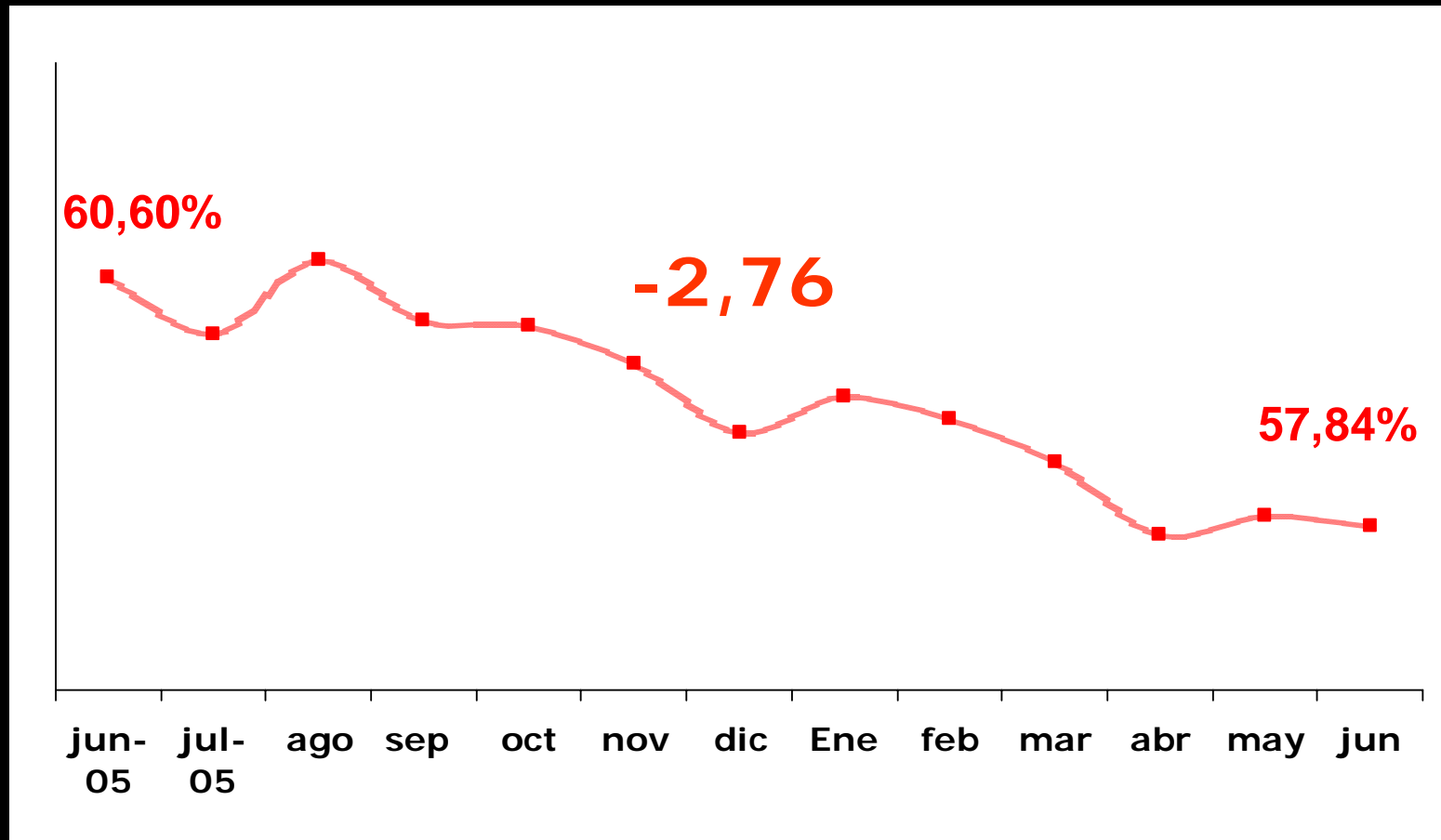
Fuente: BBVA

# The Mortgage book in Bankinter



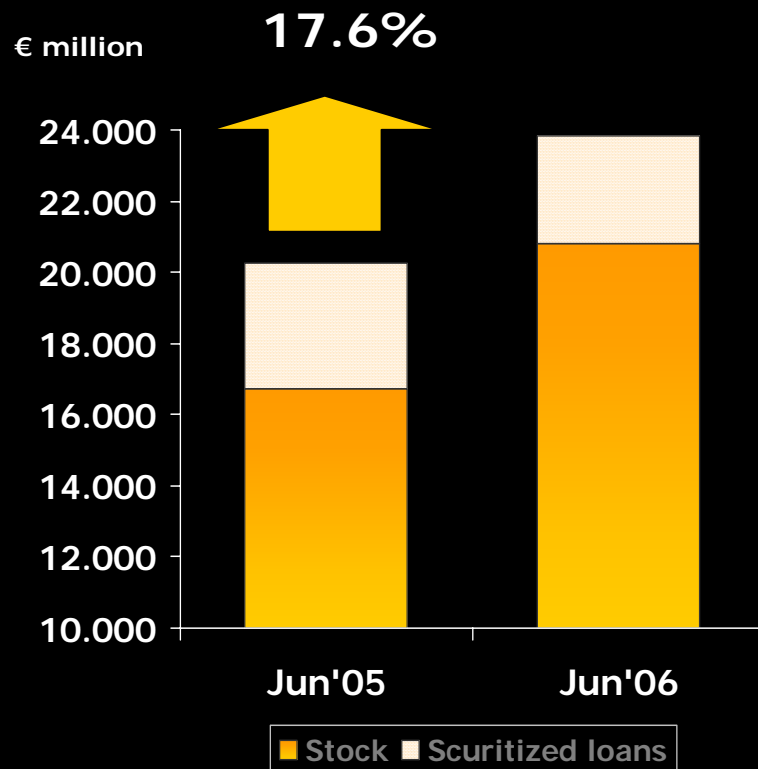
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# Mortgage contribution to total loan book



# Mortgages are starting to slow down

- Mortgages stock (€ million) -



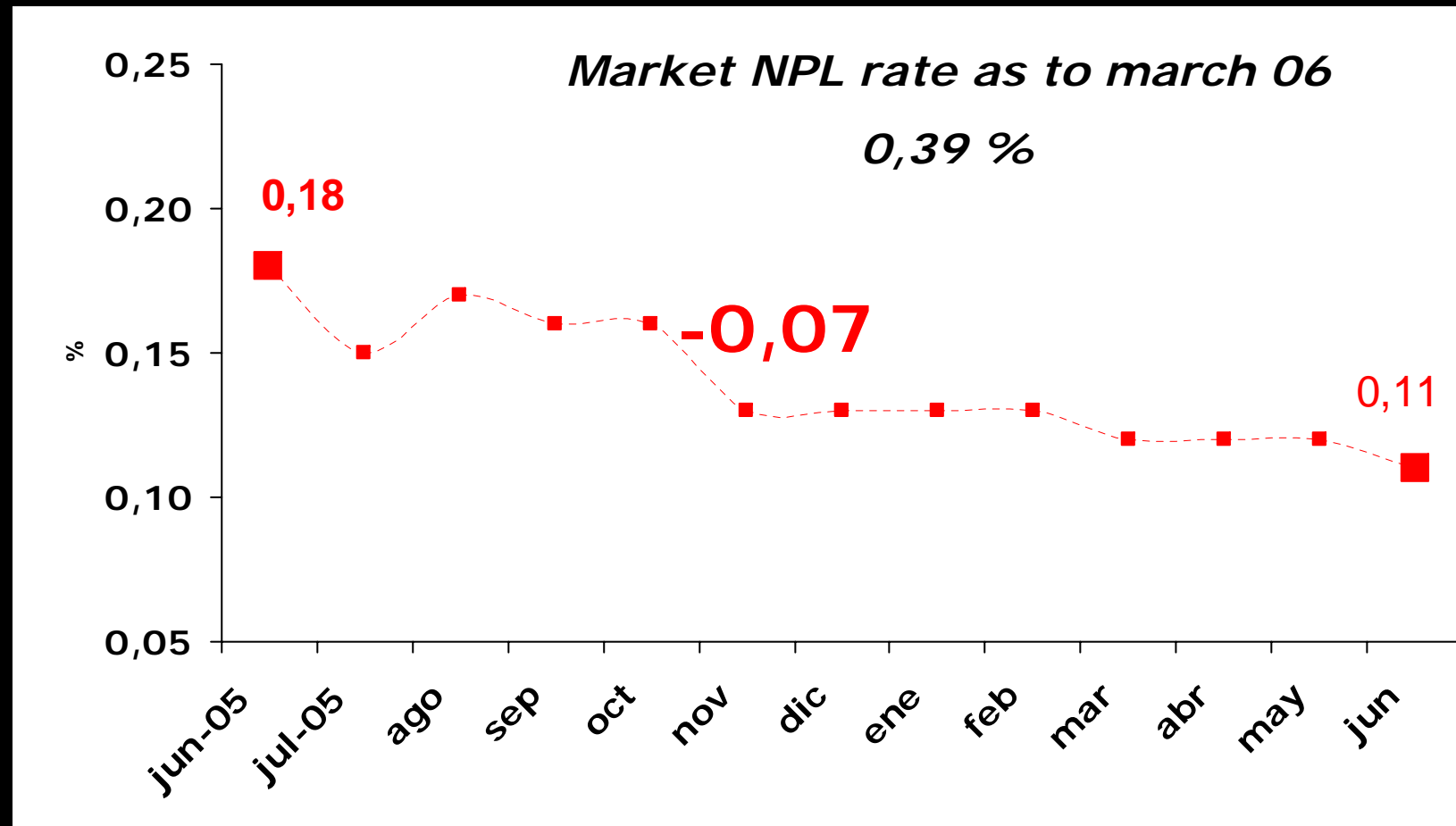
## New Production

Volume (€ mill.)	2,809.3	+9.0%
Loans, number	15,305	-4.0%



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# NPL ratio of mortgage book at minimum level



# Mortgage loan book profile

	Book		New Prod.	
	June 06	June 05	June 2006	June 2005
Average loan	99.513 €	93.042 €	159.831€	151.782€
LTV	59,2%	60,1%	34,7%	31,3%
Affordability	29%	27%	63,9%	64,0%

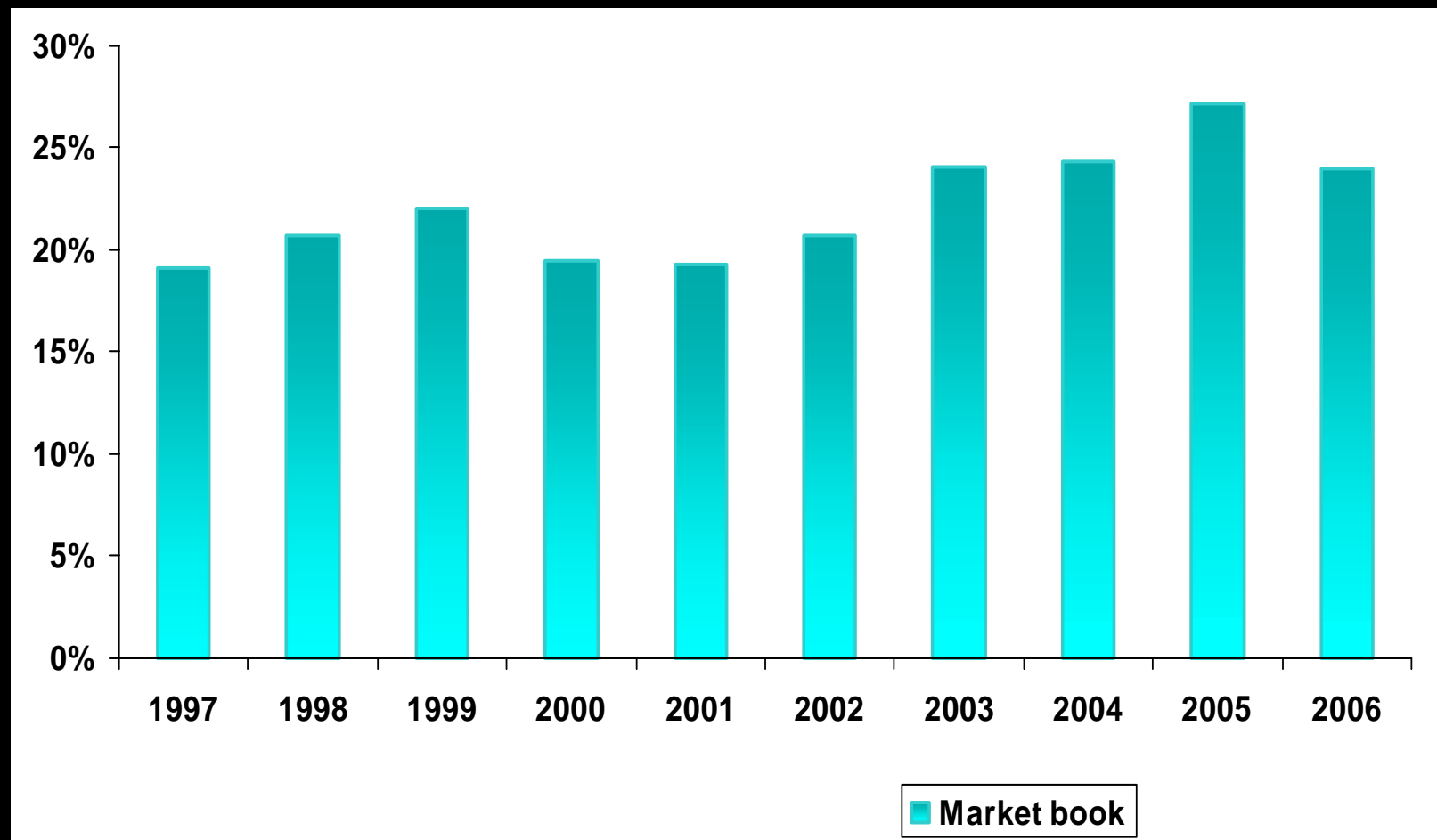
**What for the future?**



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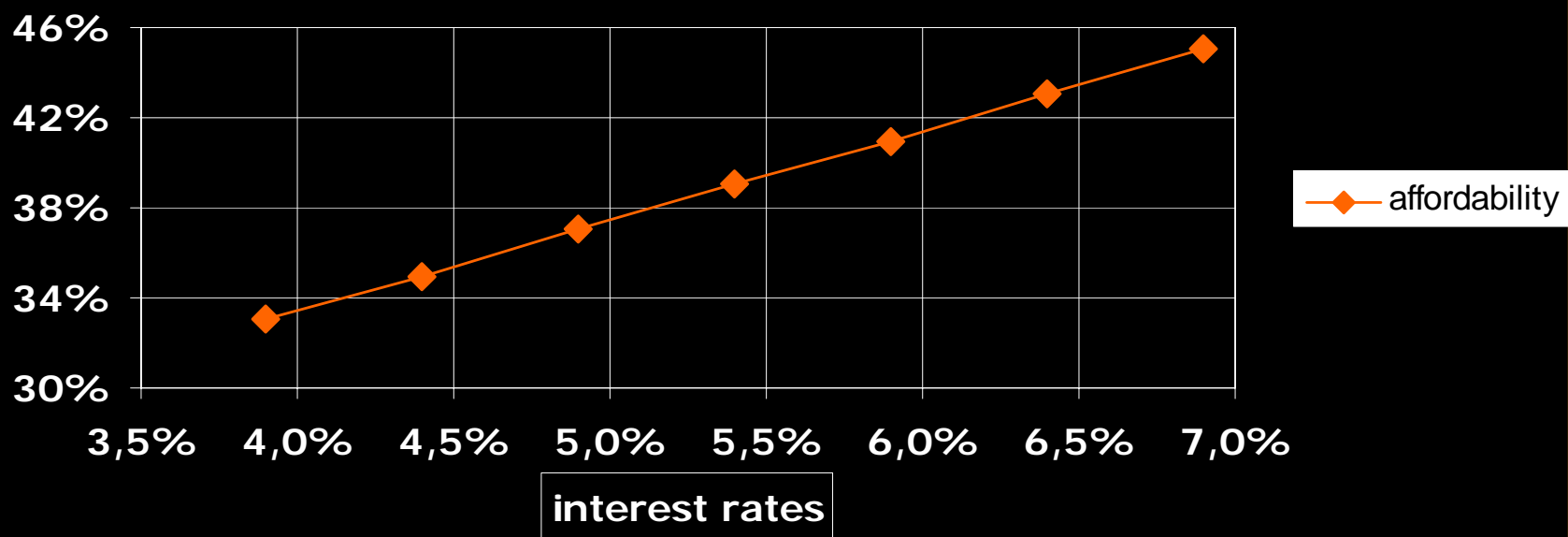


# In 2006 we start to observe certain deceleration

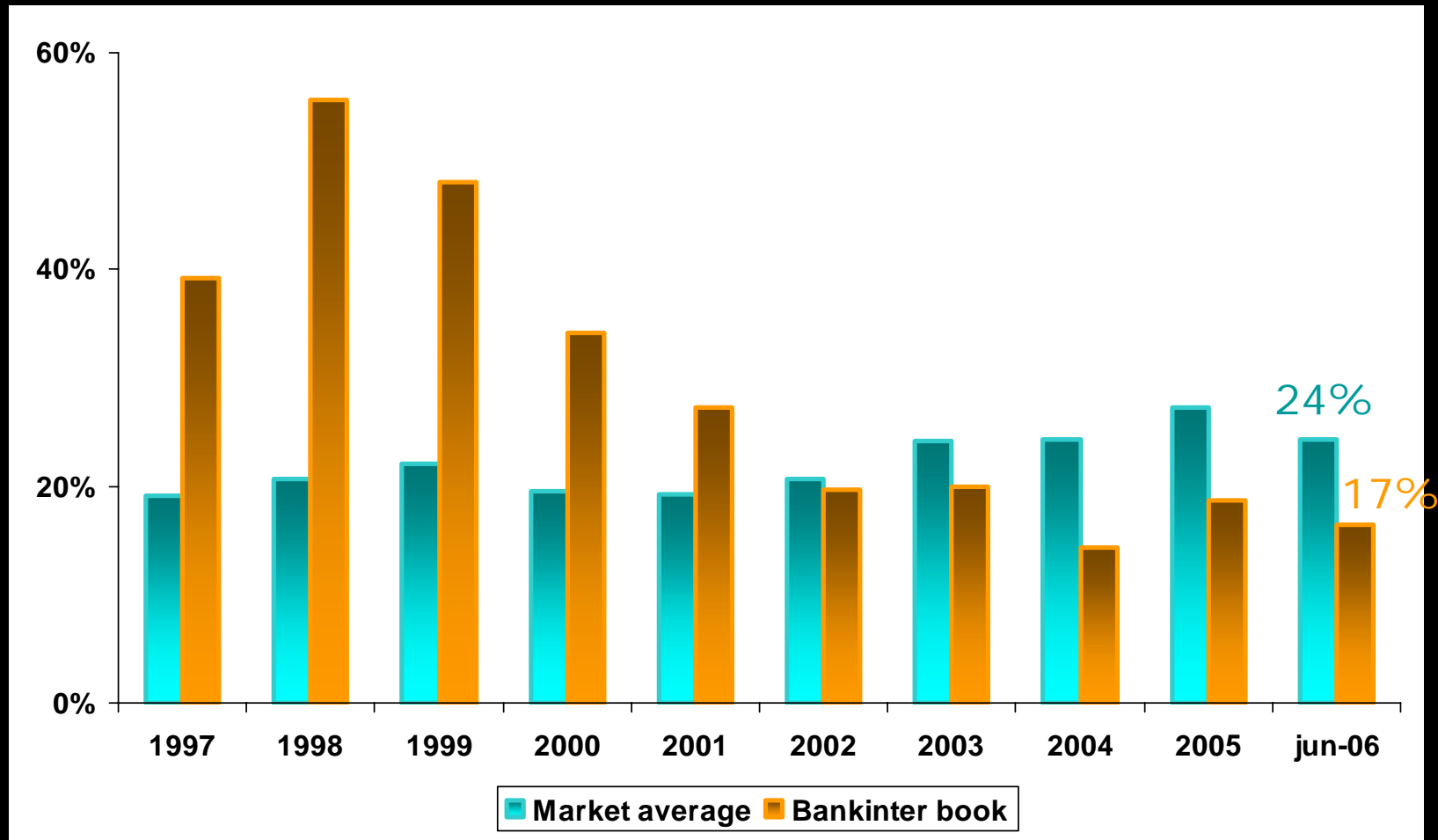


# Interest rate hikes are not a concern

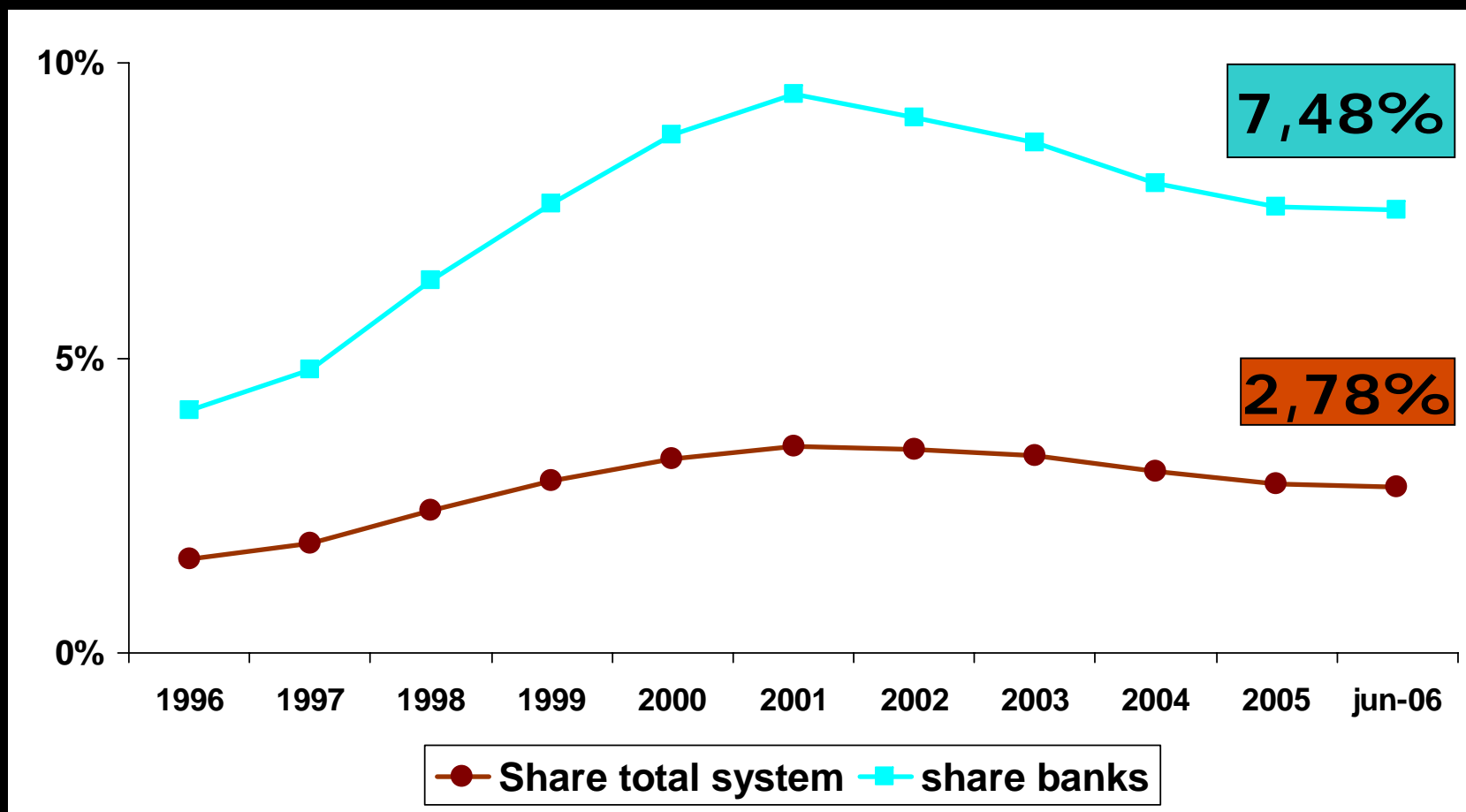
- Affordability sensibility to interest rates



# Bankinter grows less than market average

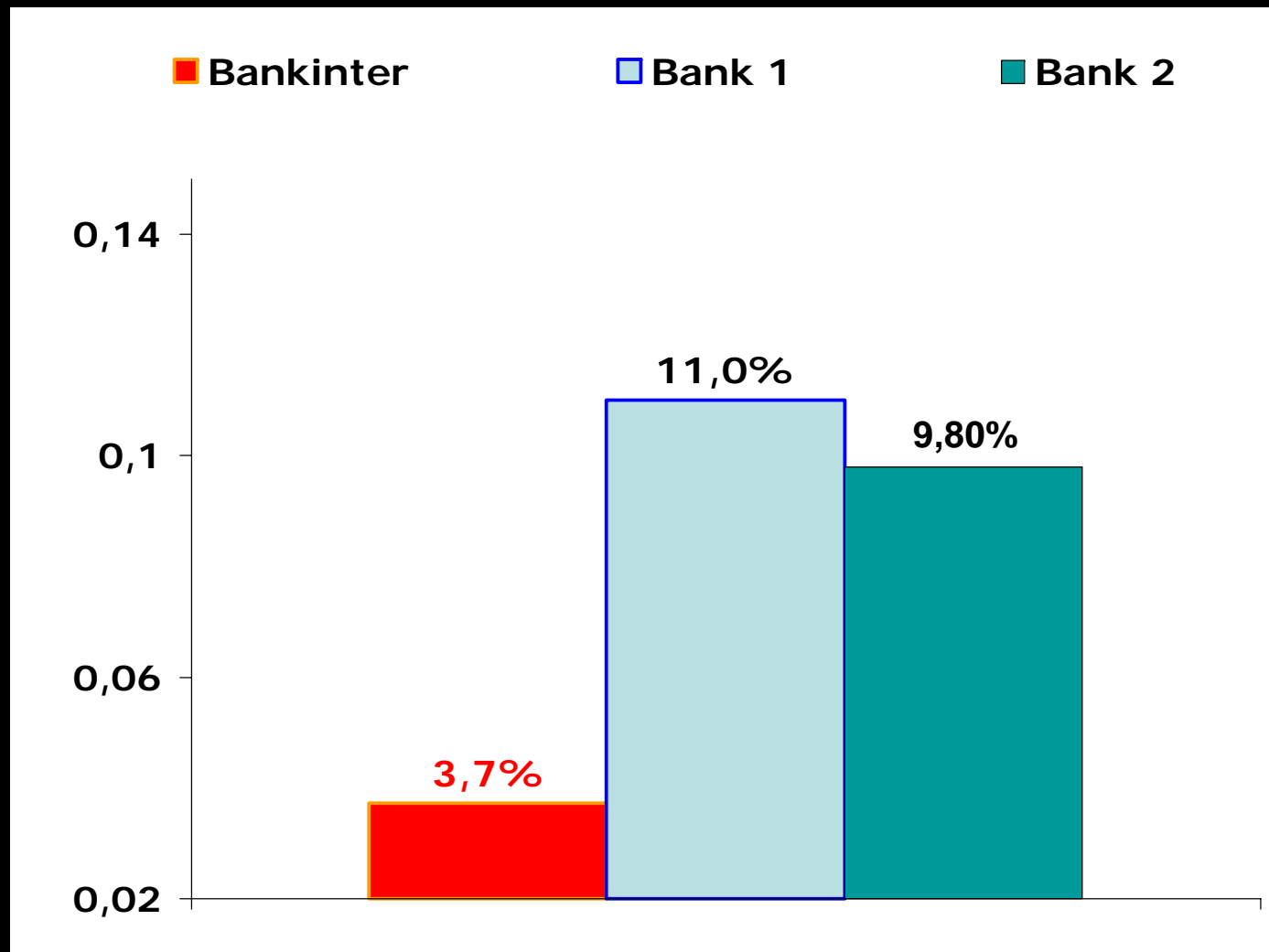


# So does the mortgage market share



Source: Banco de España y Bankinter

# Particularly in developers



# Bankinter **positioning** in mortgages keeps an eye on Basle II

We keep on making mortgages this way :

<b>Spread:</b>	
New Production:	0.55%
Back Book:	0.60%
<b>% in High Profiles:</b>	
New Production:	80.1%
Back Book:	67.1%
<b>Cross selling:</b>	
Products per client:	8.1
<b>NPL ratio:</b>	0.11%
<b>RoE mortgage customers:</b>	19.9%

Pursuing:



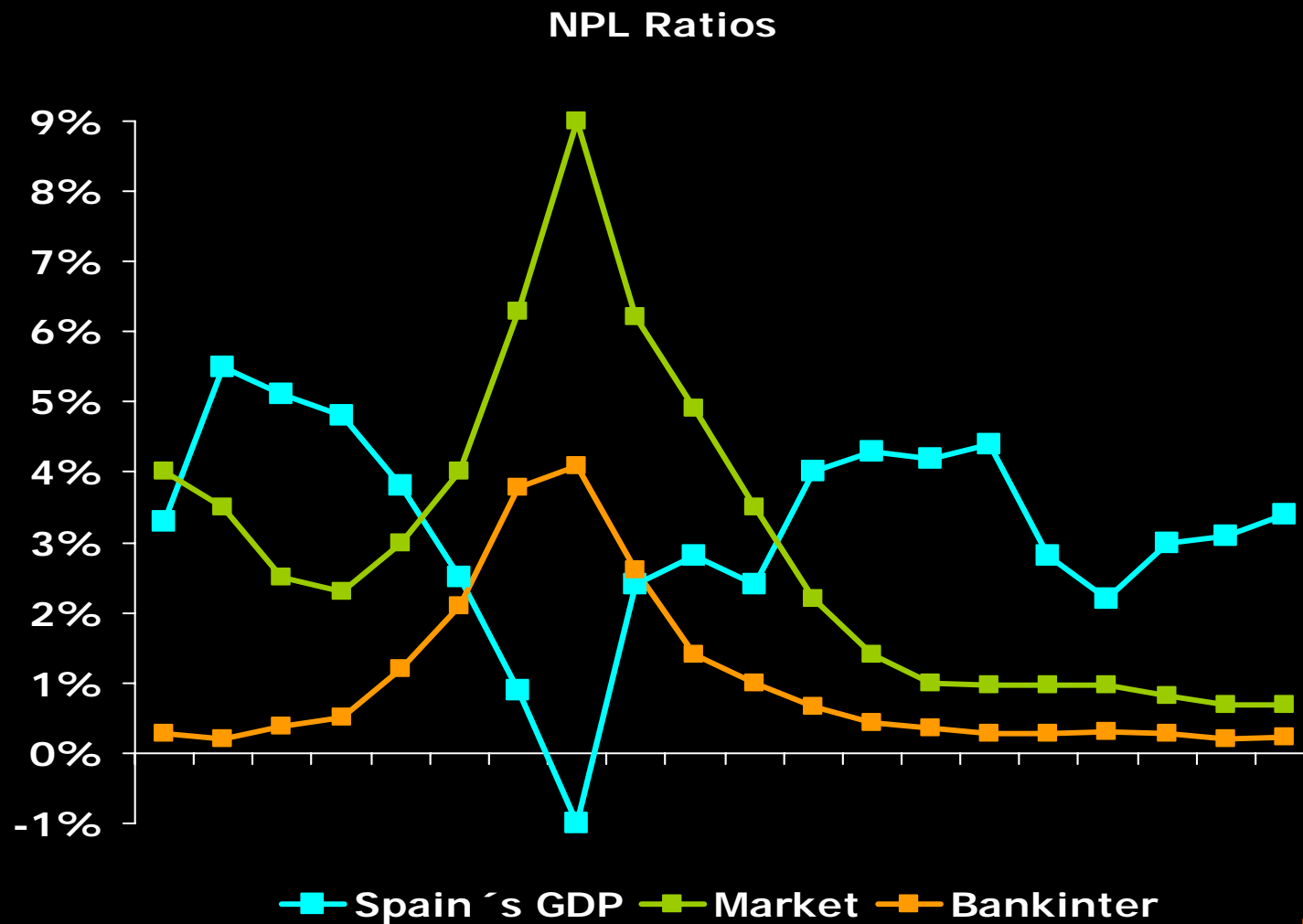
- Further growth
- Longer lasting
- More sustainable
- More profitable

**Ahead in the cycle**



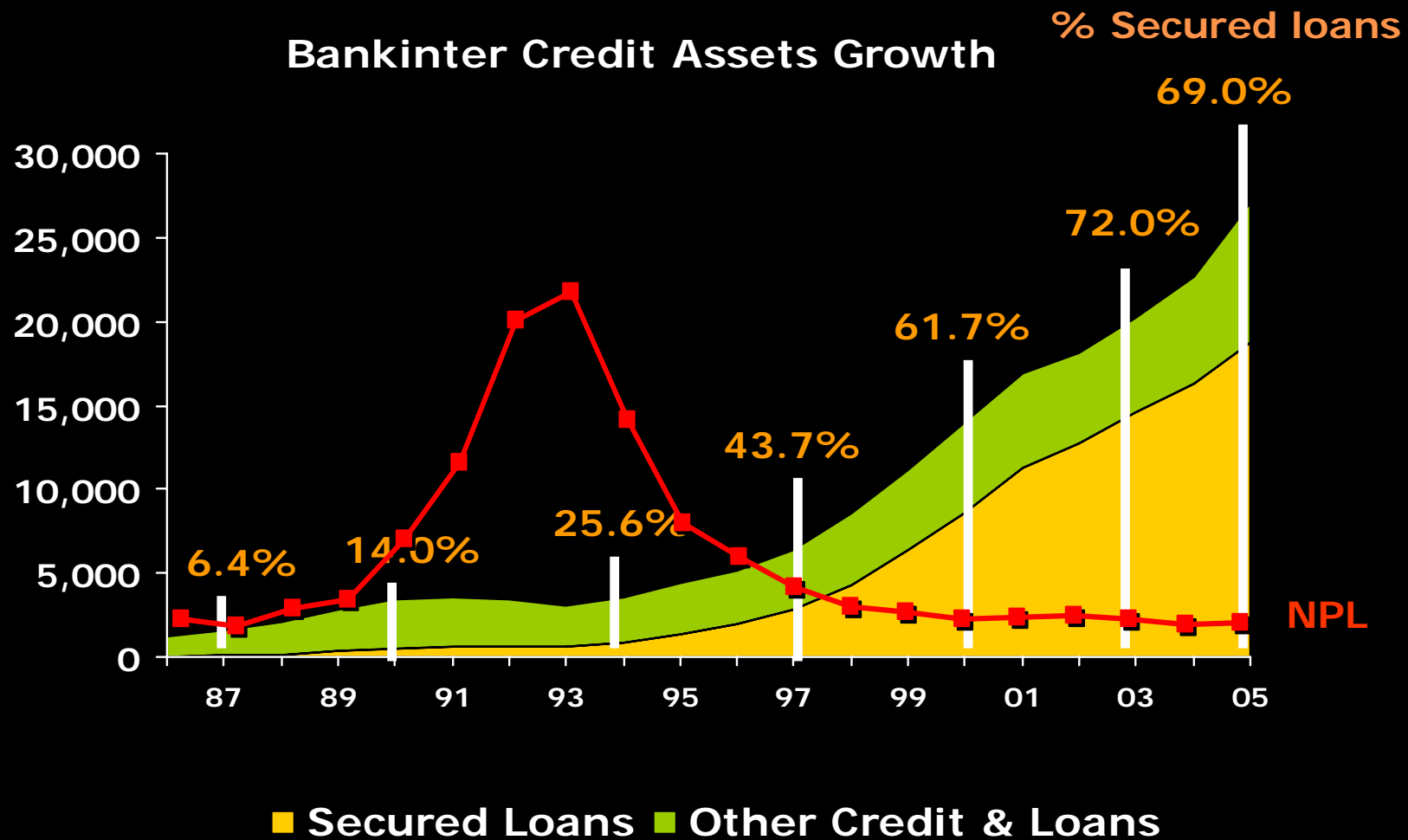
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# A story of better performance **managing the cycle**



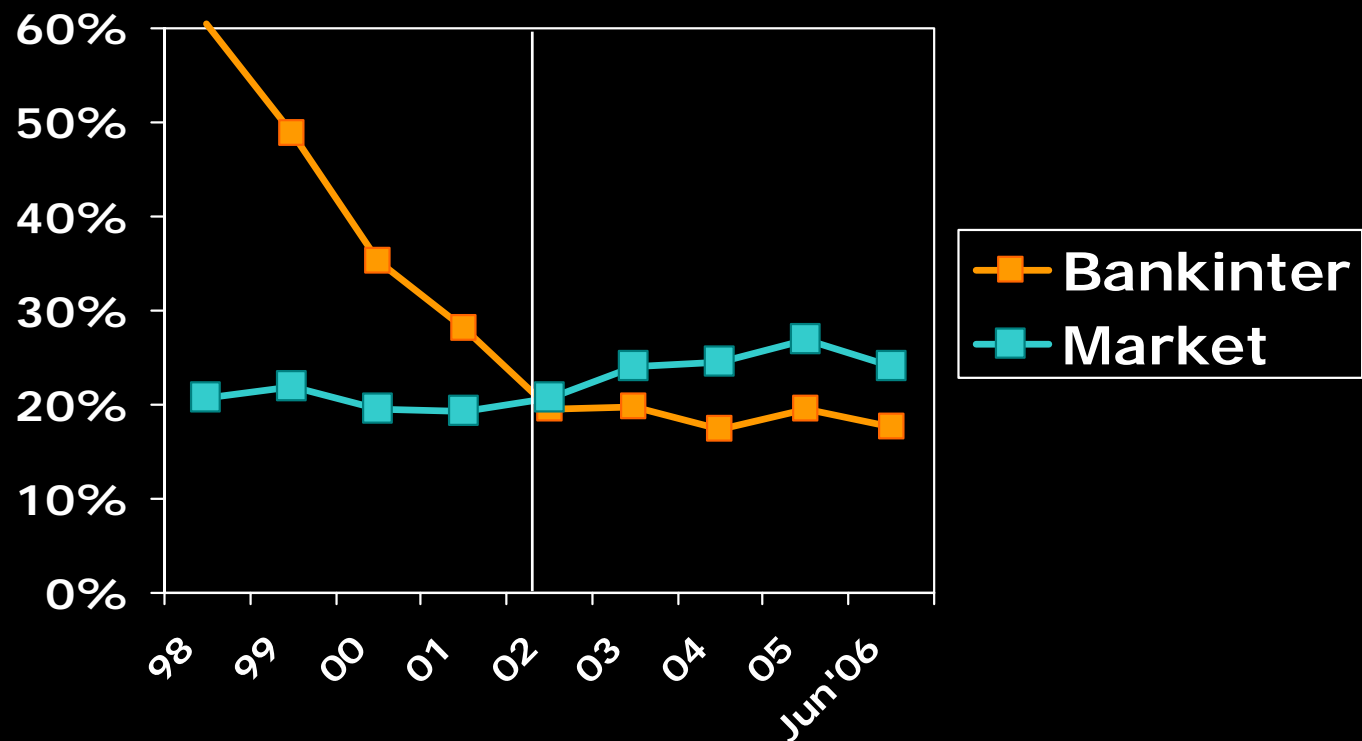


# Capturing the best part of the market growth...



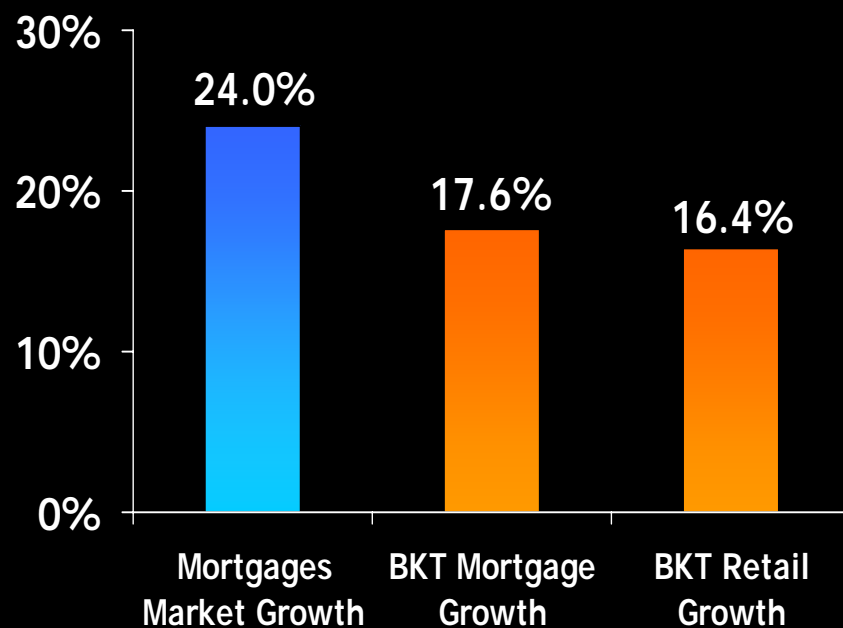
# To **turn more conservative** according with market indicators

## Mortgage Annual Growth

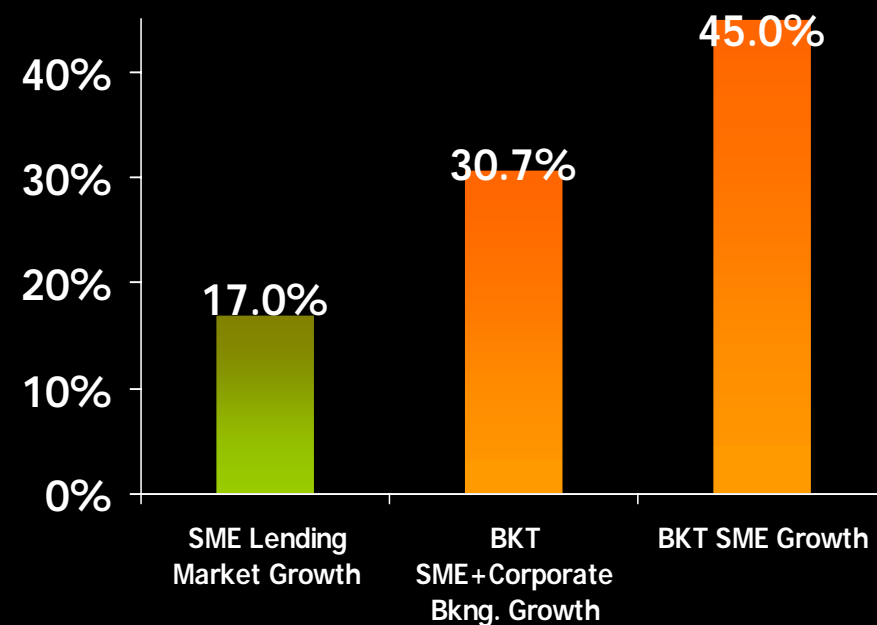


# Accelerating the **change** in the growth focus

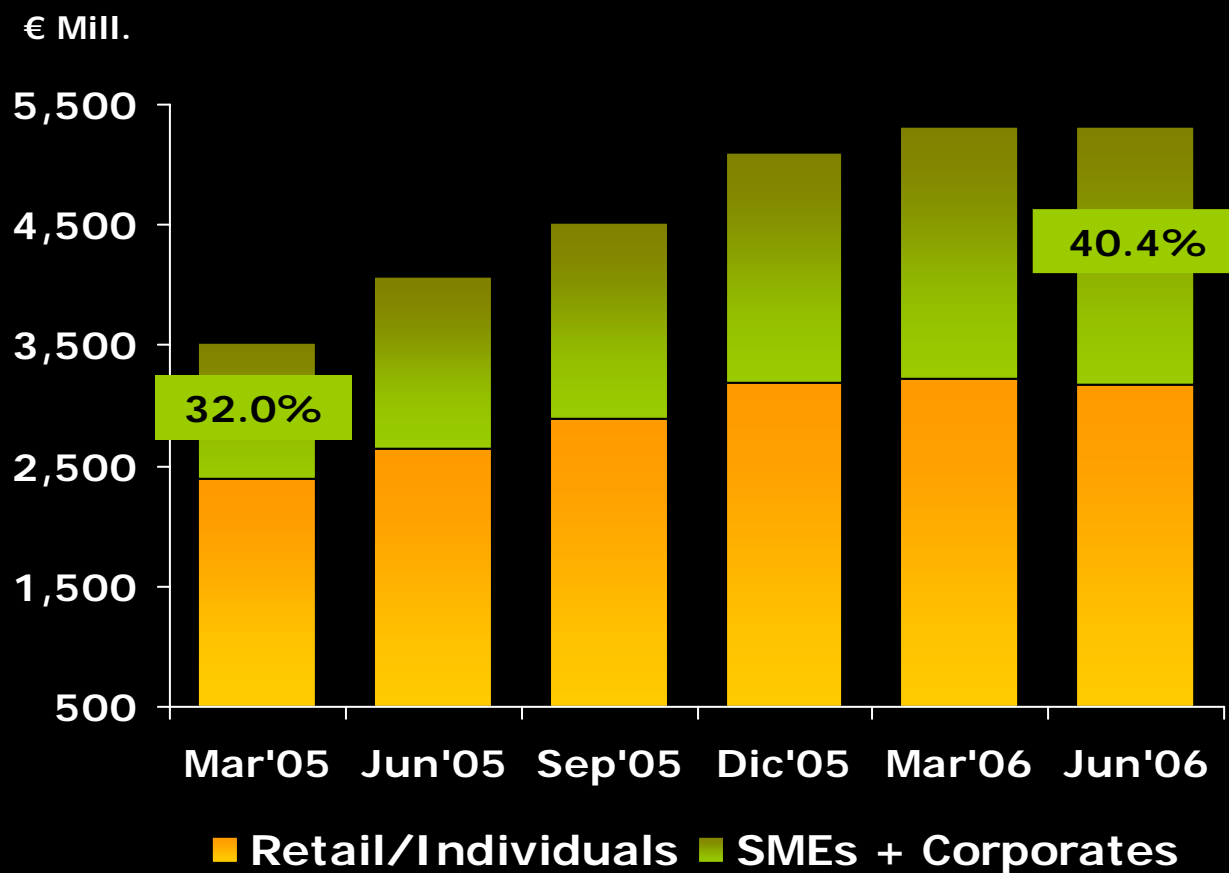
1H06 Mortgage Growth



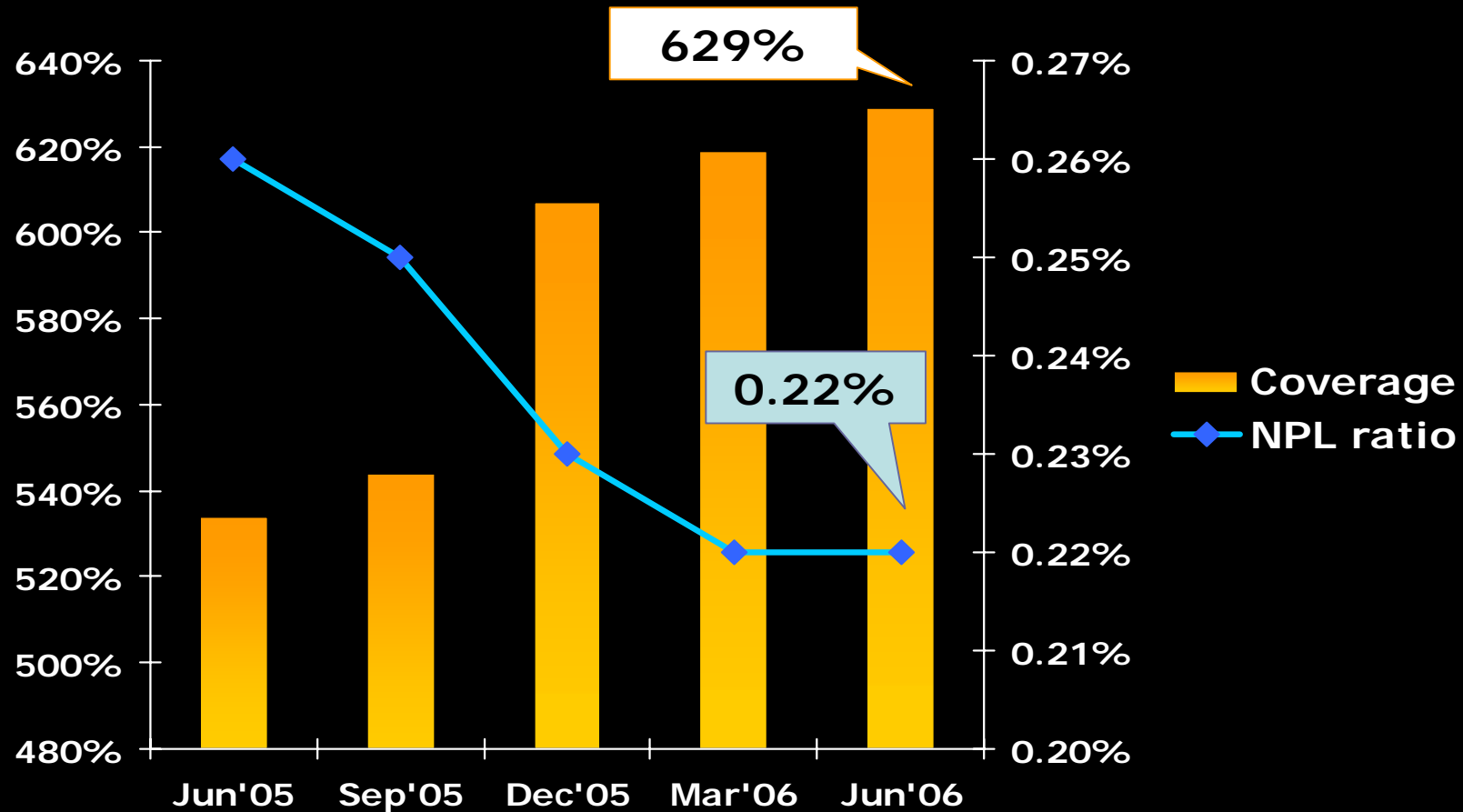
1H06 SME Growth



# To gain speed in the business mix shift

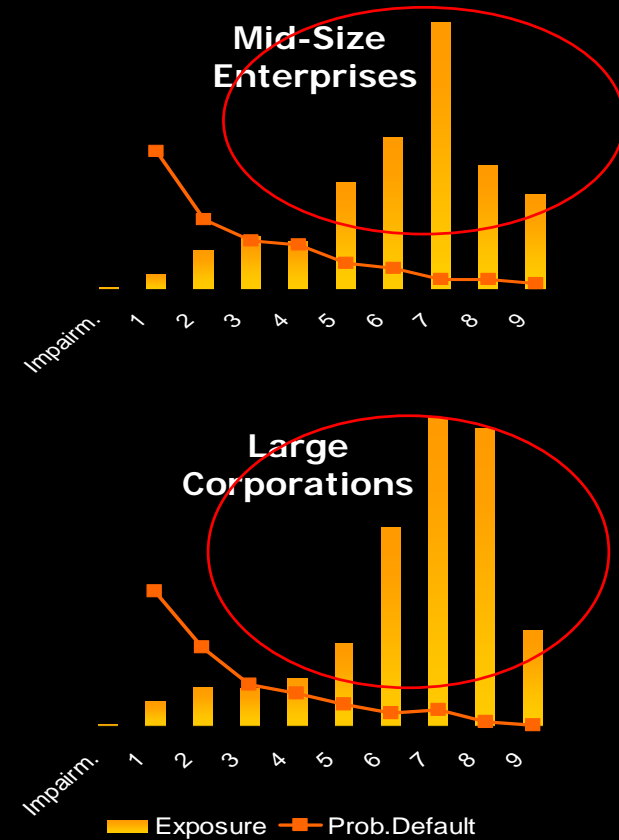
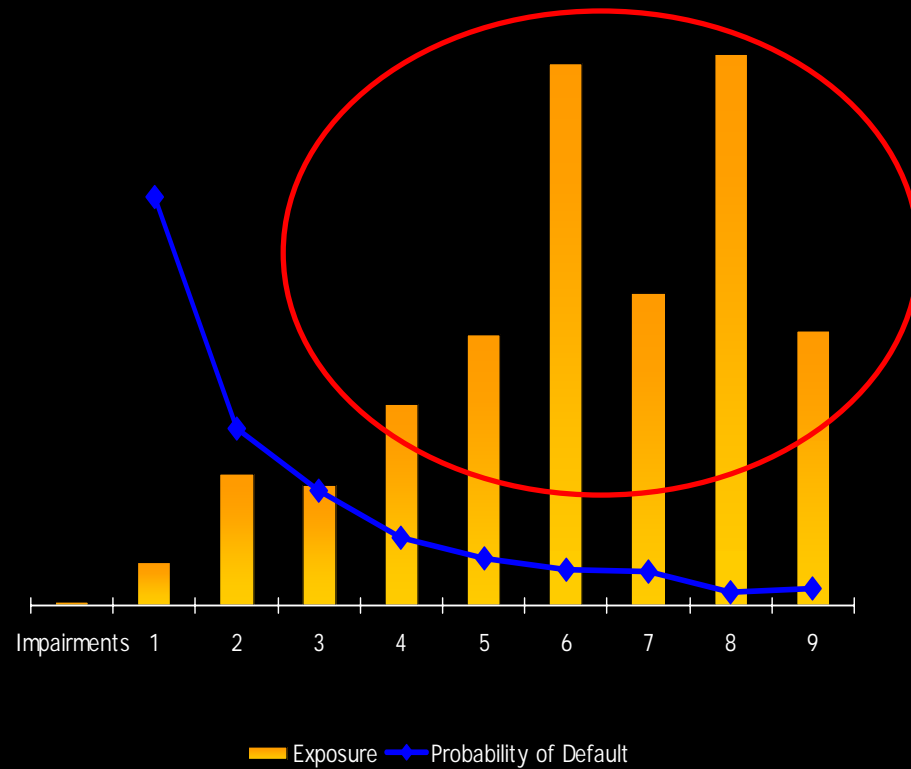


# Balance-sheet **strength** guarantees no credit concerns



# The best bases for **BIS II**

## - Internal Rating Model -Mortgages -



## QIS 5 Results

	Standard Approach	FIRB	AIRB	More Likely Approach
<b>G10–Group 1</b> (Tier 1 > €3.000 mill.)				
Var. <b>Capital</b> requirements	+1.7%	-1.3%	-7.1%	-6.8%
Var. <b>Tier I</b> requirements	+1.8%	-14.0%	-26.2%	-12.9%
<b>G10–Group 2</b>				
Var. <b>Capital</b> requirements	-1.3%	-12.3%	-26.7%	-11.3%
Var. <b>Tier I</b> requirements	-1.2%	-14.0%	-26.2%	-12.9%

- Bankinter is included in G10 – Group 2