Santander, 29 de julio de 2005

De conformidad con el artículo 82 de la Ley 24/1988, de 28 de julio, del Mercado de Valores, se adjunta Comunicación de Hecho Relevante dirigido a esa Comisión, relativo a la calificación otorgada por MOODY'S INVESTORS SERVICE a CAJA DE AHORROS DE SANTANDER Y CANTABRIA, cuyo informe, de fecha 28 de julio de 2005, se adjunta como Anexo I.

Atentamente,

CAJA DE AHORROS DE SANTANDER Y CANTABRIA
P.p.

D. Luis Fernando García Andrés

K-107 102 ENE02

# A LA COMISIÓN NACIONAL DEL MERCADO DE VALORES
# COMUNICACIÓN DE HECHO RELEVANTE

D. Luis Fernando García Andrés, mayor de edad, con D.N.I. número 13.681.907-N y domicilio a efectos de notificaciones en Plaza de Velarde 3. 39001 Santander, actuando en nombre y representación de la sociedad CAJA DE AHORROS DE SANTANDER Y CANTABRIA (la "**Sociedad**"), ante la COMISIÓN NACIONAL DEL MERCADO DE VALORES (la "**CNMV**") comparece y

## EXPONE

I. Que la agencia de calificación MOODY'S INVESTORS SERVICE LTD ("**Moody's**") ha emitido informe de calificación del crédito de la Sociedad con fecha 28 de julio de 2005.

II. Que Moody's mantiene la calificación crediticia de la Sociedad en A3/P-1/C.

III. Que Moody's califica su perspectiva de la valoración de la Sociedad como ESTABLE.

En virtud de lo anterior

## SE SOLICITA
## A LA COMISIÓN NACIONAL DEL MERCADO DE VALORES

Que teniendo por presentada la presente Comunicación de Hecho Relevante, se sirva admitirla y, previos los trámites oportunos, proceda a su inscripción en el correspondiente Registro de esa Comisión.

En Santander, a 29 de julio de 2005

CAJA DE AHORROS DE SANTANDER Y CANTABRIA
P.p.

D. Luis Fernando García Andrés

COMISIÓN NACIONAL DEL MERCADO DE VALORES
Dirección General de Mercados e Inversiones
Paseo de la Castellana 19
28046 Madrid

**ANEXO-I**

Credit Opinion: Caja de Ahorros de Santander y Cantabria

Caja de Ahorros de Santander y Cantabria

*Santander, Spain*

**Ratings**

| Category | Moody's Rating |
|---|---|
| Outlook | Stable |
| Bank Deposits | A3/P-1 |
| Bank Financial Strength | C |
| Preferred Stock -Dom Curr | Baa2 |
| **Cantabria Preferentes, S.A.** | |
| Outlook | Stable |
| Bkd Preference Stock -Dom Curr | Baa2 |

**Contacts**



| Analyst | Phone |
|---|---|
| Maria Cabanyes/Madrid | 34.91.310.14.54 |
| Adel Satel/Limassol | 357.25.586.586 |



**Key Indicators**

**Caja de Ahorros de Santander y Cantabria (Consolidated)**

| | [1]2004 | 2003 | 2002 | 2001 | 2000 | [2]Avg/CAGR |
|---|---|---|---|---|---|---|
| Total assets (EUR billion) | 5.94 | 4.98 | 4.02 | 3.50 | 3.25 | 16.32 |
| Total assets (EUR billion) | 5.94 | 4.98 | 4.02 | 3.50 | 3.25 | - |
| Total capital (EUR billion) | 0.50 | 0.44 | 0.37 | 0.30 | 0.24 | 20.89 |
| Return on average assets | 0.51 | 0.54 | 0.48 | 0.86 | 0.77 | 0.63 |
| Recurring earning power [3] | 0.91 | 1.16 | 0.91 | 1.21 | 1.73 | 1.18 |
| Net interest margin | 2.20 | 2.75 | 3.18 | 3.34 | 3.23 | 2.94 |
| Cost / Income ratio | 70.73 | 69.41 | 75.88 | 69.70 | 59.01 | 68.94 |
| Problem loans % gross loans | 1.16 | 1.14 | 1.51 | 1.66 | 2.22 | 1.54 |
| Tier 1 ratio (%) | 6.74 | 7.45 | 7.10 | 8.74 | 8.58 | 7.72 |

[1] As of December 31 [2] Compound Annual Growth Rate for total assets and total capital. [3] Preprovision income % average assets.

**Opinion**

**Credit Strengths**

The credit strengths of Caja de Ahorros de Santander y Cantabria (Caja Cantabria) include:

- Strong regional franchise in northern Spain

- Consistent and prudent strategy since mid-2000 under a new management team

- Adequate recurring profitability

- A sound risk profile

- Ample liquidity

**Credit Challenges**

Credit challenges include:

- High reliance on net interest activities (margins under high pressure and declining)

- In common with its Spanish peers, intense competition in all segments challenging growth and profitability

- Modest operating efficiency, despite recent improvement

- Increased leverage of capital base although core economic capital remains adequate

- Successfully managing funding gap created through the rapid loan book expansion

**Rating Rationale**

The A3/P-1/C ratings of Caja Cantabria (last upgraded in April 2002) are based on (i) its consistent and prudent strategy, (ii) stricter risk management practices, and (iii) improved financial fundamentals, following a change of management in mid-2000. They also reflect its strong regional franchise. In April 2003, the short-term rating was upgraded to Prime-1 (from Prime-2), based on the bank's good liquidity, stable funding and low transition risk.

Caja Cantabria is one of the smaller-sized Spanish savings banks, ranking 31st in size out of 46, but is the leading player in the Comunidad Autónoma of Cantabria in northern Spain. Its regional market shares in deposits and lending totalled 46.9% and 36.5% in 2004, respectively. The bank's traditional clients have been retail and small to medium-sized enterprises. Management stability since 2000 has allowed the bank to consistently and successfully follow a prudent strategy focused on profitability and low risk. This led to the implementation of a rationalisation programme, which has started to impact positively on Caja Cantabria's accounts; however, increased efforts and further improvement are expected, given that cost efficiency remains comparatively low. The loan portfolio has also been actively cleaned up and tighter risk management systems put in place. Caja Cantabria current boasts a sound asset quality with a comparatively low level of problem loans, although it is more exposed to the corporate sector than in the past.

Finally, the bank continues to benefit from a sound deposit base, which has been a key competitive advantage in terms of funding stability and cost. Going forward, revenue diversification remains one of the main challenges facing the bank and is seen as key in terms of future earnings generation capacity due to sustained high pressure on net interest margins. However, in this respect, Caja Cantabria continues to benefit from its large deposit base, which offers it access to competitively priced funding. We finally note that, despite the increasing leverage of the bank's capital base, core economic capital is adequate in light of its current risk profile and earnings generation capacity. However, low regulatory capital levels could challenge growth in the future.

**Rating Outlook**

The outlook is stable.

**What Could Change the Rating - UP**

Although we acknowledge recent improvement, an upgrade is unlikely in the near future as Caja Cantabria's recurring earnings and profitability indicators are not yet in line with those of A2-rated banks. Its capacity to enhance cost efficiency, diversify revenues and reduce income volatility in the future will be key.

**What Could Change the Rating - DOWN**

Any material deterioration in the bank's risk profile or/and profitability could lead to downward ratings pressure. However, any such development is unlikely given the current management and strategy.

**Recent Developments/Results**

At the end of June 2005, Caja Cantabria posted good growth in its recurring profitability: its pre-provision income was up by 22%. This was underpinned by continued strong lending growth which offset pressures on net interest margin, good growth in fees and commissions (+9.7%) and well controlled costs.