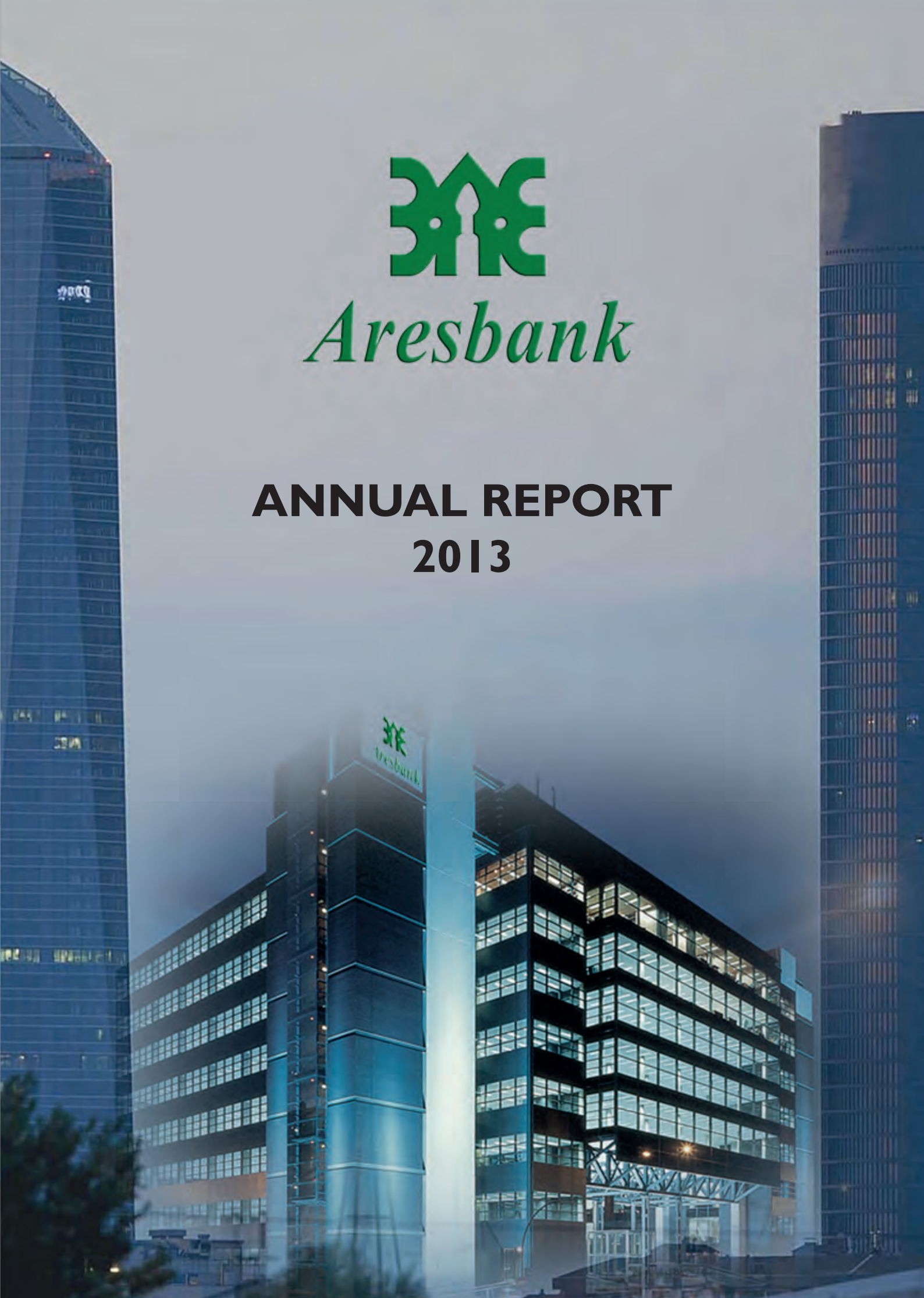

Aresbank

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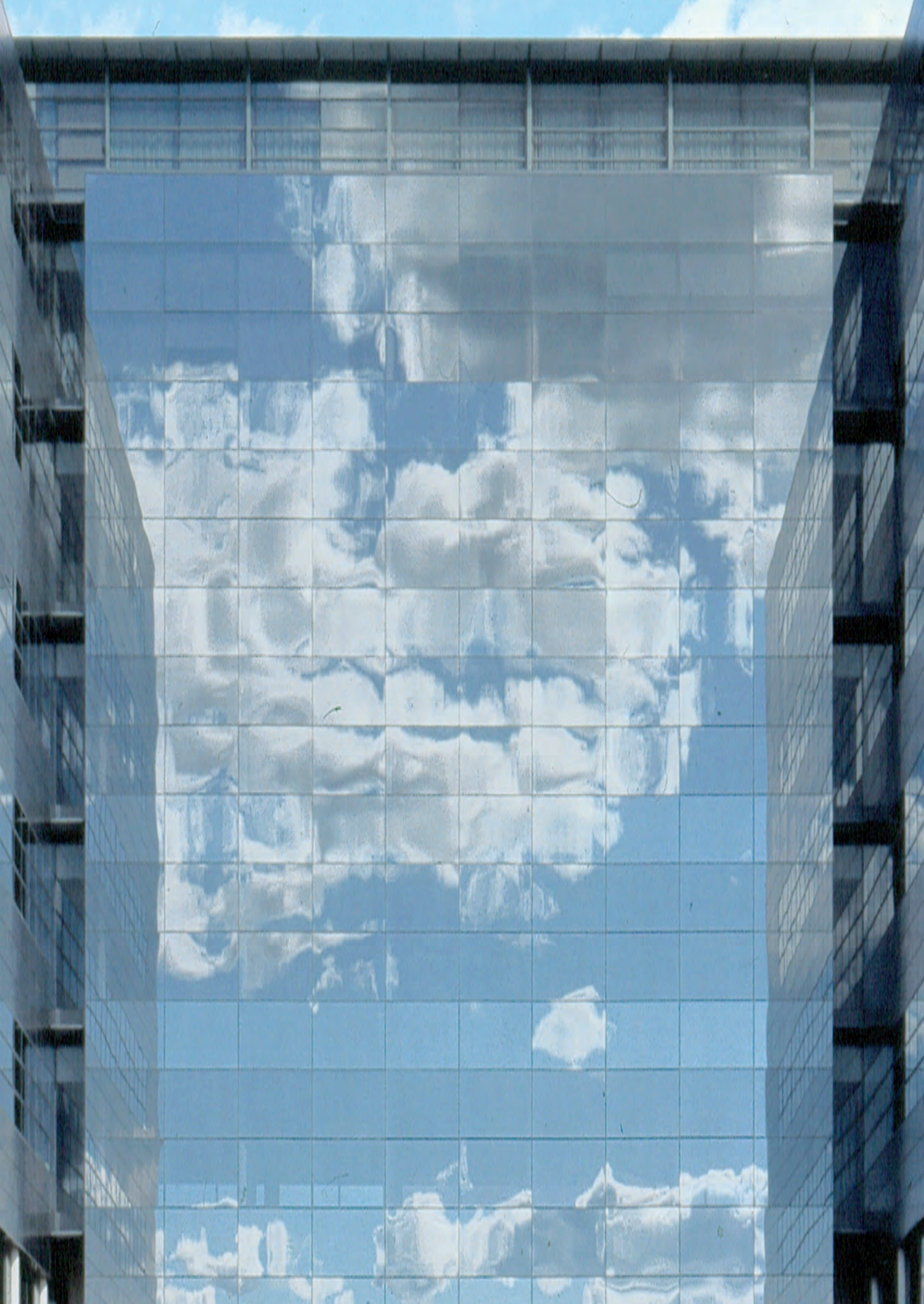

CHAIRMAN'S STATEMENT

(THIS CHAIRMAN'S STATEMENT IS FREE TRANSLATION OF THE ORIGINAL ISSUED IN SPANISH)

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to your Assembly Aresbank's Annual Report for the fiscal year ending December 31, 2013. The report reviews the bank activities in trade finance, credit and treasury, highlighting the financial results achieved from these activities.

Political events in various countries within the Middle East & North African (MENA) region, including Libya, the country of the bank's principal shareholder, had a significant impact on the Bank's operation during the past three years, including 2013. Events elsewhere during 2013 including Egypt, Tunis, Yemen and Syria also had an effect. With the inevitable geopolitical changes and development in the Arab region, Aresbank observed a prudent risk management and dealt cautiously to maintain and, if possible, strengthen its banking activities despite these conditions and developments during 2013.

The Spanish economy registered a quarter-on-quarter increase of 0.2% in the fourth quarter of 2013, one tenth over the one recorded for the third quarter of the same year (0.1%). The annual GDP year-on-year growth in the fourth quarter stands at -0.2% compared with -1.1% registered in the previous quarter. Employment in the economy decreased at an annual rate of 1.6%. This rate is one point and seven tenth lower than the one registered in the third quarter of 2013 (-3.3%), indicating a net reduction of approximately 265 thousand full-time jobs in one year. In turn, the hours actually worked decrease at a rate of 0.6%. In 2013, Spain recorded a trade deficit of 15,955 million euro. However, exports increased by 5.2% and reached the unprecedented amount of 234,239.8 million euro. There has been a sharp adjustment of the current account deficit, from -10% in 2007 to -1.1% of GDP in 2013 according to the European Commission. The banking sector has been bolstered by the recapitalization of weaker banks, the transfer of problematic assets to SAREB (the asset management company), and overall positive results in 2013. In January 2014 Spain successfully exited the financial sector recapitalization programme initiated in July 2012.

The accelerated GDP growth in the last quarter of 2013 and the recovery is foreseen to consolidate gradually, growing by 1% in 2014, and to gain some further momentum in 2015. The current account balance is projected to increase further in the coming years to 1.6% of GDP in 2014, and 1.8% of GDP in 2015 according to the 2014 winter forecast. General government debt is forecasted just below 100% of GDP in 2014. Despite favourable overall leverage ratios, the banking system is still exposed to challenges from the ongoing restructuring process, weak macroeconomics prospects, possible further adjustments in the construction sector and in the real estate markets, and shrinking business volumes. Deleveraging in the private sector will continue to constrain private consumption and investment. Nevertheless, private consumption is forecast to rise, backed by increases in disposable income, improved employment prospects and higher confidence, and also helped by low inflation, expected to be 0.3% in 2014. Unemployment rate is expected to hold above 25 percent in 2014 before inching down to 24.4 percent by the end of 2015.

Under the leadership of its new General Manager, Mr. Luis Casado, Aresbank has continued the transformation journey strengthening its team through an organizational restructuring, and a reallocation of some senior executive roles and responsibilities.

During 2013 the IT department worked hard on the implementation and customization of the system based on Aresbank's needs and the requirements of the Spanish Central Bank.

After this task was been done, the IT department started a new stage during which both T24 and AS400 systems ran in parallel during 40 days, involving the users, and providing them with several training courses for replicating their daily tasks on both systems. Finally, on February 3rd, 2014, the new system went live after a full migration process.

During 2013, Aresbank continued to offer comprehensive and diversified financial services, and strived to make exceptional efforts to ensure sound and objective management of its assets, focusing primarily on financial resource mobilization, liquidity management, credit portfolio review and provision of trade finance in support of the foreign trade between the Arab countries and Spain. Aresbank will continue to develop its business plan and strategy to increase its geographic reach and extend its financial services and banking activities to different markets and customers.

The Board of Directors, jointly with the Executive Management, have taken very prudent decisions to turning round the bank losses (as a result of dealing with Icelandic banks previous to the global financial crisis) to profit after recovering almost 90% of its doubtful money market deposits. I would stress that the bank has come a long way for good since the Icelandic debt crisis in 2008 in terms of its profitability level and assets quality.

Regarding the results of 2013 year, the Bank shows at the end of the year, a capital solvency ratio of 71.01%.

Aresbank's computable capital exceeds the minimum 9% required by the Spanish Monetary Authorities.

On the side of the non performing loans, the Bank currently has a ratio of 2.48%.

While presenting this report, I would like to seize the opportunity to express my sincere appreciation and gratitude to the shareholders for their support to the Bank. Special thanks are particularly due to the Kingdom of Spain (the host of the bank's activities) for the timely assistance they have always provided through its various agencies. Our appreciation is also extended to the bank's clients for their valuable trust, which is a source of the Bank strength.

I would also like to thank my fellow Board Members for their effective contribution in guiding the Bank, and to thank the management and all members of staff for their hard work and determination to achieve the bank objectives.

Ibrahim Milad Daw Zletni

Chairman

CORPORATE STRUCTURE

SHAREHOLDERS	2013	2012
Libyan Foreign Bank	99.86%	99.86%
Crédit Populaire D´Algérie	0.14%	0.14%

BOARD OF DIRECTORS

From January 1st to September 18th, 2013:

Mr. Ibrahim M. Zletni	Chairman
Mr. Abdulfatah A. Mutat	
Mr. Regeb Abdallah Misellati	
Mr. Wail J. Belgasem *	
Mr. Mohamed Djellab	Credit Populaire d'Algérie
Independent Directors	
Mr. Julio Álvarez	
Mr. Luis Casado	Vice-President
Secretary	
Mr. Fernando Marqués	

* Appointed on June 26, 2013

From September 18th, 2013 onwards :

Mr. Ibrahim M. Zletni	Chairman
Mr. Abdulfatah A. Mutat	
Mr. Regeb Abdallah Misellati	
Mr. Wail J. Belgasem	
Mr. Achour Abboud	Credit Populaire d'Algérie

Independent Directors
Mr. Francisco Javier de la Cruz
Mr. Teodoro León
Secretary
Mr. Fernando Marqués

AUDIT, RISK & COMPLIANCE COMMITTEE

From January 1st to September 18th, 2013:

Mr. Julio Álvarez	Chairman of the Audit , Risk & Compliance Committee and Member of the Board of Directors
Mr. Abdulfatah A. Mutat	Member of the Board of Directors
Mr. Regeb Abdallah Misellati	Member of the Board of Directors

Secretary
Mr. Fernando Marqués

From September 18th, 2013 onwards:

Mr. Francisco Javier de la Cruz	Chairman of the Audit , Risk & Compliance Committee and Member of the Board of Directors
Mr. Abdulfatah A. Mutat	Member of the Board of Directors
Mr. Wail J. Belgasem	Member of the Board of Directors

Secretary
Mr. Fernando Marqués

MANAGEMENT

Mr. Luis Casado	General Manager
Mr. Fekri Sinan	Deputy General Manager
Mr. Manuel Grijota	Manager of Commercial Division
Mr. Fernando Marqués	Manager of Legal and Compliance Department
Mr. Abdel Aziz Mohamed	Manager of Systems Department
Mr. Carlos Mata	Manager of Credit and Finance Department
Mr. Martin Ruijmgaart	Manager of Foreign Trade Department
Mr. Manuel Turanzas *	Manager of Payments and Clients Services Department
Ms. Eva Marcos	Manager of Accounting Department
Mr. Augusto García de las Heras	Manager of Risk Management Department
Mr. Alberto del Molino	Manager of Administration Department
Mr. Manuel Poza	Manager of Internal Audit Department
Mr. Faesal Othman	Treasury & Capital Markets Department
Mr. Pascual Cantos	Manager Barcelona Branch

* Terminated in his functions on February 10th, 2014

RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS ANNUAL REPORT

The information contained in this annual report, including the annual accounts and the Directors' report as well as any additional data deemed necessary, has been drawn up by the members of the Board of Directors of Aresbank, S.A., in accordance with its accounting records.

The members of the Board of Directors are responsible for establishing not only the accounting policies but for designing, implementing and maintaining the internal control systems to ensure a proper preparation of the annual accounts, the safeguarding of assets, and the reliability of the accounting records in compliance with the legal requirements, and specifically, with the regulations established by the Bank of Spain.

Our external auditors ERNST & YOUNG, S.L. examine the annual accounts of Aresbank, S.A. It is their responsibility to express a professional opinion on said accounts, by carrying out their work in accordance with generally accepted auditing principles, based on the evidence which they deemed necessary and to which they were given free access.

DIRECTORS' REPORT

(THIS DIRECTORS' REPORT IS FREE TRANSLATION OF THE ORIGINAL ISSUED IN SPANISH COUNTERSIGNED BY ALL THE MEMBERS OF THE BOARD)

DIRECTORS´ REPORT

1. THE ECONOMIC AND FINANCIAL SITUATION

The year 2013 can be best characterized as the year of taking up hard "structural reform" following a long period of "uncertainty" in the aftermath of the economic and financial crisis of 2008-2009. The main goal of such structural reforms is to support the process of economic recovery and restore trust in Financial Institutions and markets. Almost at all levels (World economy, European Union, Spanish Economy and institutions), policies and actions have been steered to reinforce economic recovery, strengthen governance, and cut costs in order to realize the targets set for the longer term. However, while some of the data collected show that there are some signs of economic recovery, growth prospects are modest and further reforms remain necessary in order to restore productivity and improve job creation.

1.1 The Spanish Economy

For the optimistic observes, Spain returned to positive growth area starting in the third quarter of 2013 amidst improved confidence and some relaxation of financial conditions. Domestic demand to offset narrowing net exports GDP growth accelerated to 0.3% quarter -on- quarter in the last quarter of 2013 and the recovery is foreseen to consolidate gradually over 2014. While GDP contracted by 1.2% in 2013, it is expected to grow by 1% in 2014 and to gain some further momentum in 2015.

Despite these welcomed improvements, the still large debt levels and high unemployment weigh on growth prospects and could generate sources of vulnerability to adverse economic shocks. Regarding the public debt, it stood at 94.2 percent at the end of 2013. Debt stood at 92.2 percent of GDP at end-June. Large public deficits and low nominal GDP growth are projected to push the general government gross debt to 99% of GDP in 2014 and 103% of GDP in 2015. Under the no-policy-change assumption, the headline deficit is expected to widen to 6.5% of GDP in 2015. This projection assumes that some temporary tax measures will expire in 2014. The structural deficit is estimated to be close to 4¼% of GDP in both 2013 and 2014 before rising to 5¾% in 2015. Regarding the second, having peaked at 27.2% in the first quarter of 2013, and the unemployment rate retreated to 26% at the end of last year, mainly due to the decline in the labour force, but employment also kept falling.

Spanish exports

According to the latest publication by the Spanish Ministry of Economy and Competiveness, the *SPANISH EXTERNAL SECTOR* showed significant signs of strength in this vital sector of the Spanish Economy. Spain has significantly increased its trade openness in the last two decades, exports of services and goods reaching more than 34% of GDP in 2013. Despite the global crisis and increased competition from emerging countries, Spain has barely kept its market share in the international trade of goods and services. In 2013, exports increased by 5.2% (3.8% in 2012, provisional data)

and reached the unprecedented amount of 234,239.8 million euro. Import coverage ratio attained 93.6% in 2013, up from 87.9% in 2012. Non-energy surplus amounted to 25,042.2 million euro, almost doubling the record in 2012 (14,746 million euro). There has been a sharp adjustment of the current account deficit, from -10% in 2007 to -1.1% of GDP in 2013, according to the European Commission. The upward trend in the Spanish exports of services in recent years is not only due to increased tourism, but also to other types of services such as transport, construction or insurance services.

1.2 The Spanish Financial sector

The IMF says reform of Spanish banking is nearly complete. Following exhaustive stress tests, banks have been recapitalised using, among other sources of cash, €41.3 Thousand million ($56 billion) out of a possible €100 Thousand million euro-zone pot. A bad bank, Sareb, has been set up to house their toxic property assets. Provisions now cover a large chunk of the system's bad loans. Spain's blown up banking sector has shrunk from 50 lenders to 12. Deposits are stabilising; banks have reduced their reliance on funding from the European Central Bank (ECB).

In November 2013, Spain successfully exited the financial assistance Programme for the Recapitalisation of financial Institutions. The stabilisation of Spanish financial markets continues, with sovereign-bond yields at new lows. In general, Financing conditions have improved, although they remain difficult for some borrowers to obtain the funding scheme they need, especially for SMEs.

The yield on Spain's benchmark 10-year bond stood at around 4.36 percent in Mid September 2013, according to Reuter's data, compared to a record high of over 7.6 percent in the summer of 2012 when fears about breaking up the Euro zone were at a peak due to the Greek Financial Crises.

In March, 2014, Spain made a small profit on the sale of a 7.5 percent stake in Bankia as the government started to return the country's biggest bailed-out bank to private ownership and recoup taxpayers' money. The profitable stake sale is a boost for the government as it deals with the costly cleanup of the banking system which started in 2012.

In terms of the changes in the regulatory environment, the Euro zone's new chief banking regulator has warned that some of the region's lenders have no future and should be allowed to die, heralding a far tougher approach to the supervision, a threat that could become a realty for such banks in Spain.

1.3 The situation in Aresbank Traditional Markets

The Arab Spring had a significant impact on economic activity in North Africa. Average real GDP growth in the region fell from 4.2% in 2010 to 2.2% in 2011, its lowest level in over a decade. The global economy was sluggish and the euro zone crisis hit the region hard given tight economic links. The slowdown affected all countries, but its magnitude varied from country to country. Hardest hit initially were those countries that were at the centre of the Arab Spring, like Libya, Tunisia, Egypt,

Syria and Yemen. The only country in the region where GDP growth strengthened in 2011 was Morocco. The economic recovery of the region was subdued in 2012. Average real GDP growth increased only slightly to 2.4%. The economic activity is expected to pick up and GDP growth to accelerate to 3.5% in 2013, but to remain below the pre-revolutionary growth levels. For Algeria, the new presidential elections set in 2104 seem to be the main issues that occupy the government in 2013 with a lot of speculations about the health of the president and his renewed candidacy for the position. The economy is still dependent on Oil and Gas exports.

2. TRENDS IN ARESBANK'S BUSINESS

As Aresbank business model and vision culminating in helping foster Trade between Spain and the Arab world through providing reliable and trusted banking services, has proven to be successful over all those past years. However, the different shocks that the Bank went through certainly had intensified the need to look for alternatives. By the year end, fortunately, the bank through the recovery of the Icelandic funds was back on track to use its own funds to both support its operations and the inter money market activities. While continuing its traditional main activities in L/Cs mainly from Algeria and Libya, the Bank has progressed to expand its syndicated loans and credits, especially in partnership with Turkish Banks. In addition, there was more demand for performance bond guarantees. The Bank also worked to expand its business in Morocco, Iraq and the Gulf region to compensate for the business curtailed in other courtiers facing sanctions or turmoil.

2.1 Aresbank annual performance overview

The Bank's Capital Adequacy ratio was barley reduced to 71.01% from 71.90% in 2012. The bank increased its Tier I Capital to 317,146 Thousand Euro in the year 2013 from 202,945 Thousand Euros in the pervious year. The total shareholder equity increased from 202,945 Thousand Euros in the year 2012 to 317,146 Thousand Euros in the year 2013. The total assets were increased by 87.17%, due to higher activity in supporting foreign trade business, mainly in syndicated loans and other business with Turkish Banks. The loans and receivables increased by 97.80%, but the larger portion was a significant increase by 204.5% in the loans and advances to credit institutions compared to a decrease in the loans and advances to other debtors which fell in the year 2013 by 12.57% compared to last year. By the year end, the contingent exposures of Aresbank amounted to 197,985 Thousand Euros compared to 151,588 Thousands Euros by end of 2012.

The net interest income increased by 49.61% from 4,055 Thousands Euros in 2012 to 6,067 Thousands Euros in 2013.

Income from fees and commissions has decreased by 6.84% from 6,368 Thousands Euros in 2012 to 5,932 Thousands Euros in 2013.
The bank has had a profit of 114,201 Thousands Euros for the period. The significant increase over last year profit of 7,530 Thousands Euros was mainly due to the recovery of the funds from the Icelandic Banks after winning the Court case.

In 2013, Other Administrative expenses increased by 21%, in comparison with 2012 mainly due to the lawyers fees in charge of the Icelandic legal case. Personal expenses increased by 11.46% from 5,566 Thousands Euros in 2012 to 6,204 Thousands Euros in 2013, mainly due to severance payments.

In addition to the recovery of the to Icelandic Money Market Deposits for an amount of 114,524 Thousand Euros in the last quarter of the year, in 2013 the Bank recovered written-off debts from Banco Nacional de Cuba for an amount of 1.1 million Euros (1.1 million Euros in 2012) and 1,147 Thousand Euros of a guarantee recovery.

2.2 Results of Business activities

Foreign Trade

The uncertainties and slow or halted economic recovery in some countries in our traditional markets definitely had clouded the efforts of the bank to set appropriately and proportionally its achievement targets for the different business activities. However, the bank succeeded overall to noticeably push the numbers up in terms of net income from all foreign Trade activities, the countries and banks in which we did business. In terms of the total net income of Foreign Trade activities in Madrid and Barcelona, there was an increase of 11.42% (from 7.48 Million Euros in the year 2012 to 8.33 Million Euros in the year 2012). The number of counties increased from 29 in the year 2012 to 34 in the year 2013. In terms of Banks, the number rose from 108 in the year 2012 to 118 in the year 2013. On the other hand, the number of corporates, decreased by 19.29% from 876 in the year 2012 to 707 in the year 2013, reflecting the shrinking business activities, which most likely impacted negatively on many companies. However, a quick look on the types and numbers of activities shows generally an upward trend which suggests that we had more of repeat business from the same companies. This reflects a degree of trust in our services by our clients and commitment from our side to serve their needs better.

In 2013, Aresbank's Business in import L/Cs, has suffered a substantial reduction in the number of deals by 54.55% and slightly in business volume (new issuances) by 6.53% from last year. The number of Export L/C´s and collections decreased by 7.96% although business volume ((new issuances)) increased by 12.76% compared to 2012. The out performers last year were the Guarantees and loans and credit activities compared to their levels in 2012. The number of Guarantees issued (mostly performance bonds for exporters) were 104 in the year 2013 compared to 62 in the year 2012. Respectively, the business volume (new issuances) increased by 219.43%. The net income of the Guarantees increased by 162.35% in Madrid operations and by 105% for Barcelona Branch operations. However, these included a recovery of guarantees income from previous years from one of our major clients. The loans and credits operations increased from 269 in the year 2012 to 358 in the year 2013. Respectively, the business volume (new issuances) of loans and credits increased by 44.17%.
As most of our business is related to the export sector, our achieved numbers suggest that we are in line with the remarkable increase in the Spanish Exports registered in the year 2013. As such, Aresbank, with greater efforts, can play a more active role in the banking services for Foreign Trade business for Spanish Exporters, both in its traditional MENA region and in the emerging economies.

Treasury & Banking Operations

In 2013, the net Income has decreased from its level in 2012 due to the decrease in the interest rate applied in the financing transactions.

Total net income originated from terms deposits, payment orders, incoming transfers and local clearing operations increased by 149.04% in 2013 from the previous year.

2.3 Business support activities

Governance & Compliance

In the Extraordinary General Shareholders' meeting held in June 26, 2013, appointed a new member of the Board of Directors. In the Extraordinary General Shareholders' assembly held on September 18, 2013, three members of the Board of Directors were replaced, and also a new General Manager was appointed to lead the organization and oversee the activities of the Bank.

Early in the year, the Board approved the reviewed organizational and policy manuals. It also approved a consolidation of the organizational structure of the bank by upholding the position of the Commercial Division Manager to oversee all the Business activity departments, except Treasury and Money Markets department, which remain under the General Management. The Bank also created a new committee to appointing key personnel as per the rules of Bank of Spain.

Systems & Human Resources

The work in the new core banking system implementation project has been continuing over the year. Significant planned phases of the project have been completed including the primary migration of the Clients Data on the current system. The initial go-live date has been February 1, 2014.

The Bank has started the preparatory work on approaching Basel III and studying the requirements that the bank needs to comply with under the different components of this new regulatory model of Basel III.

Aresbank has 61 employees by the end of the year, including a new hire in the Systems Department to focus on the new core banking system project.

2.4 Aresbank focus in the coming year

With the new membership in the Board of Directors and the newly appointed General Manager the Bank foresees the coming year with optimism and expectations for higher performance and returns. The Bank looks for improve and strength its Balance Sheet

through diversification, expansion of its assets portfolio, and effective risk management by taking the necessary arrangement to implement Basel III. The efforts will be geared towards vertical as well as horizontal expansion in some new countries and sectors.

3. RELEVANT EVENTS WHICH TOOK PLACE DURING 2013

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 came into force, applicable from January 1st, 2014. This Regulation should, inter alia, contain the prudential requirements for institutions that relate strictly to the functioning of banking and financial services markets and are meant to ensure the financial stability of the operators on those markets as well as a high level of protection of investors and depositors.

A number of tools to prevent and mitigate macroprudential and systemic risks have been built into this Regulation and Directive 2013/36/EU ensuring flexibility while at the same time ensuring that the use of those tools are subject to appropriate control in order not to harm the function of the internal market while also ensuring that the use of such tools is transparent and consistent. Until the harmonisation of liquidity requirements in 2015 and the harmonisation of a leverage ratio in 2018, Member States should be able to apply such measures as they consider appropriate, including measures to mitigate macroprudential or systemic risk in a specific Member State.

4. EVENTS SUBSEQUENTS TO DECEMBER 31, 2013

The Annual Accounts of the year 2013 have been formulated by the Aresbank's Board of Directors in the meeting held on March 26, 2014. Likewise, they will propose to the Shareholders' assembly a capital increase for an amount of 7,083 Thousand Euro, as well as a dividend's distribution for an amount of 1,145 Thousand Euro.

5. ACQUISITION OF OWN SHARES

As in previous years and due to its equity capital structure, Aresbank has not acquired, held or performed operations with its own shares during 2013.

6. RESEARCH & DEVELOPMENT EXPENSES

The Bank did not invest in projects related to R&D.

7. ENVIRONMENTAL INFORMATION

The overall operations of Aresbank are subject to environmental protection legislation. The Bank has adopted appropriate measures with respect to environmental protection and enhancement and to the minimization, where appropriate, of the environment impacts, in compliance with the relevant current regulations. The Bank did not make environmental investments in 2013 and 2012, nor did it consider it necessary to record any provision for environmental risks and charges, and does not consider that there are significant contingencies relating to environmental protection and enhancement.

8. COMPLIANCE WITH AML REGULATIONS

Aresbank has also set up a global policy to ensure strict compliance with current legal regulations and with the recommendations put forward both by the Financial Action Task Force on Money Laundering (FATF) and by the Spanish Supervisory Body for the Prevention of Money Laundering. The main objective of Aresbank anti-money laundering policy is to prevent the use of our commercial network for any activities related to Money Laundering and is based on the following points:

- The identification and knowledge of customers and their financial and economic activities.
- The existence of an internal control and active communication.
- Written internal procedures.
- The development of the culture of prevention among all the employees of the bank through specific training activities.
- Reporting to the competent authorities according to the procedures established by the Regulator.

9. RISK REPORT

9.1 Risk management

The following key principles underpin the risk and capital management at Aresbank:

- The Board of Directors provides overall risk and capital management supervision for the Bank.
- The Audit, Risk and Compliance Committee inform the Board of Directors about the outstanding risks and operational performance.
- The ongoing management of risk is supported by control procedures to ensure compliance with the specified limits, the defined responsibilities, and the monitoring of indicators.
- The main goal is the management of the credit, market, liquidity, operational, business and reputational risks as well as the capital in a coordinated manner at all relevant levels within the organization.
- The risk management function is made independent of other departments.

9.2 Capital needs

The following table provides an aggregation of the capital required for each risk faced by Aresbank, according to Pillar I of Basel II.

(EUR '000)

Aggregation of Capital Needs	Pillar I Capital Charge
Credit Risk (1)	33,369
Market Risk (2)	708
Operational Risk (3)	1,868
Total Capital Needs (1+2+3)	**35,945**

For the risks covered under the Pillar I, the Bank adopted the following approaches as at December 31st, 2013 :

- Credit Risk – Standardized Approach.
- Market Risk – Standardized Method.
- Operational Risk – Basic Indicator Approach.

9.3 Credit Risk

The credit risk makes up the largest part of Aresbank's risk exposures. The total credit risk weighted assets under Pillar I, using standard approach, is 417,109 Thousand Euro. Aresbank calculates risk weighted assets as product of the exposure and relevant risk weight determined by its supervisor. Risk weights are determined by the category of the borrower and depend upon external credit assessments by ECAIs (Standard & Poor's, Moody's and Fitch) and also on the type of the banking product.

The Bank currently has a focussed business target market which caters to the trade finance business, primarily between Spain and the Arab world, and interbank market transactions.

The total lending amounted as of December 31st, 2013 to 656,633 Thousand Euro, in comparison with 455,576 Thousand Euro in 2012. The key component of the total lending was "Loans and Advances to Credit Institutions", for an amount of 517,120 Thousand Euro, from which 415,124.3 Thousand Euro are placed in Interbank market. Contingent exposures increased from the previous year by 30.6% to a total amount of 197,985 Thousand Euro.

(EUR '000)

OVERALL CREDIT RISK EXPOSURE	2013	2012
Total Loans and Receivables (Gross)	656,633	455,576
Contingent exposures	197,985	151,588
Unused portion of credit lines (Drawable by third parties)	60,200	51,743
Total credit risk exposure	**914,818**	**658,907**

Analyzing the risk concentration of the Bank by type of activity and geographical area, total risk with credit institutions (in and out of balance) amounts to 613,671 Thousand Euro, 67% of the total credit exposure, of which, 142,474 Thousand Euro with Spanish credit institutions. Interbank deposits with Spanish banks amounts to 140,368 Thousand Euro. The concentration in oil sector outside the EU amounts to 82,716 Thousand Euro. Finally, risk concentration in the construction sector in Spain reaches 62,298 Thousand Euro.

9.4 Risk concentration by Activity and Geographical Area

The breakdown corresponding to 2013 is the following:

(EUR '000)

	Total	Spain	Rest of U.E.	America	Rest of the world
Credit institutions	**605,874**	**144,646**	**160,433**	**245**	**300,550**
Non-financial Corporations and Individuals	**233,870**	**125,490**	**-**	**3,943**	**104,437**
Construction and Real-estate promotion	*51*	*51*	--	--	--
Construction, civil engineering works	*4,577*	*4,577*	--	--	--
Others :					
- Corporate	*214,757*	*111,090*	--	*3,943*	*99,724*
- Small business and individuals	*14,485*	*9,772*	-	--	*4,713*
Other households (other purpose)	**974**	**725**	**--**	**--**	**249**
SUBTOTAL	**840,718**	**270,861**	**160,433**	**4,188**	**405,236**
(-) Impairment adjustments not assigned to specific transactions	**(1,302)**				
TOTAL	**839,416**				

The breakdown corresponding to 2012 is the following:

	Total	Spain	Rest of U.E.	America	Rest of the world
Credit institutions	**256,761**	**116,642**	**7,646**	**1,448**	**131,025**
Non-financial Corporations and Individuals	**221,895**	**112,063**	**1,742**	**4,043**	**104,047**
Construction and Real-estate promotion	*51*	*51*	--	--	--
Construction, civil engineering works	*4,578*	*4,578*	--	--	--
Others :					
- Corporate	*202,972*	*100,230*	--	*4,043*	*98,699*
- Small business and individuals	*14,294*	*7,204*	*1,742*	--	*5,348*
Other households (other purpose)	**644**	**644**	**--**	**--**	**--**
SUBTOTAL	**479,300**	**229,349**	**9,388**	**5,491**	**235,072**
(-) Impairment adjustments not assigned to specific transactions	**(1,424)**				
TOTAL	**477,876**				

9.5 Risk weighted assets

The composition of the portfolio exposure and its capital charge by assets class as of December 31st, 2013 is provided in the table below:

(EUR '000)

Asset Class	Credit RWA	Capital Charge
Financial Institutions	219,851	17,588
Corporate	157,814	12,625
Retail	458	37
Mortgages	0	0
Past Due	9	1
Other Assets	38,977	3,118
Total	**417,109**	**33,369**

The following table breaks down the eligible Credit Risk Mitigation (CRM) used by the Bank:

Type of CRM	Amount *(EUR '000)*	Asset Class of Counterparty
Real Guarantees	27,929	Financial Institutions
Real Guarantees	3,608	Corporate
Real Guarantees	245	Retail
Guarantees Received	2,457	Corporate
Guarantees Received	110,133	CESCE

9.6 Doubtful Assets and Provisions

The table below provides the classification by type of doubtful exposure, both on balance sheet and contingent exposures, and by type of provision, both specific and country risk provisions held as of December 31st, 2013.

(EUR '000)

Classification Type	Exposures	Provisions
Debt exposure	16,295	16,295
Contingent exposures	399	382
Total	**16,694**	**16,677**
Country Risk Debt exposure	32,630	1,648
Country Risk on Contingent exposures	50	11
Total	**32,680**	**1,659**

Additionally the bank allocates generic provision for an amount of 1,302 Thousand Euro (for debt exposures) and 596 Thousand Euro (for contingent exposures).

9.7 Market Risk

The Bank does not have a material trading book. There is no risk pertaining to interest rate related instruments and equities in the trading book.

Regarding the foreign currency, the Bank does not have a material exposure to exchange risk rate because the main activity in this matter is the interbank deposits taken and pledged and those are matched.

9.8 Operational Risk

The Operational Risk Capital charge, 1,868 Thousand Euro, is based on the average of positive gross income of the previous three years multiplied by 15%.

(EUR '000)

	2013	2012	2011
Gross Income	13,731	11,370	12,265

9.9 Solvency

(EUR '000)

	2013	2012
Total computable own funds:	319,044	204,613
Tier I:	317,146	202,945
Tier II:	1,898	1,668
Capital requirements for Pillar I:	35,945	22,765
Surplus of Capital:	283,099	181,848
Total RWA for Pillar I:	449,313	263,216
Capital Adequacy Ratio:	71.01%	71.90 %
Capital Adequacy Ratio (of which Tier I)	70.58%	71.32 %

In accordance with Royal Decree-law 14/2013, adopting extraordinary measures to strengthen the financial system:

(EUR '000)

	2013	2012
Core capital	292,918	292,918
Computable own funds (RDL 14/2013)	292,918	292,918
Deductions / Additions from core capital:	24,228	(89,973)
Negative reserves from previous years	(89,973)	(97,503)
Profit or loss for the period	114,201	7,530
Core Capital at December 31st	317,146	202,945
Capital requirements as per CBE 3/2008	35,945	22,765
Capital adequacy ratio (RDL 14/2013)	70.58%	71.32%

9.10 Liquidity

The analysis of the liquidity of the bank as of December 31st, 2013 shows that the Bank has sufficient liquidity to meet its near term liabilities:

(EUR '000)

Time Buckets	Assets	Liabilities	Gap	Cumulative Gap
Up to 1 Month	335,076	277,327	57,749	57,749
1 Month to 3 Months	115,431	74,986	40,445	98,194
3 Months to 6 Months	10,181	769	9,412	107,606
6 Months to 12 Months	63,119	0	63,119	170,725
1 Year to 5 Years	111,258	171	111,087	281,812
Greater than 5 Years	24,085	0	24,085	305,897

Additionally, Aresbank has provided collaterals for an amount of €50 million to obtain liquidity from the Euro system for an effective value of €40.5 million to cover extraordinary liquidity needs.

Below is the gap analysis as of December 31st, 2012:

(EUR '000)

Time Buckets	Assets	Liabilities	Gap	Cumulative Gap
Up to 1 Month	201,991	152,129	49,862	49,862
1 Month to 3 Months	10,842	2,737	8,105	57,967
3 Months to 6 Months	7,762	146	7,616	65,583
6 Months to 12 Months	23,235	1,777	21,458	87,041
1 Year to 5 Years	61,314	32	61,282	148,323
Over 5 Years	151,417	0	151,417	299,740

AUDITORS' REPORT AND ANNUAL ACCOUNTS

(A FREE TRANSLATION FROM THE ORIGINAL IN SPANISH SIGNED BY ALL MEMBERS OF THE BOARD OF DIRECTORS)

EY
Building a better working world

Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid

Tel.: 902 365 456
Fax: 915 727 300
ey.com

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 33)

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of Aresbank, S.A.:

We have audited the financial statements of Aresbank, S.A., which comprise the balance sheet at December 31, 2013, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended. The Company's directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity in Spain (identified in Note 3 to the accompanying financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2013 financial statements give a true and fair view, in all material respects, of the equity and financial position of Aresbank, S.A. at December 31, 2013, and the results of operations and cash flow for the year then ended, in conformity with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

The accompanying 2013 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2013 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

March 26, 2014

Roberto Diez Cerrato

BALANCE SHEET FOR THE YEARS ENDED DECEMBER 31st, 2013 AND 2012
(EXPRESSED IN THOUSAND OF EURO)

ASSETS	2013	2012
Cash and balances with Central Banks (Note 7)	**2,484**	**1,025**
Loans and receivables (Note 8)	**637,388**	**322,245**
Loans and advances to credit institutions	499,178	163,927
Loans and advances to other debtors	136,926	156,616
Other financial assets	1,284	1,702
Investments (Note 10)	**4,043**	**4,043**
Tangible Assets (Note 11)	**33,980**	**34,387**
For own use	19,637	16,915
Investment property	14,343	17,472
Tax Assets (Note 12)	**487**	**374**
Current	425	374
Deferred	62	-
Other Assets (Note 13)	**1,060**	**940**
TOTAL ASSETS	**679,442**	**363,014**
OFF BALANCE SHEET ITEMS (Note 19)		
Contingent Exposures	**197,985**	**151,588**
Irrevocable documentary credits	104,153	74,078
Other bank guarantees and indemnities	93,832	77,510
Contingent Commitments	**60,200**	**51,743**
Drawable by third parties	60,200	51,743

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEET FOR THE YEARS ENDED DECEMBER 31st, 2013 AND 2012
(EXPRESSED IN THOUSAND OF EURO)

LIABILITIES	2013	2012
Financial liabilities at amortized cost (Note 14)	**353,563**	**156,989**
Deposits from credit institutions	304,753	142,680
Deposits from other creditors	48,228	13,873
Other financial liabilities	582	436
Provisions (Note 15)	**6,655**	**765**
Provisions for taxes and other legal contingencies	56	56
Provisions for contingent exposure and commitments	2,164	693
Other provisions	4,435	16
Tax Liabilities (Note 12)	**261**	**255**
Current	261	255
Other Liabilities (Note 13)	**1,817**	**2,060**
TOTAL LIABILITIES	**362,296**	**160,069**
SHAREHOLDERS EQUITY		
Total Equity (Note 16)	**317,146**	**202,945**
Capital (Note 17)	292,918	292,918
Reserves (Note 18)	(89,973)	(97,503)
Profit or (loss) for the period	114,201	7,530
TOTAL SHAREHOLDERS EQUITY	**317,146**	**202,945**
TOTAL LIABILITIES AND EQUITY	**679,442**	**363,014**

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31st, 2013 AND 2012
(EXPRESSED IN THOUSAND OF EURO)

	2013	2012
Interest and similar income (Note 21)	6,600	4,443
Interest expenses and similar charges (Note 22)	(533)	(388)
A) NET INTEREST INCOME	**6,067**	**4,055**
Fees and commissions income (Note 23)	5,932	6,368
Fees and commissions expenses (Note 24)	(254)	(378)
Gains and losses on financial assets and liabilities (Net)	-	-
Exchange differences (Net)	234	(15)
Other operating income (Note 25)	1,752	1,340
Other operating expenses (Note 3.11)	(36)	(53)
B) GROSS MARGIN	**13,695**	**11,317**
Administrative Expenses	(9,476)	(8,270)
Personnel expenses (Note 26)	(6,204)	(5,566)
Other administrative expenses (Note 27)	(3,272)	(2,704)
Depreciation and amortization (Note 29)	(378)	(388)
Provisions expenses (Net) (Note 15)	(5,713)	1,230
Impairment losses (Net) (Note 30)	116,118	2,603
Loans and receivables	116,118	2,603
C) OPERATING INCOME	**114,246**	**6,492**
Other gains / (Losses) in the disposal of assets non classified as Non-current assets held for sale (Note 31)	(45)	1,038
D) PROFIT OR (LOSS) BEFORE TAXES	**114,201**	**7,530**
Income Tax (Note 20)	-	-
E) PROFIT OR (LOSS) FROM ORDINARY ACTIVITY	**114,201**	**7,530**
F) PROFIT OR (LOSS) FOR THE PERIOD	**114,201**	**7,530**

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED ON DECEMBER 31st, 2013 AND 2012

(EXPRESSED IN THOUSAND OF EURO)

a) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	2013	2012
Profit or (loss) for the period	**114,201**	**7,530**
Profit or (loss) published	114,201	7,530
TOTAL RECOGNIZED INCOME AND EXPENSE	**114,201**	**7,530**

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

b) CHANGES IN EQUITY IN THE PERIOD

(EXPRESSED IN THOUSAND OF EURO)

	EQUITY							VALUATION ADJUSTMENTS	TOTAL EQUITY
	Issued capital	Share premium	Accumulated Reserves (losses)	Other equity instruments	Less: Own shares	Profit / Loss of the period	Less: dividends payments		
1.Balance Sheet as of 31/12/12	**292,918**		**(97,503)**			**7,530**			**202,945**
a) Adjustments due to accounting policy change									
b) Error adjustments									
2. Adjusted balance sheet (1+a+b)	**292,918**		**(97,503)**			**7,530**			**202,945**
3. Total recognized income and expense						**114,201**			**114,201**
4.Other changes in equity (c+d+e)			**7,530**			**(7,530)**			**-**
c) Increase/ (decrease) of capital									-
d) Transfers between items (Note 16)			7,530			(7,530)			-
e) Issuance (reduction) of equity instruments									-
5. Balance Sheet as of 31/12/13 (2+3+4)	**292,918**		**(89,973)**			**114,201**			**317,146**

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.In the event of a discrepancy, the Spanish-language version prevails.

	EQUITY							VALUATION ADJUSTMENTS	TOTAL EQUITY
	Issued capital	Share premium	Accumulated Reserves (losses)	Other equity instruments	Less: Own shares	Profit / Loss of the period	Less: dividends payments		
1.Balance Sheet as of 31/12/11	**300,001**		**(109,381)**			**4,795**			**195,415**
a) Adjustments due to accounting policy change									
b) Error adjustments									
2. Adjusted balance sheet (1+a+b)	**300,001**		**(109,381)**			**4,795**			**195,415**
3. Total recognized income and expense						**7,530**			**7,530**
4.Other changes in equity (c+d+e)	**(7,083)**		**11,878**			**(4,795)**			**-**
c) Decrease of capital (Note 17)	(7,083)		7,083						-
d) Transfers between items (Note 16)			4,795			(4,795)			-
e) Issuance (reduction) of equity instruments									-
5. Balance Sheet as of 31/12/12 (2+3+4)	**292,918**		**(97,503)**			**7,530**			**202,945**

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.In the event of a discrepancy, the Spanish-language version prevails.

CASH-FLOW STATEMENT FOR THE YEARS ENDED ON DECEMBER 31st, 2013 AND 2012
(EXPRESSED IN THOUSAND OF EURO)

	2013	2012
A) CASH-FLOW FROM OPERATING ACTIVITIES	**1,198**	**(134)**
Profit or (loss) for the period	**114,201**	**7,530**
Adjustments:	7,020	(241)
Amortization of tangible assets	378	388
Impairment losses	917	634
Provisioning expense (net)	5,713	(1,230)
Other adjustments	12	(33)
Adjusted Profit or loss	**121,221**	**7,289**
Net increase or (decrease) in operating assets	**315,694**	**218,386**
Loans and receivables	315,878	218,395
Other operating assets	(184)	(9)
Net increase or (decrease) in operating liabilities	**195,671**	**(225,809)**
Financial liabilities at amortized cost	196,428	(224,589)
Other operating liabilities	(757)	(1,220)
B) CASH-FLOW FROM INVESTING ACTIVITIES	**27**	**(25)**
Investments – Tangible assets	(31)	(25)
Sales – Tangible assets	58	-
C) CASH-FLOW FROM FINANCING ACTIVITIES		
Issuance/Redemption of equity or endowment fund	-	-
Other items related with financing activities	-	-
D) EFFECT OF THE EXCHANGE RATE FLUCTUATIONS	**234**	**(15)**
E) NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**1,459**	**(174)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,025**	**1,199**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,484**	**1,025**

These financial statements and the accompanying Notes 1 to 33 are an integral part of the Annual Accounts as of December 31st, 2013. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, Circular 6/2008 and Circular 5/2011, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION

Aresbank, S.A. (hereinafter, "Aresbank" or the "Bank") was established by public deed dated April 1st, 1975. The Bank is registered in the Mercantile Registry of Madrid, on page nº 28,537, sheet 18, 1st inscription of General Companies Volume 3,740. Since April 2nd, 1975, Aresbank is registered at the Bank of Spain's Special Registry for Banks and Bankers under number 0136. Its fiscal identity number is A28386191.

Aresbank is a joint stock company. Its corporate purpose per Article 3 of its bylaws is as follows:

"The main object of the Bank is to contribute to the development of the economic cooperation between the Arab countries and Spain by financing foreign trade and promoting investment and attracting funds from Arab and International Financial Markets.

Notwithstanding the above mentioned, the corporate object of the Bank consists of all activities relating to banking operations allowed by the Spanish legislation and not forbidden to banking entities except the reception of funds from individuals which will be limited to those who are involved in foreign trade transactions with the Bank.

The activities included in the company's object may be carried out by the company wholly or partly indirectly, by means of holding shares or interests in companies having identical or similar purpose. "

The share capital of Aresbank, S.A. as of December 31st, 2013 amounts to Euro 292,917,604.00 and it is formed of 104,167 registered shares with a nominal value of Euro 2,812.00 each.

The Bank's registered address is Paseo de la Castellana 257, Madrid, where its Head Office is located.

The Bank is part of a Group of companies headed by Libyan Foreign Bank with head offices in Dat El Imad, Administrative Complex - Tower II - Tripoli – Libya.

2. GENERAL OBJECTIVES

The Bank's general objectives can be summarized as follows:

- To increase the economic cooperation between Spain and the Arab countries by financing foreign trade and other investments and trying to increase its resources through the fundraising of deposits from Arab and international financial markets.
- To identify and evaluate investment opportunities and new projects.
- To offer Spanish technical experience and know-how for the implementation of economic and industrial projects in the Arab world.

- To cooperate with Spanish Banks and other institutions channelling financial resources coming from international or Arab monetary markets.
- To strengthen relations and cooperation between Arab and Spanish businesses.

3. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

3.1 Basis of presentation

The accompanying financial statements of the year 2013 were prepared from the accounting records of the Bank in conformity with the accounting criteria of the Circular 4/2004 and its subsequent amendments, issued by the Bank of Spain, and in accordance with the Commercial Law, Royal Decree 1/2010, of July 2nd, and other Spanish regulation applicable, and accordingly give a true and fair view of the Bank net worth and financial position as at December 31st, 2013 and of the results of its operations and of the cash flows for the years then ended.

The information in these Annual Accounts is the responsibility of the Directors of Aresbank.

The Annual Accounts of the year 2013 have been formulated by the Board of Directors of the Bank in the meeting held on March 26, 2014 and they will be presented to the General Shareholders' Assembly for approval, which is expected to adopt them without any significant changes.

Except as otherwise indicated, these Annual Accounts are presented in Thousand Euro.

3.2 Accounting principles

The Bank's Annual Accounts were prepared on the basis of the accounting criteria established by the Bank of Spain in its Circular 4/2004 and its amendments, as set forth in Note 5.

3.3 Comparison of information

For comparative purposes, the Governing Board of the Entity presents, for each of the captions detailed in the accompanying annual accounts, both the figures for 2013 and those corresponding to the previous year.

3.4 Accounting estimates and errors

The information included in the accompanying annual accounts is as mentioned, the responsibility of the directors of Aresbank. In these annual accounts strictly where appropriate the use of estimates in valuing certain assets, liabilities, incomes, expenses and commitments has been made by the senior management of the Bank and ratified by the Directors. These estimates are related to:

- The losses for impairment of certain assets.
- The useful life adopted for tangible and intangible assets.

These estimates were made in accordance with the best available information about the items concerned and it is possible that future events may make it necessary to modify them in some ways in the forthcoming years. Any such modification will in any case be made prospectively recognising the effects of that change on the related profit and loss account.

In these annual accounts there have been no corrections of errors or changes in accounting estimates.

3.5 Changes in accounting principles

There have not been changes in accounting principles applied by the Bank during 2013.

3.6 External Auditors

The Annual Accounts of Aresbank, S.A. as of December 31st, 2013 and 2012 have been audited by Ernst & Young, S.L.

In accordance with the additional provision 14th of the "Ley *44/2002 de Medidas de Reforma del Sistema Financiero*" (Spanish law on amendment measures on the financial market), dated November 22nd, their fees for auditing the Annual Accounts of the year 2013 amounted to 50 Thousand Euro (50 Thousand Euro in 2012). The fees for other services rendered by the audit firm required by the Spanish regulator amounted to 2 Thousand Euro in 2013.

3.7 Risk control

According to the European Commission recommendations on the publication of information regarding financial instruments (risk management), Aresbank has included in the Directors' Report and Risk report the most significant data.

3.8 Environmental information

The overall operations of Aresbank are subject to environmental protection legislation. The Bank has adopted appropriate measures with respect to environmental protection and enhancement and to the minimization, where appropriate, of the environment impact, in compliance with the relevant current regulations. The Bank did not make environmental investments in 2013 and 2012, nor did it consider it necessary to record any provision for environmental risks and charges, and does not consider that there are significant contingencies relating to environmental protection and enhancement.

3.9 Customer Services Unit activity

Ministry of Economy Order 734/2004 of March 11th, laid down the obligation for the Customer Services Departments to prepare a report on the conduct of their functions during the preceding year.

In accordance with this legal requirement, the department in charge of the Customer Services prepared the report on its activities in 2013, which was submitted to the Bank's Board of Directors at its meeting held on February 19, 2014.

This report stated that the Customer Services Department of Aresbank, S.A. had not received any claim during 2013, neither during 2012.

3.10 Solvency

Spanish regulations

During 2008 fiscal year, it was approved and entered into force Circular 3/2008 on determination and control of the minimum own funds ("Circular 3/2008"), under the law 36/2007 of November 16, which modified the law 13/1985, of May 25, on investment ratios, own funds and reporting requirements for financial intermediaries. The above mentioned Circular 3/2008 adapts the Spanish legislation to the solvency Directives derived from Basel II.

Since it was issued, Circular 3/2008 has undergone different modifications to adapt it to the changes in the European regulation in terms of solvency. The last of these changes includes modifications introduced by Circular 4/2011 of Bank of Spain, which transposes the Directive 2010/76/EU on capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.

Additionally, on November 30, 2012, Bank of Spain issued the Circular 7/2012 on the minimum requirements of principal, which entry into force on January 1, 2013, and mean a change in the capital requirement (9%), in the computable elements and in the applicable deductions in accordance with the definition of Core Tier I used by the European banking authority (EBA) in accordance with the recommendation EBA/REC/2011/1.

On June 26, 2013, the European Parliament and the Council of the European Union approved Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms, and the Directive 2013/36/EU of access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. The entry into force of these regulations, will result in the repeal of all current regulation of Bank of Spain regarding own funds (Circular 3/2008 and Circular 7/2012) that are incompatible with the new regulation and it will involve the implementation of Basel III with a gradual timetable to achieve its full implementation scheduled for January 1, 2019.

Regulation Nº575/2013 enters into force on January 1, 2014 and it is applicable directly and immediately to the European financial institutions, although certain regulatory options must be set by the national supervisor. In this sense, the Bank of Spain will set the options and the scope that the Spanish credit institutions will have to comply, in

relation to the alternatives that the regulation attributes to Bank of Spain, highlighting especially those relating to the application of the transitional implementation schedule.

The Directive 2013/36/EU has been added to the Spanish Law through the publication of the Royal Decree-Law 14/2013, of November 29, on urgent measures for the adaptation of the Spanish law to the rules of the European Union in the field of supervision and solvency of financial institutions. In addition, the Royal Decree incorporates a transitional provision in order to attenuate the effects of the repeal of the requirement of core capital (Circular 7/2012) in such way that, until December 31, 2014, the Bank of Spain may prevent or restrict any distribution of elements of tier 1 capital that would have been eligible to meet the requirements of core capital, when these distributions throughout the year 2014 exceed, in absolute terms, the excess of core capital with respect to the minimum legally required as of December 31, 2013.

Among other aspects, the Regulation No. 575/2013 includes:

- Definition of the elements of computable own funds and minimum requirements. Three levels of own funds are set: ordinary capital of level 1, with a minimum capital ratio required of 4.5%, tier 1 capital, with a minimum ratio of required capital of 6% and capital of level 2 with a minimum ratio of required capital of 8%.
- Definition of prudential filters and deductions of elements in each of the levels of capital. In this regard, the regulation incorporates new deductions with respect to Basel II (net tax assets, pension funds...) and modifies existing deductions. However it establishes a gradual timetable for their full implementation between 5 and 10 years.
- Limitation on the computation of minority interests.
- Requirement that financial institutions calculate a leverage ratio, defined as the capital of level I of the entity divided by the total exposure.

Likewise, 2013/36/EU directive set a new buffets of additional capital, which are in part common to all European financial institutions and in part set by the supervisor for each entity individually. The non fulfillment of such capital buffets imposes limitations on discretionary distributions of results.

As of December 31, 2013, the entity complies with the minimum regulatory capital set in the Regulation No. 575/2013 for the year 2014.

The computable own funds of the entity as of December 31, 2013 and 2012 are as follows:

	Thousand €	
	2013	2012
Computable Capital	**292,918**	**292,918**
Paid-in capital	292,918	292,918
Own shares	-	-
Share premium	-	-
Computable reserves	**24,228**	**-89,973**
Reserves	24,228	-89,973
Computable valuation adjustments as original own funds	-	-
Deductions from own funds	**-**	**-**
Other deductions of the original own funds in accordance with national legislation	-	-
Intangible assets	-	-
Original own funds	**317,146**	**202,945**
Second category own funds	**1,898**	**1,668**
Deductions from second category own funds	**-**	**-**
Total own funds for solvency	**319,044**	**202,945**
Own funds requirements	**35,945**	**22,765**
Credit risk, counterparty, and dilution (standardised approach)	33,369	21,058
Price and Exchange rate risk	708	-
Operational risk	1,868	1,707
Transitory and other own funds requirements	**-**	**-**
Total requirements	**35,945**	**22,765**
Superávit of own funds	**283,099**	**181,848**

3.11 Deposit Guarantee Fund

The Bank is integrated in the Deposit Guarantee Fund. The contributions made by the entity in 2013 and 2012 to this Fund amount to 36 Thousand Euro and 53 Thousand Euro, respectively, which have been booked in the caption "Other operating expenses – Deposit Guarantee Fund contributions" in the Income Statement enclosed. The Decree-law 21/2012 of July 13 set an extraordinary contribution of 3 ‰ of the deposits of the entity as of December 31, 2012. According with this Decree-law, the first tranche (8 Thousand Euro) is included in this caption. The payment was done on January 2014.

3.12 Subsequent Events to December 31, 2013

The Annual Accounts of the year 2013 have been formulated by the Aresbank's Board of Directors in the meeting held on March 26, 2014. Likewise, they will propose to the Shareholders' assembly a capital increase for an amount of 7,083 Thousand Euro, as well as a dividend's distribution for an amount of 1,145 Thousand Euro (Note4).

Except the above mentioned, since the end of 2013 until the date of the formulation of these Annual Accounts by the Board of Directors, there is no other significant event that has taken place or that has to be mentioned.

4. PROFIT / LOSS DISTRIBUTION

The proposed distribution of 2013 result and the one previously approved for 2012 are as follows:

	2013	2012
Net profit / (loss) of the Year	**114,201**	**7,530**
Distribution		
• Reserves: Compensation of losses of previous years	89,973	7,530
• Legal Reserves	11,420	-
• Capital increase (Note 3.12)	7,083	-
• Dividend's distribution (Note 3.12)	1,145	-
• Retained earnings	4,580	-

5. ACCOUNTING PRINCIPLES AND VALUATION METHODS APPLIED

The significant accounting principles and standards and valuation methods applied in preparing the accompanying Annual Accounts are described below. These principles are aligned with those set forth in the Bank of Spain Circular 4/2004 and its subsequent amendments.

5.1 Going concern principle

The Annual Accounts have been formulated considering that Aresbank will continue to operate for a limitless period. Consequently the application of accounting standards is not intended to determine the value of the net worth in the event of liquidation.

5.2 Accrual basis of accounting

Interest income and expenses are recognized on accrual basis using the effective interest rate method. In accordance with standard banking practices, transactions are recorded on the date they take place, which may differ from their value date, which is the basis for computing interest income and expenses. However, following the Bank of Spain regulations, accrued interests related to doubtful debts, including those from country risk transactions, are recorded as income when collected.

All debts instruments individually classified as impaired, as well as, those for they had calculated collectively impairment losses due to be older than three months, have interrupted their interest accrual.

Income from financial commissions related to the opening of documentary credits or granting of loans that do not correspond to expenses directly incurred in the execution of the transactions are apportioned over the life of the transaction, as another component of the effective profitability of the documentary credit or loan.

Income from dividend is recognized when the shareholder's right to receive the payment is established.

5.3 Financial Assets

Financial Assets are classified in the Balance Sheet with the following criteria:

a) Cash and Balances with Central Banks relating to the Cash balances and the balances held at the Bank of Spain and other Central Banks (Note 7).

b) Loans and Receivables, which includes financial assets that are not traded in an active market and are not required to be valued at fair value, which cash flows are of a determined or determinable amount, and in which all the disbursement made by the entity will be recovered, absent reasons imputable to the debtor's solvency. This category includes both the lending arising from the typical credit activity and the amounts of cash drawn and pending repayment by the customers as loans or the deposits placed with other companies, however legally instrumented, financial guarantees, unlisted debt securities, and the debts of purchasers of goods or users of services that form part of the Bank's business (Note 8).

c) Held-to-maturity investments, which includes debt securities with fixed maturity and cash flow of determined amount that the entity has decided to hold until redemption, basically because it has the financial capability to do so or has related financing.

d) Non-current assets held for sale, corresponding to the book value of those items, whether individually or integrated in a disposal group or being part of a group of units that will be disposed of together (discontinued operations), whose sale is highly probable, given the current conditions of these assets, within one year from the reporting date of the Annual Accounts. Moreover, investments in jointly controlled entities and associates will be considered as "Non-current assets held for sale" when they meet the requirements above mentioned. Therefore, the recovery of the book value of these items will foreseeably occur through the price obtained in disposal of them (Note 9).

Financial assets are generally initially recorded at cost. Subsequent valuations at each accounting close are made as follows:

i) Financial assets are valued at fair value, except for Loans and Receivables, the Held-to-maturity Investments portfolio, Equity Instruments whose fair value cannot be reliably determined, Investments in Associates, Jointly Controlled

Entities, Group Entities and the financial derivatives whose underlying asset are such equity instrument and are settled by delivery thereof.

ii) Loans and Receivables and Held-to-maturity Investments portfolio are valued at their amortized cost, using for determining this cost the effective interest rate method. Amortized cost is the cost of acquisition of a financial asset adjusted by the repayments of principal and the portion allocated to the income statement, using the effective interest method, of the difference between the initial cost and the related repayment value at maturity, minus any reduction of value for impairment directly recognized as a decrease in the amount of the asset or through a value adjustment account.

iii) The investments in the capital of other entities, whose fair value cannot be determined with sufficient objectivity, are maintained at their cost, adjusted, if appropriate, by the losses for impairment that may have occurred.

The variations in the book value of financial assets are generally recorded with a contra-item in the Income Statement, separating those arising from the accrual of interest and similar items which are recorded under the "Interest and similar income" caption, from those arising for other causes, which are recorded at the net amount in the "Gains and Losses of Financial Assets and Liabilities" caption in the Income Statement.

However, the variations in the book value of the items included under the "Non-Current Assets held for sale" caption that met certain conditions are recorded with a contra-item under the "Equity Valuation Adjustments" caption. Impairment losses are recognized in the Income Statement as well as any subsequent increase in value up to the amount of any impairment losses previously recognized.

5.4 Non-current assets held for sale

Property assets or other non-current foreclosed assets by the Bank in full or partial fulfilment of the payment obligations of its debtors will be considered "Non-current assets held for sale", except those that the Bank decides to hold for continuing use.

"Non-current assets held for sale" are generally measured at the lower of their fair value less the costs of their sale and their book value calculated at the date of their classification as held for sale. "Non-current assets held for sale" shall not be depreciated or amortized during the time they remain in this category (Note 9).

5.5 Financial Liabilities

Financial Liabilities are recognized in the Balance Sheet as "Financial Liabilities at Amortized Cost". These financial liabilities are not included in any of the other captions of the Balance Sheet, which relate to typical fund-raising activities, regardless of how instrumented and of their maturity (Note 14).

5.6 Impairment of value of financial assets

The book value of financial assets is adjusted with a charge to the Income Statement when there is objective evidence that a loss has arisen by impairment, which occurs:

i) In case of debt instruments (credit and securities representing debt), if after their initial recognition an event occurs or the combined effect arises of several events with a negative impact on their future cash flows.

ii) In case of equity instruments, if after their initial recognition an event occurs or the combined effect arises of several events signifying that it will not be possible to recover their book value.

As a general rule, the adjustment of the book value of financial instruments for impairment is charged to the Income Statement of the period in which such impairment is disclosed, and the recovery of the previously recorded losses for impairment, if it arises, is recognized in the Income Statement of the period in which the impairment is eliminated or reduced. If the recovery of any recorded amount for impairment is considered remote, it is eliminated from the Balance Sheet. Nonetheless the entity may take the necessary action to attempt to achieve collection until the statute of limitations of its rights has definitively expired, they are forgiven or for other reasons.

In the case of debt instruments valued at amortized cost, the amount of the losses incurred for impairment is equal to the negative difference between their book value and the present value of their estimated future cash flows. In the case of listed debt instruments, instead of the present value of future cash flows, their market value is used, provided that it is sufficiently reliable to be considered representative of the value, which the entity might recover.

The estimated cash flows of a debt instrument are all the amounts of principal and interest that the entity estimates it will obtain during the life of the instrument. Consideration is given in this estimate to all relevant information available at the date of preparation of the Annual Accounts, which provides data about the possibility of future collection of the contractual cash flows. Also, in estimating the future cash flows of secured instruments, regarding the flows that would be obtained from realization thereof, less the amount of the cost necessary to obtain and subsequently sell them, regardless of the probability of execution of the guarantee.

In calculating the present value of the estimated future cash flows, the discount rate used is the original effective interest rate of the instrument, if the contractual rate is fixed. If the contractual rate is floating, the discount rate used is the effective interest rate at the date of the financial statements determined in accordance with the contract conditions.

The portfolios of debt instruments, contingent exposures and contingent commitments, regardless of by whom they are owned, of how instrumented or how guaranteed, are analysed to determine the Bank's credit risk exposure and to estimate the coverage requirement for impairment of value. For preparation of the financial statements, the entity classifies its operations based on its credit risk, analyzing separately the risk of insolvency attributable to the customer and the country risk, if any, to which the operations are exposed.

Objective evidence of impairment is individually determined for all significant debt instruments and individually or collectively for groups of debts instruments, which are not individually significant. If a specific instrument cannot be included in any group of assets with similar risk characteristics, it is analysed exclusively on an individual basis in order to determine whether it is impaired and, if appropriate, to estimate the loss for impairment.

The collective evaluation of a group of financial assets to estimate their losses for impairment is performed as follows:

i) Debt instruments are included in groups which have similar credit risk characteristics, indicating the capability of the debtors to pay all the amounts of principal and interest in accordance with the contract conditions. The credit risk characteristics considered for grouping the assets include the type of instrument, the debtor's activity sector, the geographical area of the activity, the type of guarantee, the age of the past due amounts and any other relevant factor for estimating the future cash flows.

ii) The future cash flows of each group of debt instruments are estimated on the basis of past experience of losses in the sector as calculated by the Bank of Spain for instruments with credit risk characteristics similar to those of the group concerned, after making the necessary adjustments to adapt the historical data to current market conditions.

iii) The loss for impairment of each group is the difference between the book value of all the debt instruments in the group and the present value of their estimated future cash flows.

Debt instruments not valued at fair value through profit or loss, contingent exposures and contingent commitments are classified on the basis of the risk of insolvency attributable to the customer or to the transaction in the following categories: standard risk, substandard risk, doubtful risk due to customer arrears, doubtful risk for reasons other than customer arrears and write-off risk. In the case of debt instruments not classified as standard risk, an estimate is made, based on the experience of the entity and of the sector, of the specific coverage required for impairment, taking into account the age of the unpaid amounts, the guarantees provided and the economic situation of the customer and, if appropriate, of the guarantors. This estimate is generally based on arrears schedules based, in turn, on the experience of the entity and the information it has of the sector.

Similarly, debt instruments not valued at fair value through profit or loss and contingent exposures, regardless of who the customer may be, are analysed to determine their credit risk attributable to country risk. Country risk is deemed to arise with customer resident in a given country because of circumstances other than habitual commercial risk.

Bank of Spain Circular 4/2004 and Circular 6/2008 bring in the obligation to make a provision for inherent losses incurred, determined individually or collectively, that are those held by all the risk transactions assumed by the entity since the moment it grants

the risk. It also sets forth maximum and minimum limits that shall be, at all times, between 10% and 125%, and a mechanism for the annual allowance of this provision that provide the risk variation in the year, and the specific allocations taken during the year for specific doubtful risks.

5.7 Transactions and balances in foreign currency

The Bank's functional currency is the Euro and, therefore, all balances and transactions denominated in currencies other than the Euro are deemed to be denominated in foreign currency.
Monetary assets and liabilities denominated in foreign currency are translated into Euro at the year-end average spot exchange rate on the date of the financial statements, as published by the European Central Bank. The exchange differences arising in the translation are recorded, generally, for their net amount in the caption "Exchange Differences" of the Income Statement.

The counter value in Euro of the assets and liabilities denominated in foreign currency (US dollars mainly) as of December 31st, 2013 amounts, respectively, to 254,943 and 241,974 Thousand Euro (68,223 and 62,809 Thousand Euro, respectively, as of December 31st, 2012).

5.8 Tangible assets

"Tangible Assets for Own Use" are the property items of which the entity considers it will make ongoing use of, and the property items acquired for finance lease purposes. These assets are valued at cost minus accumulated depreciation and, if appropriate, minus any loss for impairment disclosed by comparing the net value of each item with its recoverable amount.

Depreciation is calculated systematically by the straight-line method, applying the years of estimated useful life of the items to the acquisition cost of the assets minus their residual value. In the case of the land on which the buildings and other structures are located, the land is deemed to have an indefinite life and therefore, it is not depreciated. The annual provisions for depreciation of tangible assets are charged to the Income Statement and are calculated on the basis of the following averaged years of estimated useful life of the various groups of items.

All assets are depreciated according to the Royal Decree 537/1997 of April 14th. The annual depreciation coefficients used are the following:

	Coefficient
Property	2%
Furniture and installations	8% to 12%
Office and EDP equipment	12% to 25%

The cost of upkeep and maintenance of the "Tangible Assets for Own Use" are recognized as an expense of the period in which they are incurred.

The investment property included in the caption "Tangible Assets" comprises the net values of the land, buildings and other structures which the Bank holds for rental or for obtaining a capital gain on their sale as a result of future increases in their respective market prices.

The methods applied by the Bank to recognize the cost of assets assigned in operating lease transactions, to determine their depreciation and to estimate their respective useful lives and to record their losses for impairment, are the same as those described for "Tangible Assets for Own Use".

5.9 Leases

Lease contracts are presented on the bases of the economic substance of the transaction regardless of their legal form and are classified from the outset as finance or operating leases. The Bank has not carried out any financial lease agreement as of December 31st, 2013 or 2012.

In the operating leases contracts, when the Bank is the lessor, the acquisition cost of the assets leased is recorded under the "Tangible Assets" caption. These assets are depreciated in accordance with the policies applied for similar tangible assets. Income from lease contracts is recognized in the Income Statement using a straight-line method. On the other hand, when the Bank is the lessee, the lease expenses, including incentives, if any, granted by the lessor, are recorded on a straight-line basis in the Income Statement.

5.10 Contingent Assets

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by the occurrence or non-occurrence of events beyond the control of the Bank.

Contingent assets are not recognized in the Balance Sheet or in the Income Statement. The Bank informs of their existence provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

5.11 Provisions and contingent liabilities

Provisions are present obligations of the entity arising from past events whose nature at the balance sheet date is clearly specified but whose amount or settlement date is uncertain and that the entity expects to settle on maturity through an outflow of resources embodying economic benefits.

The entity recognises in the Balance Sheet all the significant provisions when it forecasts that it is more likely that the obligation might have to be settled.

Provisions are measured taking into account the best available information on the consequences of the event that gives rise to the obligation, and are reviewed at each closing date and adjusted in the Balance Sheet. They are used to meet the specific obligation for which they were originally recognized, and are fully or partially released when these obligations cease to exist or decrease.

Provisions are classified according to the obligations covered (Note 15).

As of December 31st, 2013 and 2012, there were several legal proceedings and claims brought against the entity arising from the habitual performance of its activities. The legal advisors and the Directors of the Bank consider that the outcome of these legal proceedings and claims will not have any significant negative effect additional to that included as a provision in the annual accounts of the years in which they are concluded.

Contingent liabilities are possible obligations of the entity that arise as a result of past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They include the present obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Information regarding the aforementioned contingent liabilities, if any, is disclosed in the Notes to the Financial Statements.

5.12 Pension commitments

As of December 31st, 2013 and 2012, Aresbank's pension commitments with the serving employees were externalised by means of defined contribution pension plan and an insurance contract with Allianz Seguros.

These pension fund commitments cover the rights derived from:

a) The Collective Agreement.

b) The agreements approved by the Board of Directors in 1991 for the Management and certain employees, extending the latter agreement to all of the employees, without exception, by means of an agreement approved by the Board of Directors on October 18th, 2002.

As a result of these operations, Aresbank has no actuarial or financial risk by reason of the mentioned commitments.

The total amount contributed in 2013 amounted to 181 Thousand Euro. In 2012, it amounted to 210 Thousand Euro (Note 26).

Aresbank's outstanding balance related to the employees' contributions with the pension fund management company (BanSabadell Pensiones) amounts to a total of 3,268 Thousand Euro as of December 2013 and 2,876 Thousand Euro as of December 2012.

5.13 Income tax

The Bank recognises as expenses the Income Tax that is calculated based on the annual results, taking into account possible timing differences between book profit and taxable income, as well as applicable deductions. The difference between corporate tax

payable and the amount actually charged to the Income statement due to timing differences is recorded as either deferred tax assets or liabilities.

The Rule 42 of the Circular 4/2004 establishes that the quantification of the assets and liabilities for deferred taxes is done by applying the tax rate that it is expected to be recovered or settled to the timing differences or tax credit. As of December 31st, 2013 and 2012, the entity has deferred tax assets (Note 12).

In accordance with the prudent criteria, the Bank has not recognized any tax assets derived from the negative taxable bases pending to be offset for the years ending December 31st, 2013 and 2012 (Note 20).

5.14 Severance payments

In accordance with the Labour Laws in force, the entities must pay an indemnity to those employees that under certain circumstances must be laid-off. These indemnities will be charged against results as soon as there is a plan that obliges to carry out their payment.

5.15 Financial Guarantees

Financial guarantees are contracts whereby the Bank undertakes to pay certain specific amounts to a third party if the obligor does not do so, regardless of their legal form, which may include, inter alia, that of a bond, guarantee, irrevocable documentary credit issued or confirmed.

5.16 Off- Balance Sheet items

Off-balance sheet items shall include balances representing rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances needed to reflect all transactions entered into by entities although they may not impinge on their net assets.

The category **"Contingent Exposures"** shall include all transactions under which the entity guarantees the obligations of a third party and which result from financial guarantees granted by the entity or from other types of contract. This category comprises:

a) "Other financial guarantees" not included as Financial Bank guarantees, credit derivatives sold or risk arising from derivatives acquired on behalf of third parties.

b) Irrevocable documentary credits: include the amount of the risk derived from irrevocable commitments to make payment upon delivery of documents. They shall be recorded at the maximum amount that at the balance sheet date the entity would have committed to third parties.

c) Other bank guarantees and indemnities provided: guarantee contracts and deposits were the entity is committed to compensate to a beneficiary in case of non compliance of a specific commitment other than the obligation of payment (such as deposits given to ensure the participation in actions, tenders, irrevocable formal undertakings to provide bank guarantees, letters of guarantee to the extent that they may be legally enforceable and any other type of technical guarantees and import/export guarantees).

d) Other contingent exposures: This shall include the amount of any contingent exposures not included in other items.

The maximum guaranteed amount for the transactions with accrual interest shall include, in addition to the guaranteed principal, the interest due and payable. The guaranteed amounts may only be reduced or removed from off-balance sheet items when there is duly documented evidence that the guaranteed exposures have decreased or ceased or when those amounts are paid to third parties.

The category "**Contingent Commitments**" shall include those irrevocable commitments that could give rise to the recognition of financial assets. This category comprises:

i) Drawable by third parties: balances drawable by third parties at the balance sheet date, within the limit or principal of the credit contracts granted by the entity, whatever their type, distinguishing the amounts immediately drawable by the holder from those that will only be drawable if certain future events occur.

ii) Other contingent commitments: This shall include the amount of any remaining commitments not included in other items that may result in the recognition of financial assets in the future.

5.17 Cash-Flow Statement

The concepts used in the Cash-Flow Statement have the following definitions:

a) Cash-flows that are inflows and outflows of cash and cash equivalents, the latter being defined as highly liquid short-term investments with low risk of alternation in value.

b) Operating activities that are typical activities and other activities that cannot be classified as lending or funding.

c) Investing activities, relating to the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.

d) Financing activities which are activities giving rise to changes in the size and composition of net worth and of liabilities that do not form part of operating activities and long-term financial liabilities.

5.18 Related Parties

The parties related to the Bank include, in addition to its parent company and controlled entities, the Bank's key management personnel (the members of its board of directors and the executive vice presidents, together with their close family members) and the entities over which the key management personnel may exercise significant influence or control.

See Note 32 for the detail of the related party transactions during 2013 and 2012.

Related-party transactions were made on terms equivalent to those that prevail in arm's-length transactions or, when this was not the case, the related compensation in kind was recognised.

5.19 Offsetting balances

It shall be only offset and, therefore, shown in the balance sheet as net debt, the debtor and creditor balances arising for transactions in which contractually, or by legal regulation, allow compensation, and there is an intention to offset them, or to realize the asset and them to settle the liability simultaneously.

6. RISK MANAGEMENT

The following key principles underpin the risk and capital management at Aresbank:

- The Board of Directors provides overall risk and capital management supervision for the Bank.
- The Audit, Risk and Compliance Committee informs the Board of Directors about the outstanding risks and operational performance.
- The ongoing management of risk is supported by control procedures to ensure compliance with the specified limits, the defined responsibilities, and the monitoring of indicators.
- The main goal is the management of the credit, market, liquidity, operational, business and reputational risks as well as the capital in a coordinated manner at all relevant levels within the organization.
- The risk management function is made independent of other departments.

6.1 Credit Risk

The credit risk makes up the largest part of Aresbank's risk exposures. The total credit risk weighted assets under Pillar I, using standard approach, is 417,109 Thousand Euro. Aresbank calculates risk weighted assets as product of the exposure and relevant risk weight determined by its supervisor. Risk weights are determined by the category of the borrower and depend upon external credit assessments by ECAIs (Standard & Poor's, Moody's and Fitch) and also on the type of the banking product.

The Bank currently has a focussed business target market which caters to the trade finance business, primarily between Spain and the Arab world, and interbank market transactions.

The total lending amounted as of December 31st, 2013 to 656,633 Thousand Euro, in comparison with 455,577 Thousand Euro in 2012. The key component of the total lending was "Loans and Advances to Credit Institutions", for an amount of 517,120 Thousand Euro. Contingent exposures increased from the previous year by 30.61% to a total amount of 197,985 Thousand Euro.

(EUR '000)

OVERALL CREDIT RISK EXPOSURE	2013	2012
Total Loans and Receivables (Gross)	656,633	455,576
Contingent exposures	197,985	151,588
Unused portion of credit lines (Drawable by third parties)	60,200	51,743
Total credit risk exposure	**914,818**	**658,907**

RISK CONCENTRATION BY ACTIVITY AND GEOGRAPHICAL AREA

The breakdown corresponding to 2013 is the following:

	Total	Spain	Rest of U.E.	America	Rest of the world
Credit institutions	**605,874**	**144,646**	**160,433**	**245**	**300,550**
Non-financial Corporations and Individuals	**233,870**	**125,490**	**-**	**3,943**	**104,437**
Construction and Real-estate promotion	*51*	*51*	--	--	--
Construction, civil engineering works	*4,577*	*4,577*	--	--	--
Others :					
- Corporate	*214,757*	*111,090*	--	*3,943*	*99,724*
- Small business and individuals	*14,485*	*9,772*	-	--	*4,713*
Other households (other purpose)	**974**	**725**	**--**	**--**	**249**
SUBTOTAL	**840,718**	**270,861**	**160,433**	**4,188**	**405,236**
(-) Impairment adjustments not assigned to specific transactions	**(1,302)**				
TOTAL	**839,416**				

The breakdown corresponding to 2012 is the following:

	Total	Spain	Rest of U.E.	America	Rest of the world
Credit institutions	**256,761**	**116,642**	**7,646**	**1,448**	**131,025**
Non-financial Corporations and Individuals	**221,895**	**112,063**	**1,742**	**4,043**	**104,047**
Construction and Real-estate promotion	*51*	*51*	--	--	--
Construction, civil engineering works	*4,578*	*4,578*	--	--	--
Others :					
- Corporate	*202,972*	*100,230*	--	*4,043*	*98,699*
- Small business and individuals	*14,294*	*7,204*	*1,742*	--	*5,348*
Other households (other purpose)	**644**	**644**	**--**	**--**	**--**
SUBTOTAL	**479,300**	**229,349**	**9,388**	**5,491**	**235,072**
(-) Impairment adjustments not assigned to specific transactions	**(1,424)**				
TOTAL	**477,876**				

6.2 Market Risk

The measurement, control and monitoring of the Aresbank's market risk comprises all operations in which net worth risk is assumed as a result of changes in market factors. This risk arises from changes in the risk factors -interest rates, exchange rates, thereof- and from the liquidity risk.

- **Interest Rate Risk**

Interest rate risk is the possibility that fluctuations in interest rates might have an adverse effect on the value of a financial instrument. Aresbank holds loans and deposits as of December 2013 and 2012. Aresbank does not experience a significant interest rate gap which focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items.

- **Liquidity**

The analysis of the liquidity of the bank as of December 31st, 2013 shows that the Bank has sufficient liquidity to meet its near term liabilities:

Time Buckets	Assets	Liabilities	Gap	Cumulative Gap
Up to 1 Month	335,076	277,327	57,749	57,749
1 Month to 3 Months	115,431	74,986	40,445	98,194
3 Months to 6 Months	10,181	769	9,412	107,606
6 Months to 12 Months	63,119	0	63,119	170,725
1 Year to 5 Years	111,258	171	111,087	281,812
Greater than 5 Years	24,085	0	24,085	305,897

Additionally, Aresbank has provided collaterals for an amount of €50 million to obtain liquidity from the Euro system for an effective value of €40.5 million to cover extraordinary liquidity needs.

Below is the gap analysis as of December 31st, 2012:

Time Buckets	Assets	Liabilities	Gap	Cumulative Gap
Up to 1 Month	201,991	152,129	49,862	49,862
1 Month to 3 Months	10,842	2,737	8,105	57,967
3 Months to 6 Months	7,762	146	7,616	65,583
6 Months to 12 Months	23,235	1,777	21,458	87,041
1 Year to 5 Years	61,314	32	61,282	148,323
Over 5 Years	151,417	0	151,417	299,740

- **Foreign currency risk**

Regarding the foreign currency, the Bank does not have a significant exposure to exchange rate risk because the main activity in this matter is the interbank deposits taken and pledged and those are matched. These activities are monitored dynamically.

6.3 Operational Risk

The operational Risk relates to the risk of loss resulting from inadequate or failed internal processes, human resources or systems or from external events. Unlike other risks, this is generally a risk that is not associated with products or businesses, but is found in processes and/or assets and is generated internally (people, systems, processes) or as a result of external risks, such as natural disasters. For the purpose of calculating regulatory capital for operational risk, Aresbank opts for the basic indicator approach. As a result, the Operational Risk Capital charge, 1,868 Thousand Euro, is based on the average of positive gross income of the previous three years multiplied by 15%.

7. CASH AND BALANCES WITH CENTRAL BANKS

This caption on the Balance Sheet reflects available cash as well as deposits maintained in the Bank of Spain in accordance with the compulsory reserves ratio. The caption breakdown as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Cash	135	140
Bank of Spain - Nostro Account	2,349	885
	2,484	**1,025**

8. LOANS AND RECEIVABLES

The detail of this caption as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Loans and advances to credit institutions (gross)	517,120	295,021
Loans and advances to other debtors	138,229	158,854
Other financial assets	1,284	1,702
	656,633	**455,577**
Impairment adjustments		
Loans and advances to credit institutions	(17,942)	(131,094)
Loans and advances to other debtors	(1,303)	(2,238)
	637,388	**322,245**

The caption "Loan and advances to other debtors" includes at December 31, 2013 and 2012 a loan for an amount of 50€ million as guarantee to obtain liquidity from the Euro system in case it is needed.

The breakdown by currency, residual maturity and sectors of the caption "Loans and Receivables" as of December 31st, 2013and 2012 is as follows:

	2013	2012
By currency		
Euro	384,440	258,011
Other currencies	250,948	64,234
	637,388	**322,245**
By residual maturity		
Up to 3 months	441,413	202,560
Over 3 months to 1 year	61,336	17,031
Over 1 year to 5 years	63,713	6,862
Over 5 years	70,926	95,792
	637,388	**322,245**
By sector		
Residents	193,694	171,627
Non residents	443,694	150,618
	637,388	**322,245**

The detail by nature of "Loans and Advances to Credit Institutions" as of December 31st, 2013 and 2012 is as follows:

	2013	2012
On demand	9,781	1,713
Time deposits	490,964	162,222
Doubtful Assets (see Note 30)	16,294	131,094
Interest accrued	217	64
Purchase premium/discounts	(136)	(72)
	517,120	**295,021**
Impairment Adjustments	(17,942)	(131,094)
	499,178	**163,927**

Aresbank commenced legal proceedings in February 2009 to recover the Money market deposits placed in the three Icelandic Banks, Landsbanki, Glitnir and Kaupthing ("Old Icelandic's Banks"). The ruling of the Icelandic Supreme Court in Aresbank's legal proceedings in Iceland was applied by the Icelandic courts in determining that Money Market Deposits made by financial undertakings constitute "deposits" under Icelandic law and afford creditors such as Aresbank priority status in the winding-up

procedures of the Old Icelandic's Banks, which in principle entitles those creditors to full recovery of their claims. The Supreme Court confirmed this priority position in its decisions in respect of each of the three Old Icelandic's Banks and each of them accordingly confirmed that Aresbank was afforded that priority creditor status. Each of the Old Banks adopted a different payment schedule and approach, as well as using different baskets of currency.

Aresbank has received sums in respect of 100% of the principal amount of its Money Market Deposits with Kaupthing and Glitnir and 54% of the principal amount of its Landsbanki Money Market Deposits (with the remaining 46% recognised as payable but deferred), together with additional sums in each case. Further sums are also in dispute.

The total amount received during 2013 has reached 115,867 Thousand Euro. The accountancy application of such amount has been the cancellation of the provision allocated for an amount of 114,494 Thousand Euro and the allocation of 1,373 Thousand Euro as delay interest income (Note 21).

The breakdown by type of the "Loans and Advances to Other Debtors" as of December 31st, 2013 and 2012, (not considering any impairment adjustment) is as follows:

	2013	2012
By type		
Other term receivables	137,786	159,391
Receivable on demand and other	1,834	136
Doubtful assets	1	973
Commissions	(1,842)	(1,968)
Interest Accrued	450	322
	138,229	**158,854**
Impairment Adjustments	(1,303)	(2,238)
	136,926	**156,616**

The breakdown of "Other financial assets" grouped by financial instrument type is as follows:

	2013	2012
By type		
Our Rental Deposits	168	170
Commissions for financial guarantees	1,067	1,400
Other items	49	132
	1,284	**1,702**

The detail of the Economic Activities of "Loans and Receivables" is as follows:

	2013	2012
Economic Activity		
Financial intermediation	86.74%	75.62%
Trade	-	-
Other sectors with lesser participation	0.09%	0.14%
Metallurgy	0.39%	1.96%
Oil refinery	12.78%	22.28%
	100.00%	**100.00%**

The detail by geographic areas of the above caption in terms of percentage is as follows:

	2013	2012
Geographic Area		
Spain	29.90%	37.74%
European Union	24.34%	-
Other European countries	2.49%	33.05%
Arab countries (Asia)	38.08%	21.50%
Arab countries (Africa)	5.19%	7.70%
Latin American countries	-	0.01%
	100.00%	**100.00%**

The movements in 2013 and 2012 of the balance of "Impairment adjustments" per type of coverage of the caption "Loans and Receivables" are as follows:

	Specific Allowance	**General Allowance**	**Country Allowance**	**Total**
Balance as of 31/12/2011	**131,443**	**1,358**	**390**	**133,191**
Additions (see Note 30)	117	60	422	599
Disposals (see Note 30)	-	(22)	-	(22)
Transfer to write-off	(656)	-	-	(656)
Other	191	28	-	219
Balance as of 31/12/2012	**131,095**	**1,424**	**812**	**133,331**
Additions (see Note 30)	9	91	1,662	1,762
Disposals (see Note 30)	(114,500)	(27)	(812)	(115,339)
Transfer to write-off	(9)	-	-	(9)
Other	(300)	(186)	(14)	(500)
Balance as of 31/12/2013	**16,295**	**1,302**	**1,648**	**19,245**

The caption "Other" as of December 31st 2013 includes 314 Thousand Euro corresponding to adjustments due to exchange rate fluctuations and 191 Thousand Euro in 2012

9. NON-CURRENT ASSETS HELD FOR SALE

The breakdown of this item of the Balance Sheet as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Tangible Assets		
Foreclosed assets	-	58
Impairment adjustments (-)	-	(58)
	-	**58**

The requirement of allocation of provisions of 2012 had no effect on Aresbank's Annual Accounts, as this entity does not have in its balance sheet any financing of real-estate transactions.

10. INVESTMENTS

There have been no movements during 2013 and 2012 of the items included in "Investments" and all of them are related to group entities.

The investments are shown in the following chart, as well as any other information of interest, according to the last available Financial Statements as of December 31st, 2013:

Thousand €					Audited Figures		
Company	**External Auditors**	**Location**	**Business**	**Direct Stoke**	**Initial Cost**	**Profit or (Loss)**	**Net Investment**
Inversiones Hoteleras Los Cabos	Ernst & Young	Panama	Hotel	31.49%	4,421	(4)	3.943
ARESCO	n/a	Madrid	Foreign Trade	100%	100	-	100
							4,043

The detail for year 2012 is as follows:

Thousand €					Audited Figures		
Company	**External Auditors**	**Location**	**Business**	**Direct Stoke**	**Initial Cost**	**Profit or (Loss)**	**Net Investment**
Inversiones Hoteleras Los Cabos	Ernst & Young	Panama	Hotel	31.49%	4,421	(5)	3.943
ARESCO	n/a	Madrid	Foreign Trade	100%	100	-	100
							4,043

The total equity for the "Inversiones Hoteleras Los Cabos" as of December 2013 and December 2012 were US$ 18,167,954 and US$ 18,173,201 respectively. The Bank is currently negotiating the sale of the investment in Inversiones Hoteleras Los Cabos.

INVERSIONES HOTELERAS LOS CABOS, S.A. (IHC) was established in Panama, for an unlimited period, on June 17th 1987. IHC's sole activity is to hold 100% of the shares of Aresol Cabos, S.A. de C.V. which was established in Mexico in 1987. The sole activity of Aresol Cabos is to build and to operate a hotel named Meliá Cabo Real in Baja California, Mexico. The Bank estimates that the recoverable value of the investments is greater than its value in books.

On December 21st, 2009, was established ARES ASSOCIATED COMPANY, S.A. UNIPERSONAL (ARESCO), fully owned by Aresbank, with equity of 100 Thousand Euro and registered address in Paseo de la Castellana 257, Madrid. The company's main objective is to increase the economic cooperation between Spain and the Arab countries. The social objective is the foreign trade of all kind of items, commodities, goods, rights and services, including the "know-how" and transfer of technology between Spain and other countries, specially Arab countries, through all kind of activities related to this object, including consulting or intermediary services as an agent or distributor. ARESCO is still under development to initiate its commercial activity and it had no activity during this year.

11. TANGIBLE ASSETS

a) Movement

The movements of the caption "Tangible Assets" of the Balance Sheets as of December 31st, 2013 and 2012 are as follows:

	For own Use	Investment Property	Total (*)
Cost			
Balance as of January 1st, 2012	**21,420**	**16,324**	**37,744**
Additions	80	-	80
Disposals	(88)	-	(88)
Relocations	(3,009)	3,009	-
Balance as of December 31st, 2012	**18,403**	**19,333**	**37,736**
Additions	31	-	31
Disposals	(132)	-	(132)
Relocations	3,283	(3,283)	-
Balance as of December 31st, 2013	**21,585**	**16,050**	**37,635**

(*) The historical value of the land amounts to 25,749 Thousand Euro

Accumulated Amortization			
Balance as of January 1st, 2012	**(1,485)**	**(1,563)**	**(3,048)**
Allowance	(292)	(96)	(388)
Disposals	88	(1)	87
Relocations	201	(201)	-
Balance as of December 31st, 2012	**(1,488)**	**(1,861)**	**(3,349)**
Allowance (Note 29)	(299)	(79)	(378)
Disposals	72	-	72
Relocations	(233)	233	-
Balance as of December 31st, 2013	**(1,948)**	**(1,707)**	**(3,655)**
Net Tangible Assets			
Balance as of 31/12/12	**16,915**	**17,472**	**34,387**
Balance as of 31/12/13	**19,637**	**14,343**	**33,980**

The relocation of 2013 is due to the addition of the 4th floor of Madrid building for own use.

b) Tangible Assets for Own Use

The detail by nature of the items, which comprises the balance of the caption "Tangible Assets for Own Use" of the Balance Sheets as of December 31st, 2013 and 2012, is as follows:

	Lands & Buildings	Furniture	Installations	Computer Equipment	Others	Total
Cost						
Balance as of 1/1/12	**19,471**	**835**	**838**	**123**	**153**	**21,420**
Additions	-	47	31	2	-	80
Relocations	(3,009)	-	-	-	-	(3,009)
Disposals	-	-	(39)	(49)	-	(88)
Balance as of 31/12/12	**16,462**	**882**	**830**	**76**	**153**	**18,403**
Additions	-	1	27	3	-	31
Relocations	3,283	(9)	9	-	-	3,283
Disposals	-	(103)	-	(21)	(8)	(132)
Balance as of 31/12/13	**19,745**	**771**	**866**	**58**	**145**	**21,585**
Accumulated Amortization						
Balance as of 1/1/12	**(1,118)**	**(120)**	**(162)**	**(73)**	**(12)**	**(1,485)**
Allowance	(103)	(88)	(76)	(22)	(3)	(292)
Disposals	-	-	39	49	-	88
Relocations	201	-	-	-	-	201
Balance as of 31/12/12	**(1.020)**	**(208)**	**(199)**	**(46)**	**(15)**	**(1,488)**
Allowance	(122)	(84)	(75)	(14)	(4)	(299)
Disposals	-	51	-	21	-	72
Relocations	(233)	2	(2)	-	-	(233)
Balance as of 31/12/13	**(1.375)**	**(239)**	**(276)**	**(39)**	**(19)**	**(1,948)**
Net Tangible Assets						
Balance as of 31/12/12	**15,442**	**674**	**631**	**30**	**138**	**16,915**
Balance as of 31/12/13	**18,370**	**532**	**590**	**19**	**126**	**19,637**

The Bank did not have any own use asset leased out under operating lease at the date of the Balance Sheet.

c) Investment property

The Bank is the lessor of certain offices within the building placed at 257 Castellana Street and a trade premise at León y Castillo Street, Las Palmas de Gran Canaria. These operating lease contracts can be cancelled with penalty, from a range since December 31, 2013 to September 1, 2017, depending on the contract, with a prior notice agreed from 2 to 6 months. The total expected earnings from these operating leases, until the maturity of the contracts, amounted to 4.517 Thousand Euro until December 2027 (last contract maturity date).

During 2013 and 2012, income from these operating leases coming from investment properties amounted to 931 and 958 Thousand Euro, respectively. They are entered in the item "Other Operating Income" of the Income Statement (Note 25). The operating expenses related to said investment properties amounted to 205 and 226 Thousand Euro respectively, and are entered in the caption "Other Administrative Expenses" (Note 27). These expenses are passed on to the tenants and are recorded in "Other" under "Other operating income" (Note 25).

12. TAX ASSETS AND TAX LIABILITIES

It includes the amount of all assets of a tax nature, divided into "Current" (amounts of tax to be recovered during the next twelve months) and "Deferred" (amounts of tax to be recovered in future periods). The detail of these items as of December 31st, 2013 and 2012 is as follows:

TAX ASSETS	2013	2012
Current:		
Corporate Income tax (Note 20)	395	201
VAT	30	173
Deferred:		
Other	62	-
	487	**374**

TAX LIABILITIES	2013	2012
Current:		
Income tax payable (Note 20)	-	-
Other	261	255
	261	**255**

13. OTHER ASSETS AND OTHER LIABILITIES

The detail of these two captions is as follows:

	Assets		Liabilities	
	2013	2012	2013	2012
Prepaid expenses	1,055	940	-	-
For financial guarantees	-	-	1,194	1,452
Accrued expenses	-	-	623	608
Other	5	-	-	-
	1,060	**940**	**1,817**	**2,060**

The caption "Prepaid expenses" includes at December 31, 2013 the advance payments to third parties for an amount of 901 Thousand Euro that corresponds to the license fee of the core banking software purchased by the Bank and its implementation expenses, not yet finished (796 Thousand Euro in 2012).

The caption "Accrued expenses" includes at December 31, 2013, mainly, the amount of 447 Thousand Euro due to personnel expenses (469 Thousand Euro in 2012).

The caption "For financial guarantees" includes at December 31, 2013 and 2012 commissions from guarantees granted to clients, which are apportioned over the expected life of the guarantee based on the effective interest rate.

14. FINANCIAL LIABILITIES AT AMORTIZED COST

The breakdown of this caption of the Balance Sheets as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Deposits from credit institutions	304,753	142,680
Deposits from other creditors	48,228	13,873
Other financial liabilities	582	436
	353,563	**156,989**

The detail by currency and residual maturity of "Financial Liabilities at Amortized Cost" of the Balance Sheets as of December 31st, 2013 and 2012 is as follows:

	2013	2012
By currency		
Euro	113,143	94,503
Other currencies	240,420	62,486
	353,563	**156,989**
By residual maturity		
Up to 3 months	352,476	154,887
Over 3 months to 1 year	827	1,923
Over 1 year to 5 years	202	179
Over 5 years	58	-
	353,563	**156,989**

The detail of "Deposits from Credit Institutions" of the Balance Sheet as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Time deposits	266,927	103,837
Other accounts	37,788	38,840
Valuation adjustments	38	3
	304,753	**142,680**

As of December 31st, 2013, the Libyan Foreign Bank holds deposits amounting to 29.3 million Euro and 326 million US$ (29.3 million Euro and 64 million US$ in 2012), recorded in the caption "Deposits from Credit Institutions".

The detail of the caption "Deposits from Other Creditors" of the Balance Sheet as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Other resident sectors		
Demand deposits:		
Current accounts	29,678	7,422
Other	202	160
Time deposits		
Fixed term deposits	3,528	2,653
Other non- resident sectors		
Demand deposits:		
Current accounts	12,596	3,158
Other	1,939	144
Time deposits		
Fixed term deposits	284	336
Valuation adjustments	1	-
	48,228	**13,873**

Details of "Other financial liabilities" of the Balance Sheets as of December 31st, 2013 and 2012 grouped by financial instrument are as follows:

	2013	2012
Other accounts	385	271
Rental deposits	147	147
Special accounts	50	18
	582	**436**

15. PROVISIONS

The breakdown of this caption of the Balance Sheets as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Provisions for taxes	56	56
Provisions for contingent exposures and commitments	2,164	693
Other provisions	4,435	16
	6,655	**765**

Due to the currently restrictions in respect of transnational movement of capital out of Iceland the Bank, following a prudent criteria, has allocated a provision for an amount of 4,419 Thousand Euro, registered in "Other Provisions", to cover possible losses in the conversion of the Icelandic Krona received as payment of the debt.

The movements of the caption "Provisions" in 2013 and 2012 are as follows:

	Provision for taxes	Contingent Exposures and Commitments	Other Provisions	Total
Balance as of January1st, 2012	**56**	**733**	**1,521**	**2,310**
Net P/L allowances	-	102	-	102
Allowances released	-	(113)	(1,219)	(1,332)
Utilizations	-	-	(285)	(285)
Other	-	(29)	(1)	(30)
Balance as of December 31st , 2012	**56**	**693**	**16**	**765**
Net P/L allowances	-	1,356	4,419	5,775
Allowances released	-	(62)	-	(62)
Utilizations	-	-	-	-
Other	-	177	-	(177)
Balance as of December 31st , 2013	**56**	**2,164**	**4,435**	**6,655**

The detail per type of coverage of "Provisions for Contingent Exposures and Commitments" is as follows:

	2013	2012
Specific provision	1,556	438
Generic provision	597	244
Country risk provision	11	11
	2,164	**693**

"Provisions for Contingent Liabilities and Commitments" includes the best estimate of the amount necessary to meet the current obligation of those commitments as of December 31, 2013 and 2012, respectively, according to available information.

16. TOTAL EQUITY

The Bank's equity amounted to 317,146 Thousand Euro at December 31st, 2013 (202,945 Thousand Euro at December 31st, 2012). The Bank shows at the end of the year 2013, a capital solvency ratio of 71.01%. Aresbank's computable capital exceeds the minimum 9% required by the Spanish Monetary Authorities (Circular 7/2012).

As of December 31st, 2013, the computable own funds of Aresbank amounted to 319,044 Thousand Euro, having a surplus of resources for an amount of 283,099 Thousand Euro.

The movements of the "Total Equity" during year 2013 and 2012 are as follows:

	Capital	Reserves (carry forward losses)	Profit & Loss for the year	Total
Balance as of January 1st, 2012	**300,001**	**(109,381)**	**4,795**	**195,415**
Profit distribution	-	4,795	(4,795)	-
Profit for the year	-	-	7,530	7,530
Decrease of capital	(7,083)	7,083	-	-
Balance as of December 31st, 2012	**292,918**	**(97,503)**	**7,530**	**202,945**
Profit distribution	-	7,530	(7,530)	-
Profit for the year	-	-	114,201	114,201
Balance as of December 31st, 2013	**292,918**	**(89,973)**	**114,201**	**317,146**

According to Article 327 of the Spanish Companies law, the reduction of capital will be mandatory when losses have decreased their equity below two-thirds of the capital and it has passed a fiscal year without having recovered the equity. In the General Shareholders' Meeting held on March 2nd, 2012 the shareholders decided to reduce the capital of the Bank for an amount of Euro 7,083,356 in order to solve this situation and comply with that article of the Spanish Company Law (see Note 17).

17. SHARE CAPITAL

In the General Shareholders' Meeting held on March 2nd, 2012 it was decided to reduce the capital of the bank for an amount of Euro 7,083,356 through the reduction of the nominal value of the shares by Euro 68. Therefore, the share capital of Aresbank, S.A. as of December 31st, 2013 and 2012 amounts to Euro 292,917,604.00 and it is formed of 104,167 registered shares with a nominal value of Euro 2,812.00 each.

The composition of the shareholders as of December 31st, 2013 is as follows:

	Amount (€)	Number of shares	% owned
Libyan Foreign Bank	292,512,676	104,023	99.86%
Crédit Populaire d'Algèrie	404,928	144	0.14%
	292,917,604	**104,167**	**100.00%**

The composition of the shareholders as of December 31st, 2012 is as follows:

	Amount (€)	Number of shares	% owned
Libyan Foreign Bank	292,512,676	104,023	99.86%
Crédit Populaire d'Algèrie	404,928	144	0.14%
	292,917,604	**104,167**	**100.00%**

There are no convertible shares or any other securities, which might confer similar rights.

Aresbank, S.A. does not hold any of its own shares, either directly or indirectly through subsidiaries.

18. RESERVES

The breakdown of the reserves as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Legal reserve	-	-
Results from previous years	(88,385)	(95,915)
Other negative reserves	(1,588)	(1,588)
	(89,973)	**(97,503)**

The caption "Other negative reserves" includes the transfer tax that corresponds to the capital increase carried out in May 2008 and in September 2007, which following the current rules has to be debited directly to the equity.

LEGAL RESERVE

According to the Companies Act, companies must transfer 10% of annual profits to the legal reserve until it reaches, at least, 20% of capital. The legal reserve can be used to increase capital, provided that the remaining legal reserve balance does not fall below 10% of the final stock capital. Except for this purpose, whilst the legal reserve does not

exceed the limit of 20% of capital, it can only be used to compensate losses, if there are no other reserves available.

19. OFF-BALANCE SHEET ITEMS

"Off-balance sheet items" shall include balances representing rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances needed to reflect all transactions entered into by the Bank although they may not impinge its net assets.

a) Contingent exposures

"Contingent exposures" comprises the amounts which the entity will have to pay on behalf of third parties if the original obligors do not do so, as a result of the commitments undertaken by the entity in the course of its habitual activity.

The breakdown as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Financial guarantees		
Irrevocable issued documentary credits	11,537	1,667
Irrevocable confirmed documentary credits	92,616	72,411
Other Bank guarantees and indemnities	93,832	77,510
Other contingent risks	-	-
	197,985	**151,588**
Memorandum item: Doubtful contingent exposure	**399**	**455**

The detail by geographic area of "Irrevocable documentary credits issued and confirmed" is as follows:

Geographic Area	2013	2012	2013	2012
Spain	4,310	-	4.14%	-
EU Countries	2,006	1,806	1.93%	2.44%
Arab countries				
Libya	54,018	18,516	51.86%	25.00%
Algeria	28,949	48,888	27.80%	66.00%
Other Arab countries	14,626	4,833	14.04%	6.52%
Other countries	244	35	0.23%	0.04%
	104,153	**74,078**	**100.00%**	**100.00%**

The income obtained from these guarantee transactions is recognized in the Income Statement as "Fee and Commission Income" (Note 23).
The detail by geographic area of "Other Bank guarantees & indemnities" is as follows:

Geographic Area	2013	2012	2013	2012
Spain	71,456	56,299	76.15%	72.63%
EU Countries	673	7,494	0.72%	9.67%
Other European countries	13,837	13,408	14.75%	17.30%
Arab countries				
Libya	7,571	3	8.07%	0.01%
Algeria	245	256	0.26%	0.33%
Other Arab countries	50	50	0.05%	0.06%
	93,832	**77,510**	**100.00%**	**100.00%**

b) Contingent commitments

Its breakdown is as follows:

	2013	2012
Drawable by third parties		
By financial institutions	50,000	50,000
By other resident sectors	8,013	1,742
Non-residents	2,187	1
	60,200	**51,743**

20. TAX MATTERS

Profits, adjusted in accordance with fiscal regulations, are taxed at 30% rate for 2013 and 2012. The resulting quota can be reduced applying certain legal deductions.

Tax declarations cannot be considered definitive until either the Tax Authorities have inspected them or until the inspection period has legally expired. At present, this is a four-year period to be counted from the end of the tax declaration period.

The years of Aresbank, S.A. subject to Tax Inspection are 2010 onwards, except for the Corporate Income Tax, which is subject to inspection from 2009 onwards.

The conciliation between the annual profit and the taxable income of the Corporate Tax is as follows:

	2013	2012
Accounting profit for the year	114,201	7,530
Timing differences		
Positives		
- Pensions Fund allocation	-	6
- Provisions	5,638	(4)
- 30% Amortization expenses	114	
Negatives		
- Provision from previous years	-	(1,219)
Total	119,953	6,313
Offset of prior year negative taxable bases	(119,953)	(6,313)
Taxable profit	-	-
Tax liability	-	-
Withholding tax	(194)	(201)
Deductions	-	-
Corporate income tax payable / (receivable) (Note 12)	(194)	(201)

2012 figures have been reported to Tax Authorities as of July 2013. 2013 figures are draft figures. No significant changes are expected in the final report to Spanish Tax Authorities.

The Bank has negative taxable bases (carry-forward losses) for an amount of 98,669 Thousand Euro that can be offset by the profits to be obtained in the coming eighteen years and which its breakdown over the years is as follows:

2009	2010
57,664	41,005

Royal Decree-Law 9 / 2011 of August 19, stated that for the tax periods starting years 2011, 2012 and 2013, the entities whose turnover during the 12 months preceding the fiscal year have been higher than 20 million Euros and less than 60 million Euros, may offset negative taxable bases up to 75 percent of the taxable base prior to such compensation. In addition to the foregoing, for tax periods beginning on January 1, 2012, amending Article 25.1, to extend the deadline to offset tax losses from previous years from 15 to 18 years. This extension of the period of compensation is applied regardless of whether such tax losses have been incurred in periods beginning in the years 2011, 2012 and 2013, subsequent or prior thereto, provided that in the latter case, the tax losses are pending to compensate at the beginning of 2012.

The different interpretations that may be made of the Spanish tax regulations applicable to the entity operations might give rise to contingent tax liabilities for the open years that cannot be objectively quantified. Nevertheless, the Bank's Directors, based on the opinion of the Tax Advisors, consider that these possible contingent liabilities would not significantly affect these Annual Accounts.

21. INTEREST AND SIMILAR INCOME

This chapter of the Income Statement comprises the interest accrued in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest rate method. Interest is recorded Gross, without deducting any withholding tax.

The breakdown of this caption as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Cash balances with central banks	10	43
Loans and advances to credit institutions	2,171	805
Loans and advances to other debtors	3,020	3,583
Other interest	1,399	12
	6,600	**4,443**

In the caption "Other interest", the amount of 1,373 Thousand Euro correspond to delay interest received from the recovery of the Icelandic Money Market deposits (see note 8).

22. INTEREST EXPENSE AND SIMILAR CHARGES

This chapter of the Income Statement records the interest accrued in the period on all financial liabilities with an implicit or explicit return. It is calculated by applying the effective interest rate method.

Its breakdown as of December 31st, 2013 and 2012 is follows:

	2013	2012
Deposits in central banks	-	1
Deposits from credit institutions	523	351
Deposits from other creditors	10	36
	533	**388**

The origin of these interests comes from the "Financial liabilities at amortized cost".

23. FEES AND COMMISSIONS INCOME

It comprises the amount of all fees and commissions accrued in favour of the entity in the accounting year, except those than form an integral part of the effective interest rate on financial instruments that are included in the "Interests and Similar Income".

The detail of this chapter of the Income Statement as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Arising from contingent exposures	5,186	5,091
Arising from contingent commitments	42	110
Arising from exchange of foreign currencies and banknotes	2	1
Arising from collection and payment services	564	879
Other commissions	138	287
	5,932	**6,368**

24. FEES AND COMMISSIONS EXPENSE

It shows the amount of all fees and commissions paid or payable by the entity in the accounting year, except those that forms an integral part of the effective interest rate on financial instruments that are included in "Interest and Similar Charges".

The detail of this chapter of the "Income Statement" as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Fees and commissions assigned to other entities and correspondents	4	161
Other fees and commissions	250	217
	254	**378**

25. OTHER OPERATING INCOME

It includes the income from other operating activities of credit institutions not included in other captions.

The detail of this chapter of the "Income Statement" as of December 31st, 2013 and 2012 is follows:

	2013	2012
Operating income from investment properties (Note 11.c)	931	958
Other	821	382
	1,752	**1,340**

26. PERSONNEL EXPENSES

The personnel of the Bank as of December 31st, 2013 and 2012 are as follows:

	December 31, 2013			December 31, 2012		
	Women	**Men**	**Year Average**	**Women**	**Men**	**Year Average**
General Management	-	2	2	-	2	2
Senior Managers	-	3	3	-	2	2
Managers	1	7	8	1	8	9
Administrative Staff	12	34	46	12	35	47
Other	-	2	2	-	2	2
	13	**48**	**61**	**13**	**49**	**62**

The breakdown of Personnel expenses caption as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Wages and salaries	4,019	3,902
Social Security expenses	698	695
Transfers to defined contribution plans (Note 5.12)	181	210
Severance payments	665	147
Professional training expenses	11	16
Other	630	596
	6,204	**5,566**

27. OTHER ADMINISTRATIVE EXPENSES

The breakdown of this caption as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Property, fixtures and materials		
Rental	87	112
Maintenance of fixed assets	255	270
Lighting, water and heating	165	144
Printing and office materials	30	32
Information technology	157	137
Communications	190	205
Advertising and publicity	28	24
Legal and lawyer expenses	909	489
Technical reports	329	184
Surveillance and security carriage services	76	88
Insurance and self-insurance premiums	19	19
Governing and control bodies	458	505
Entertainment and staff travel expenses	121	126
Association membership fees	76	89
Contribution and taxes	341	254
Other expenses	31	26
	3,272	**2,704**

28. REMUNERATION AND OTHER COMPENSATIONS TO THE BOARD OF DIRECTORS AND GENERAL MANAGEMENT OF THE BANK

a) Board of Directors

The detail of the Attendance Fees (before taxes) received by the Bank's Directors in 2013 and 2012 is as follows:

	2013	2012
Mr. Juan Carlos Montañola (*)	-	20.00
Mr. Ibrahim M. Zletni	60.00	30.00
Mr. Abdulfatah A. Mutat	40.00	20.00
Mr. Hadi N. Coobar (*)	-	50.00
Mr. Regeb A. Misellati	37.50	21.50
Mr. Milad El Sahli (*)	-	16.00
Mr. Esam Mustafa Ibrahim Elrayas (*)	-	20.00
Mr. Wail J. Belgasem (***)	17.50	-
Mr. Mohamed Djellab (****)	22.50	26.75
Mr. Achour Abboud (*****)	7.50	-
Mr. Francisco Javier de la Cruz (*****)	13.75	-
Mr. Teodoro León (*****)	7.50	-
Mr. Luis Miguel Casado (****)	27.50	15.00
Mr. Julio Álvarez (****)	41.25	77.50
Mr. Carlos Kinder (*)	-	37.50
Mr. Amado Subh (*)	-	42.50
Mr. Laudelino González (**)	-	-
Mr. Félix Antonio Perea (**)	-	-
Mr. Oscar Meléndez (**)	-	-
	275.00	**376.75**

(*) Resigned on June 25th, 2012
(**) Resigned on March 2nd, 2012
(***) Appointed on June 26th, 2013
(****) Resigned on September 18th, 2013
(*****) Appointed on September 18th, 2013

Aresbank, S.A. has no other obligations derived from pensions or life insurance premiums with any of the non-executive members of the Board of Directors.

Neither as of December 31st, 2013 nor as of December 31st, 2012, has the Bank held any direct risks with any Non-Executive Director.

In relation with the relevant information as of December 31st, 2013 regarding the information required by sections 229 and 230 of the Spanish Companies' law about conflicts of interest in other entities as well as the direct or indirect participations of the members of the Board of Directors and their relatives, Aresbank has obtained such information from all of them, except from Regeb A. Misellati. Aresbank has established procedures to request and to obtain this information.

The information received from the members of the Board of Directors is as follow:

- The members of the Board of Directors do not have any share participation in the capital of other financial entities higher than 0.1%.

- The members of the board of directors declare that people linked to them do not have any share participation in the capital of other financial entities higher than 0.1%; neither have they held any position in the board of directors of another financial entity.

b) General Management

The breakdown of the retribution received by the General Management of the Bank in the years 2013 and 2012 (the attendance fees to the Boards are not included in this chart because they are included in a different caption) is as follows:

Year	Number of Managers	Salary	Other remuneration	Total
2013	3*	565.30	74.50	639.80
2012	2	535.60	91.20	626.80

* The general manager terminated in his functions on June 28, 2013. A new general manager was appointed on September 18, 2013.

The amounts debited for pension funds in the Income Statement of the Bank in 2013 and 2012 amounted to 16.1 Thousand Euro and 28.5 Thousand Euro, respectively.

The direct risks held with the General Management as of December 31st, 2013 and 2012 amounted to 33 Thousand Euro and 33 Thousand Euro, respectively.

29. DEPRECIATION AND AMORTIZATION

The detail of this caption as of December 31st, 2013 and 2012 is as follows:

	2013	2012
Investment Property (Note 11.a)	79	96
For own use (Note 11.b)	299	292
	378	**388**

30. IMPAIRMENT LOSSES (NET)

The detail of this caption is as follows:

	2013	2012
Investments		
Allowances (see Note 8)	(1,762)	(599)
Recoveries from written-off debts	2,483	3,238
Other recoveries	115,339	22
Non-current Assets held for sale	58	(58)
	116,118	**2,603**

As of December 31st, 2013 and 2012 the allowances for impairment are mainly due to the generic and country risk provision in accordance with Annex IX of the Circular 4/2004 of Bank of Spain.

In 2013 the Bank recovered written-off debts from Banco Nacional de Cuba for an amount of 1,157 Thousand € (1,157 Thousand € in 2012) and 1,147 Thousand € of a guarantee.

The main recovery corresponds to Icelandic Money Market Deposits for an amount of 114,524 Thousand € (see note 8).

31. OTHER GAINS AND LOSSES IN THE DISPOSAL OF ASSETS NON CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE

These chapters of the Income Statement include income and losses from non-ordinary activities that are not included elsewhere.

The amount for 2012 corresponds to previous years adjustments, and the one for 2013 for the disposal of assets not longer in use.

32. ADDITIONAL INFORMATION

a) Fair value of assets and liabilities

The most significant balance sheet captions which are not recorded at fair value are "Loans and receivables" and "Financial liabilities at amortized cost". However, bearing in mind that these are operations involving the renewal of interest rates in less than one year in all cases, we consider that the fair value of these items does not differ substantially from their carrying value, taking into account potential interest rate fluctuations.

b) Most significant balances with related companies.

The most important balances with related companies as of December 31st, 2013 and 2012 are as follows:

	2013	2012
ASSETS		
Investments (see Note 10)		
Inversiones Hoteleras Los Cabos, S.A.	3,943	3,943
ARESCO	100	100
LIABILITIES		
Deposits from credit institutions		
Libyan Foreign Bank	265,723	77,844
Current Accounts		
Libyan Foreign Bank	263	2,682
Aresol Cabos, S.A. de C.V.	2	4
Inversiones Hoteleras Los Cabos, S.A.	56	63
ARESCO	98	98

c) Transactions with related companies

The interest and commissions paid to Aresbank's shareholders for the deposits and accounts held in the Bank amounted to 466 Thousand Euro in 2013 and 319 Thousand Euro in 2012.

d) Pending balances with suppliers

As of December 31st 2013 and 2012 the Bank does not have delayed balances with suppliers at the end of the fiscal year with deferment period of payment above the one foreseen in the Law 15/2010, which amends the Law 3/2004, of December 29, of measures to combat late payments in commercial operations.

e) Mortgage market

On November 30th, 2010, the Bank of Spain has issued Circular 7/2010, which develops certain aspects of the mortgage market as a consequence of the approval of the Law 41/2009, of December 7, that it modified thoroughly the Law 2/1981, of March 25, regulating the mortgage market, and of the Royal Decree 716/2009, of April 24, that it develops this Law. Due to the type of activity of the bank, the Directors do not consider relevant to include detailed information.

f) Customer Services Unit activity

Ministry of Economy Order 734/2004 of March 11th, laid down the obligation for the Customer Services Departments to prepare a report on the conduct of their functions during the preceding year.

In accordance with this legal requirement, the department in charge of the Customer Services prepared the report on its activities in 2013, which was submitted to the Bank's Board of Directors at its meeting held on February 26th, 2014.

This report stated that the Customer Services Department of Aresbank, S.A. had not received any claim during 2013, neither during 2012.

33. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

PROPOSED DISTRIBUTION OF ANNUAL PROFIT/(LOSS)

	(Thousand Euro)
	2013
PROFIT/(LOSS) BEFORE TAXES	114,201
CORPORATE TAX ESTIMATION	
NET PROFIT / (LOSS)	**114,201**
DISTRIBUTION	
RESERVES :	
COMPENSATION OF LOSSES OF PREVIOUS YEARS	89,973
LEGAL RESERVE	11,420
CAPITAL INCREASE	7,083
DIVIDEND'S DISTRIBUTION	1,145
RETAINED EARNINGS	4,580
TOTAL	**114,201**

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