The following tables set forth, for the periods and dates indicated, certain information concerning the exchange rate for euros and dollars (expressed in dollars per euro), based on the Noon Buying Rate as announced by the Federal Reserve Bank of New York for the dates and periods indicated.

	Rate During Period	
Calendar Period	**Period End ($)**	**Average Rate(1) ($)**
2003	1.2597	1.411
2004	1.3538	1.2478
2005	1.1842	1.2449
2006	1.3197	1.2661
2007	1.4603	1.3797

(1) The average of the Noon Buying Rates for euros on the last day of each month during the period.

	Rate During Period	
Last six months	**High $**	**Low $**
2007		
December	1.4759	1.4344
2008		
January	1.4877	1.4574
February	1.5187	1.4495
March	1.5805	1.5195
April	1.6010	1.5568
May	1.5784	1.5370
June (through June 19, 2008)	1.5731	1.5368

On June 19, 2008, the exchange rate for euros and dollars (expressed in dollars per euro), based on the Noon Buying Rate, was $1.5502.

For a discussion of the accounting principles used in translation of foreign currency-denominated assets and liabilities to euros, see Note 2(a) of our consolidated financial statements.

B. Capitalization and indebtedness.

Not Applicable.

C. Reasons for the offer and use of proceeds.

Not Applicable.

D. Risk factors.

Risks Relating to Our Operations

Since our loan portfolio is concentrated in Continental Europe, the United Kingdom and Latin America, adverse changes affecting the Continental European, the United Kingdom or certain Latin American economies could adversely affect our financial condition.

Our loan portfolio is mainly concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At December 31, 2007, Continental Europe accounted for approximately 55% of our total loan portfolio (Spain accounted for 34% of our total loan portfolio), while the United Kingdom and Latin America accounted for 33% and 12%, respectively. Therefore, adverse changes affecting the economies of Continental Europe (in particular, Spain), the United Kingdom or the Latin American countries where we operate would likely have a significant adverse impact on our loan portfolio and, as a result, on our financial condition, cash flows and results of operations. See “Item 4. Information on the Company—B. Business Overview.”

Some of our business is cyclical and our income may decrease when demand for certain products or services is in a down cycle.

The level of income we derive from certain of our products and services depends on the strength of the economies in the regions where we operate and certain market trends prevailing in those areas. Therefore, negative cycles may adversely affect our income in the future.

A sudden shortage of funds could increase our cost of funding and have an adverse effect on our liquidity and funding.

Historically, our principal source of funds has been customer deposits (demand, time and notice deposits). At December 31, 2007, 17.4% of these customer deposits were time deposits in amounts greater than $100,000. Time deposits represented 48.9%, 44.2% and 43.5% of total customer deposits at the end of 2007, 2006 and 2005, respectively. Large-denomination time deposits may be a less stable source of deposits than other type of deposits. The loss of market liquidity, triggered by the deterioration of the U.S. sub-prime credit market, continues to affect the supply and cost of liquidity and funding. The effects of the downturn have spread to the global economy, in particular to issuances in wholesale markets (principally asset backed securities) and to availability of liquid resources via the interbank markets. In this context, there can be no assurance that we will not incur materially higher funding costs or be required to liquidate certain assets.

Risks concerning borrower credit quality and general economic conditions are inherent in our business.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of our businesses. Adverse changes in the credit quality of our borrowers and counterparties or a general deterioration in Spanish, United Kingdom, Latin American or global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of our assets and require an increase in our level of provisions for credit losses. Deterioration in the economies in which we operate could reduce the profit margins for our banking and financial services businesses.

Increased exposure to real estate makes us more vulnerable to developments in this market.

From 2003 to 2006, historically low interest rates in the Eurozone caused an increase in the demand for mortgage loans. This had repercussions in housing prices, which also rose significantly. During 2007 and 2008 the housing market, both supply and demand, has adjusted sharply and interest rates have increased strongly in the Eurozone. As a consequence, our impaired assets as a percentage of total loans increased from 0.87% at December 31, 2006 to 1.07% at December 31, 2007. At March 31, 2008, our impaired assets as a percentage of total loans increased further to 1.29%. As real estate mortgages are one of our main assets, comprising 50% of our loan portfolio at December 31, 2007, we are currently highly exposed to developments in real estate markets. Interest rate increases from today’s levels could have a significant negative impact on our mortgage payment delinquency rates. An increase in such delinquency rates could have a material adverse effect on our business, financial condition and results of operations.

The Group may generate lower revenues from brokerage and other commission- and fee-based businesses.

Market downturns are likely to lead to declines in the volume of transactions that the Group executes for its customers and, therefore, to declines in the Group’s non-interest revenues. In addition, because the fees that the Group charges for managing its clients’ portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of the Group’s clients’ portfolios or increases the amount of withdrawals would reduce the revenues the Group receives from its asset management and private banking and custody businesses.

Even in the absence of a market downturn, below-market performance by the Group’s mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue the Group receives from its asset management business.

Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Group's business. Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.

The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. In some of the Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Group for which there are less liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group did not anticipate.

Despite the Group's risk management policies, procedures and methods, the Group may nonetheless be exposed to unidentified or unanticipated risks.

The Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon the Group's use of observed historical market behavior. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modeling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could harm the Group's reputation as well as its revenues and profits.

Our recent and future acquisitions may not be successful and may be disruptive to our business.

We have historically acquired controlling interests in various companies, and have engaged in other strategic partnerships. Additionally, we may consider other strategic acquisitions and partnerships from time to time. There can be no assurances that we will be successful in our plans regarding the operation of future acquisitions and strategic partnerships.

We can give you no assurance that our acquisition and partnership activities will perform in accordance with our expectations. We base our assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to operations, profitability and other matters that may prove to be incorrect. We can give no assurances that our expectations with regards to integration and synergies will materialize.

Proposals for the restructuring of the businesses we acquired from ABN AMRO are complex and may not realize the anticipated benefits for the Group

The restructuring plan in place for the integration and separation of ABN AMRO into and among the businesses and operations of the Group is complex and involves substantial reorganization of ABN AMRO's operations and legal structure. In addition, it contemplates activities taking place simultaneously in a number of businesses and jurisdictions. Implementation of the reorganization and the realization of the forecast benefits within the planned timetable may be challenging. Execution of the restructuring requires management resources previously devoted to the Group's businesses and the retention of appropriately skilled ABN AMRO staff. The Group may not realize the benefits of the acquisition or the restructuring when expected or to the extent projected. See "Item 4. Information on the Company—A. History and Development of the Company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations—ABN AMRO Holding, N.V. ("ABN AMRO")".

Increased competition in the countries where we operate may adversely affect our growth prospects and operations.

Most of the financial systems in which we operate are highly competitive. Financial sector reforms in the markets in which we operate have increased competition among both local and foreign financial institutions, and we believe that this trend will continue. In particular, price competition in Europe and Latin America has increased recently. Our success in the European and Latin American markets will depend on our ability to remain competitive with other financial institutions. In addition, there has been a trend towards consolidation in the banking industry, which has created larger and stronger banks with which we must now compete. There can be no assurance that this increased competition will not adversely affect our growth prospects, and therefore our operations. We also face competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

Volatility in interest rates may negatively affect our net interest income and increase our non-performing loan portfolio.

Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income leading to a reduction in our net interest income. Income from treasury operations is particularly vulnerable to interest rate volatility. Since the majority of our loan portfolio reprices in less than one year, rising interest rates may also bring about an increasing non-performing loan portfolio. Interest rates are highly sensitive to many factors beyond our control, including deregulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

As of December 31, 2007, the Group’s interest rate risk measured in daily Value at Risk (“VaRD”) terms amounted to €75.4 million.

Foreign exchange rate fluctuations may negatively affect our earnings and the value of our assets and shares.

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the price of our securities on the stock exchanges in which our shares and ADSs are traded. These fluctuations will also affect the conversion to U.S. dollars of cash dividends paid in euros on our ADSs.

In the ordinary course of our business, we have a percentage of our assets and liabilities denominated in currencies other than the euro. Fluctuations in the value of the euro against other currencies may adversely affect our profitability. For example, the appreciation of the euro against some Latin American currencies and the U.S. dollar will depress earnings from our Latin American operations, and the appreciation of the euro against the sterling will depress earnings from our UK operations. Additionally, while most of the governments of the countries in which we operate have not imposed prohibitions on the repatriation of dividends, capital investment or other distributions, no assurance can be given that these governments will not institute restrictive exchange control policies in the future. Moreover, fluctuations among the currencies in which our shares and ADSs trade could reduce the value of your investment.

As of December 31, 2007, our largest exposures on temporary positions (with a potential impact on the income statement) were concentrated on the U.S. dollar and the pound sterling. On that day, our largest exposures on permanent positions (with a potential impact on equity) were concentrated, in descending order, on the Brazilian real, the pound sterling, the Mexican peso and the Chilean peso.

Changes in the regulatory framework in the jurisdictions where we operate could adversely affect our business.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk apply in the different jurisdictions in which our subsidiaries operate. Changes in regulations, which are beyond our control, may have a material effect on our business and operations. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, no assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse affect on our business.

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

Different disclosure and accounting principles between Spain and the U.S. may provide you with different or less information about us than you expect.

There may be less publicly available information about us than is regularly published about companies in the United States. While we are subject to the periodic reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), the disclosure required from foreign private issuers under the Exchange Act is more limited than the disclosure required from U.S. issuers. Additionally, we present our financial statements under the EU-IFRS required to be applied under Bank of Spain's Circular 4/2004 which differs from U.S. GAAP. See Note 57 to our consolidated financial statements.

We are exposed to risk of loss from legal and regulatory proceedings.

The Group faces various issues that may give rise to risk of loss from legal and regulatory proceedings. These issues include appropriately dealing with potential conflicts of interest; legal and regulatory requirements; ethical issues; money laundering laws; and conduct by companies in which we hold strategic investments or joint venture partners. Failure to address these issues appropriately could increase the number of litigation claims and the amount of damages asserted against the Group or subject the Group to regulatory enforcement actions, fines and penalties. Currently, the Bank and its subsidiaries are the subject of a number of legal proceedings and regulatory actions. An adverse result in one or more of these proceedings could have a material adverse effect on our operating results for any particular period. For information relating to the legal proceedings involving our businesses, see "Item 8. Financial Information—A. Consolidated statements and other financial information—Legal proceedings".

Credit, market and liquidity risks may have an adverse effect on our credit ratings and our cost of funds.

Any downgrade in our ratings could increase our borrowing costs, limit our access to capital markets and adversely affect the ability of our business to sell or market their products, engage in business transactions –particularly longer-term and derivatives transactions- and retain our customers. This, in turn, could reduce our liquidity and have an adverse effect on our operating results and financial condition.

Our Latin American subsidiaries' growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions.

The economies of the eight Latin American countries where we operate have experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend. Latin American banking activities (including Retail Banking, Global Wholesale Banking, Asset Management and Private Banking) accounted for €2,666 million of our profit attributed to the Group for the year ended December 31, 2007 (an increase of 17% from €2,287 million for the year ended December 31, 2006). Negative and fluctuating economic conditions, such as a changing interest rate environment, impact our profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services. Negative and fluctuating economic conditions in some Latin American countries could also result in government defaults on public debt. This could affect us in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in several Latin American countries in which we operate.

In addition, revenues from our Latin American subsidiaries are subject to risk of loss from unfavorable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies.

No assurance can be given that our Latin American subsidiaries' growth, asset quality and profitability will not be affected by volatile macroeconomic and political conditions in the Latin American countries in which we operate.

Our Venezuelan subsidiary is exposed to the risk of potential nationalization.

Several recent political developments in Venezuela present an increased risk that the Venezuelan government could nationalize or otherwise seek to intervene in the operations of our Venezuelan subsidiary, which could negatively affect our operations in Venezuela.