Last six months	Rate During Period High $	Low $
2010		
November	1.4244	1.2998
December	1.3435	1.3064
2011		
January	1.3716	1.2903
February	1.3834	1.3440
March	1.4211	1.3773
April	1.4860	1.4141
May (through May 26)	1.4882	1.4020

On May 26, 2011, the exchange rate for euros and dollars (expressed in dollars per euro), as published by the ECB, was $1.4168.

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.

Because 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 concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At December 31, 2010, Continental Europe accounted for approximately 45% of our total loan portfolio (Spain accounted for 31% of our total loan portfolio), while the United Kingdom and Latin America accounted for 32% and 18%, 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.

Our business could be affected if our capital is not managed effectively.

Effective management of our capital position is important to our ability to operate our business, to continue to grow organically and to pursue our business strategy. Any future change that limits our ability to manage our balance sheet and capital resources effectively or to access funding on commercially acceptable terms could have a material adverse effect on our financial condition and regulatory capital position.

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, 2010, 25.2% of these customer deposits were time deposits in amounts greater than $100,000. Total time deposits (including repurchase agreements) represented 53.0%, 46.8% and 48.8% of total customer deposits at the end of 2010, 2009 and 2008, respectively. Large-denomination time deposits may be a less stable source of deposits than other type of deposits. The widespread crisis in investor confidence and resulting liquidity crisis experienced in 2008 and early 2009 increased our cost of funding and limited our access to some of our traditional sources of liquidity, such as domestic and international capital markets and the interbank market, and there can be no assurance that these conditions will not occur in the future.

The possibility of the moderate economic recovery returning to recessionary conditions or of turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position and results of operations.

The global economy began to recover from severe recessionary conditions in mid-2009 and is currently in the midst of a moderate economic recovery. The sustainability of the moderate recovery is dependent on a number of factors that are not within our control, such as a return of job growth and investment in the private sector, strengthening of housing sales and construction, continuation of the economic recovery globally and timing of the exit from government credit easing policies. We continue to face risks resulting from the aftermath of the severe recession and the moderate pace of the current recovery. A slowing or failing of the economic recovery could result in a return of some or all of the adverse effects of the earlier recessionary conditions.

Since the middle of 2007, there has been disruption and turmoil in financial markets around the world. Throughout many of our largest markets, including Spain, there have been dramatic declines in the housing market, with falling home prices and increasing foreclosures, high levels of unemployment and underemployment, and reduced earnings, or, in some cases, losses, for businesses across many industries, with reduced investments in growth.

This overall environment resulted in significant stress for the financial services industry, led to distress in credit markets, reduced liquidity for many types of financial assets, including loans and securities and caused concerns regarding the financial strength and adequacy of the capitalization of financial institutions. Some financial institutions around the world have failed, some have needed significant additional capital, and others have been forced to seek acquisition partners.

Concerned about the stability of the financial markets generally, the strength of counterparties and about their own capital and liquidity positions, many lenders and institutional investors reduced or ceased providing funding to borrowers. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets exacerbated the state of economic distress and hampered, and to some extent continues to hamper, efforts to bring about sustained economic recovery.

These economic conditions have had an adverse effect on our business and financial performance. While the global economy as a whole is currently experiencing a moderate recovery, we expect these conditions to continue to have an ongoing negative impact on us. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial services industry.

In an attempt to prevent the failure of the financial system, Spain, the United States and other European governments intervened on an unprecedented scale. In Spain, the government increased consumer deposit guarantees, made available a program to guarantee the debt of certain financial institutions, created a fund to purchase assets from financial institutions and the Spanish Ministry of Economy and Finance was authorized, on an exceptional basis and until December 31, 2009, to acquire, at the request of credit institutions resident in Spain, shares and other capital instruments (including preferred shares) issued by such institutions. Additionally, in 2009 the Spanish government created the Orderly Banking Restructuring Fund (FROB) to manage the restructuring processes of credit institutions and reinforce the equity of institutions undergoing integration. In the United States, the federal government took equity stakes in several financial institutions, implemented a program to guarantee the short-term and certain medium-term debt of financial institutions, increased consumer deposit guarantees, and brokered the acquisitions of certain struggling financial institutions, among other measures. In the United Kingdom, the government effectively nationalized some of the country’s largest banks, provided a preferred equity program open to all financial institutions and a program to guarantee short-term and certain medium-term debt of financial institutions, among other measures. For more information on recent regulatory changes, see “—Changes in the regulatory framework in the jurisdictions where we operate could adversely affect our business.”

Despite the extent of the aforementioned intervention, global investor confidence remains cautious. The world's largest developed economies, including the United States and United Kingdom, grew during 2010, although, in most cases, still at a slow pace. Spain, however, continued to suffer from a recession. In addition, recent downgrades of the sovereign debt of Greece, Portugal and Spain have caused volatility in the capital markets. Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits to attract more customers. Any such increase in capital markets funding costs or deposit rates would entail a repricing of loans, which would result in a reduction of volume, and may also have an adverse effect on our interest margins. A further economic downturn, especially in Spain, the United Kingdom, other European countries, the United States and certain Latin American countries, could also result in a further reduction in business activity and a consequent loss of income for us.

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, United States 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 allowances for credit losses. Deterioration in the economies in which we operate could reduce the profit margins for our banking and financial services businesses.

The financial problems faced by our customers could adversely affect us.

Market turmoil and economic recession, especially in Spain, the United Kingdom, the United States and certain Latin American countries, could materially and adversely affect the liquidity, businesses and/or financial conditions of our borrowers, which could in turn increase our non-performing loan ("NPL") ratios', impair our loan and other financial assets and result in decreased demand for borrowings in general. In the context of recovery from the recent market turmoil and economic recession and with high unemployment coupled with low consumer spending, the value of assets collateralizing our secured loans, including homes and other real estate, could still decline significantly, which could result in the impairment of the value of our loan assets. Moreover, in 2010 we experienced an increase in our non-performing ratios and a deterioration in asset quality as compared to 2009. In addition, our customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect our fee and commission income. Any of the conditions described above could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks faced by other financial institutions.

We routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, a chilling effect on inter-institutional financial transactions in general. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material adverse effect on our business, financial condition and results of operations.

Our exposure to Spanish and UK real estate markets makes us more vulnerable to adverse developments in these markets.

Mortgage loans are one of our principal assets, comprising 51% of our loan portfolio as of December 31, 2010. As a result, we are highly exposed to developments in real estate markets, especially in Spain and the United Kingdom. In addition, we have exposure to a number of large real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the Eurozone. The United Kingdom experienced a similar increase in housing and mortgage demand driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. Since 2008, as economic growth stalled in Spain and the United Kingdom, housing oversupply has persisted, unemployment has continued to increase, housing demand has continued to decrease and home prices have declined while mortgage delinquencies increased. As a result, our NPL ratio increased from 0.94% at December 31, 2007, to 2.02% at December 31, 2008 and to 3.24% at December 31, 2009. On December 31, 2010, the ratio reached 3.55%, but has since begun to stabilize. These trends, especially higher unemployment rates coupled with declining real estate prices, could have a material adverse impact on our mortgage payment delinquency rates, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Portions of our loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect our operating results.

Our financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of our loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of our loan portfolio and could have an adverse impact on the economy of the affected region.

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

Market downturns are likely to lead to a decline in the volume of transactions that we execute for our customers and, therefore, to a decline in our non-interest revenue. In addition, because the fees that we charge for managing our clients’ portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of our clients’ portfolios or increases the amount of withdrawals would reduce the revenues we receive from our asset management, private banking and custody businesses.

Even in the absence of a market downturn, below-market performance by our mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue we receive from our asset management business.

Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in our 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 our investment and trading portfolios. In some of our businesses, protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market, reducing market liquidity. These developments can lead to material losses if we cannot close out deteriorating positions in a timely way. This risk is especially great for assets with normally less liquid markets. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that we calculate using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that we did not anticipate.

The volatility of world equity markets due to the recent economic uncertainty has had a particularly strong impact on the financial sector. Continued volatility may affect the value of our investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against our results.

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 our interest-earning assets differently than the interest rates paid on our 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. Because the majority of our loan portfolio reprices in less than one year, rising interest rates may also lead to 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, 2010, our interest rate risk measured in daily Value at Risk (“VaRD”) terms amounted to €309.8 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 US dollar will affect the US 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 US 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 US dollar will depress earnings from our Latin American and US 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, 2010, our largest exposures on temporary positions (with a potential impact on the income statement) were concentrated on, in descending order, the pound sterling, the Mexican peso and the Chilean peso. On December 31, 2010, our largest exposures on permanent positions (with a potential impact on equity) were concentrated on, in descending order, the Brazilian real, the pound sterling, the Mexican peso, the US dollar and the Chilean peso.

Despite our risk management policies, procedures and methods, we may nonetheless be exposed to unidentified or unanticipated risks.

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

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

We have acquired controlling interests in various companies and have engaged in other strategic partnerships. See “Item 4. Information on the Company — A. History and development of the Company.” Additionally, we may consider other strategic acquisitions and partnerships from time to time. While we are optimistic about the acquisitions we have made, there can be no assurances that we will be successful in our plans regarding the operation of these or other acquisitions and strategic partnerships.

We can give no assurance that our recent and any future 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.

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, Latin America and the US has increased recently. Our success in the European, Latin American and US 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.

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

Extensive legislation affecting the financial services industry has recently been adopted in Spain, the United States, the European Union and other jurisdictions, and regulations are in the process of being implemented. In Spain, the Bank of Spain issued Circular 9/2010 on December 22, 2010, which amends certain rules in order to establish more restrictive conditions regarding capital requirements for credit risk, credit risk mitigation techniques, securitization and treatment of counterparty and trading book risk. The Circular was issued following the passage of two EU Directives on risk management (Directive 2009/27/CE and Directive 2009/83/CE).

The European Union has created a European Systemic Risk Board to monitor financial stability and implemented rules that will increase capital requirements for certain trading instruments or exposures and impose compensation limits on certain employees located in affected countries. In addition, the European Union Commission is considering a wide array of other initiatives, including new legislation that will affect derivatives trading, impose surcharges on “globally” systemically important firms and possibly impose new levies on bank balance sheets.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act that was adopted in 2010 will result in significant structural reforms affecting the financial services industry. This legislation provides for, among other things: the establishment of a Bureau of Consumer Financial Protection which will have broad authority to regulate the credit, savings, payment and other consumer financial products and services that we offer; the creation of a structure to regulate systemically important financial companies; more comprehensive regulation of the over-the-counter derivatives market; prohibitions on us engaging in certain proprietary trading activities and restricting our ownership of, investment in or sponsorship of, hedge funds and private equity funds; restrictions on the interchange fees that we earn on debit card transactions; and a requirement that bank regulators phase out the treatment of trust preferred capital debt securities as Tier 1 capital for regulatory capital purposes.

In December 2010, the Basel Committee on Banking Supervision announced revisions to its Capital Accord, which will require higher capital ratio requirements for banks, narrow the definition of capital, and introduce short term liquidity and term funding standards, among other things. Also being considered is the imposition of a bank surcharge on institutions that are determined to be “globally significant financial institutions.” These requirements could increase our funding and operational costs.

These and any additional legislative or regulatory actions in Spain, the European Union, the United States or other countries, and any required changes to our business operations resulting from such legislation and regulations, could result in significant loss of revenue, limit our ability to pursue business opportunities in which we might otherwise consider engaging, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, we cannot provide assurance that any such new legislation or regulations would not have an adverse effect on our business, results of operations or financial condition in the future.

We may also face increased compliance costs and limitations on our ability to pursue certain business opportunities. 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 material adverse effect 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.

We rely on recruiting, retaining and developing appropriate senior management and skilled personnel.

Our continued success depends in part on the continued service of key members of our management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of our strategy. The successful implementation of our growth strategy depends on the availability of skilled management, both at our head office and at each of our business units. If we or one of our business units or other functions fails to staff our operations appropriately or loses one or more of our key senior executives and fails to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including control and operational risks, may be adversely affected. Likewise, if we fail to attract and appropriately train, motivate and retain qualified professionals, our business may also be affected.

Damage to our reputation could cause harm to our business prospects.

Maintaining a positive reputation is critical to our attracting and maintaining customers, investors and employees. Damage to our reputation can therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failure to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding us, whether or not true, may harm our business prospects.

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect our reputation. For example, the role played by financial services firms in the financial crisis has damaged the reputation of the industry as a whole.

We could suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions against us. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

Different disclosure and accounting principles between Spain and the US 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 US issuers. Additionally, we present our financial statements under IFRS-IASB which differs from U.S. GAAP.

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

We face various issues that may give rise to risk of loss from legal and regulatory proceedings. These issues, including appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues and conduct by companies in which we hold strategic investments or joint venture partners, 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, could require changes to our business practices and may even require that we exit certain businesses. 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 reduction in our credit rating could increase our cost of funding and adversely affect our interest margins.

Credit ratings affect the cost and other terms upon which we are able to obtain funding. Rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength as well as conditions affecting the financial services industry generally.

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 our 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.

The Group's long-term debt is currently rated investment grade by the major rating agencies (Aa2 by Moody's Investors Service España, S.A. and AA by each of Standard & Poor's Ratings Services and Fitch Ratings Ltd., respectively). Standard & Poor's maintains our outlook at negative reflecting the higher credit risk of our Latin American exposures as well as likely high credit losses from exposures to the Spanish real estate market. Moody's also maintains a negative outlook based on the Group's high borrower concentration, the high exposure to developing markets with its Latin American franchise, and the ongoing macroeconomic challenges faced in many of Santander's core markets (i.e. Spain, UK, US and, consequently, Mexico). In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks, or with regard to those rating agencies who have a negative outlook on the Group, there can be no assurances that such agencies will revise such outlooks upward. The Group's failure to maintain favorable ratings and outlooks could increase the cost of its funding and adversely affect the Group's interest margins.

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 €4,804 million of our profit attributable to the Parent bank for the year ended December 31, 2010 (an increase of 25% from €3,834 million for the year ended December 31, 2009). 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 of the 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 growth, asset quality and profitability will not be affected by volatile macroeconomic and political conditions in the Latin American countries in which we operate.