Aresbank

Annual Report

www.aresbank.es

Madrid-Spain

Annual Report 2021

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CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased hereby and on behalf of Aresbank Board of Directors, to introduce the Annual Report for fiscal year 2021, closed as of December 31st. I also take this opportunity to convey to you what is remarkable to us, not only in relation to the financial and commercial activity that our entity has been carrying out over the past year, but also with regard to the economic and financial scenarios, national and international, in which this 2022 is developing.

First and in relation to the international context, in our management report we note that the year has passed again with new strains and waves of the Covid-19 pandemic. This has meant significant ups and downs in the activity that have finally resulted in significant logistical problems on an international scale, with a strong sense of scarcity of raw materials and products, besides to a considerable increase in them. Along with this, a negative phenomenon as inflation has emerged, which has closed the year at a 5% year-on-year rate of change worldwide. However, world GDP has increased by 5.9%, according to provisional data from international organizations.

In relation to the markets of MENA countries, everything seems to indicate that, in the absence of final figures, the economic recovery has occurred partially in the whole area, although in a very uneven way. GDP in the region has increased by 2.8%, significantly below global growth. However, everything seems to indicate that the year 2022 will be much better from the point of view of growth, with an increase in GDP of 4.2%. In any case, there has been an improvement in the income-per-capita of the area of more than 1%, which contrasts with the 5% drop that occurred in 2020. Similarly, there has been an improvement in the public debt in relation to GDP, which has fallen to 53.6%. In short, prospects for greater macroeconomic stability and an opportunity for more intense growth in the area.

In any case, expectations for businesses in 2022 will be very influenced by some elements of risk and uncertainty. In fact, international organizations point to a reduction in the growth rates of the current world output and trade. Russia's invasion of Ukraine, beyond the human tragedy, once again, which is a devastating war, feeds the idea of a more unstable world in which, without a peaceful coexistence, it will be very difficult for trade and finance to prosper. On the other hand, the two major world economies, the United States and China, are not responding to expectations of higher growth, in order to relaunching activity and trade again. Added to this is a major supply crisis, with significant weaknesses in supply chains, along with the increasingly notorious feeling that the world's most important monetary authorities have ceased to control price stability, and international inflation is approaching levels that are difficult to bear and arguably eliminable in the short term.

As for the Spanish economy, the year 2021 has served to partially recover the level of activity and employment prior to the pandemic. However, GDP growth in Spain has been 5% year-on-year, with a positive contribution from both domestic and foreign demand. Once again, the bulk of the recovery has been supported by the services sector, with an increase of more than 7% year-on-year. From the perspective of investors, 2021 reflect that the Spanish economy remains attractive for the development of investment projects, ranking fourth within the EU by number of projects. In terms of the labor market, the Spanish economy has closed the year with a soft labor reform that has tried to rebalance the security conditions of jobs with the necessary flexibility required by labor hiring. This institutional framework will bring the Spanish economy new results in 2022. On the other hand, 2021 has closed with an employment growth of 4.85%, much of which (85%) is focused in the services sector. It is also noteworthy that the unemployment rate has fallen to 13.3%, although it continues to double that of the EU partners. Finally, the public sector continues to feed macroeconomic imbalances, with a current deficit that has stood at 7% of GDP, far from any idea of stability and feeding a public debt that, in terms of GDP, has not stopped growing up to reach the 122% of the same.

From a monetary and financial perspective, 2021 has experienced how inflation has taken a considerable turn, and how have we gone (in a few months) from negatives rates to an inflation above 7%. What was initially described as temporary, due to the adjustment between supply and demand after the pandemic, is being valued today as a more persistent phenomenon that forces us to modify the course of monetary policy. The abandonment of the asset purchase programs, and the end of free money are very likely to be accompanied by a review of the intervention interest rates, of which there is little doubt that they will return to positive in the case of the ECB, as has already occurred with the Bank of England or the Federal Reserve of the United States. In fact, in March 2022 we have an interbank market in which EURIBOR at different terms is still negative but growing in all its maturities already.

From the point of view of our financial institution, after the review of the accounts by our external auditors, Aresbank has closed the year 2021 with profits after tax of just over 7 million euros. This result represents a reduction in the Core Business Margin of the entity, up to 17 million euros. In the same way, Cost to Income increases to 60.27%. This means a margin loss of 28% compared to 2020 and an increase of almost 18 points in the Cost to Income. This places the Core Business Margin on Equity at 5%, that is, a loss of almost two points compared to the previous year. It should be noted that the worsening of some of the ratios is directly related to a fall in activity with one of our main clients, NOC, who has contributed this year with lower volumes of business. Beyond these figures, Aresbank maintains a liquidity coverage ratio at the end of 2021 of 302%, with a solvency ratio of 58.24% (minimum required by the regulator 13.21%). However, the distribution of the profits after taxes for the year 2021 will be subject to the conditions and regulations that may be imposed by the ECB and Bank of Spain.

Given the results of our activity, as in previous years, I would like to underline the continued support for Aresbank' activity of the close collaboration with Libyan Foreign Bank and Crédit Populaire d'Algérie, both of its organizations and shareholders. Likewise, one more year Aresbank has a good reputation for public regulators, especially for the Bank of Spain, due to its general assessments in periodic supervisory reviews and evaluations during 2021.

Finally, Aresbank' activity and results cannot be separated from a portfolio of trusted clients, always willing, even indirectly, to improve our management and generate synergies, especially in the appropriate responses to the commercial and financial demands posed, without ever compromising banking uses based on prudence and in a very balanced sense when integrating any new solution into management.

I cannot end this letter without highlighting, and expressing my thanks and congratulations, for the achievement of these good results, that continues to occur in a complex and very competitive environment. So, one more year, it must be recognized that Aresbank has a committed, qualified, and increasingly experienced staff.

A. Ragib

Mr. Ahmed Ragib

Chairman of the Board of Directors

SHAREHOLDERS

	2021	2020
Libyan Foreign Bank	99,86%	99,86%
Credit Populaire D'Algérie	0,14%	0,14%

BOARD OF DIRECTORS

Mr. Ahmed Ragib	Chairman
Mr. Fekri Sinan	Vice Chairman
Mr. Mohamed Alrahebi	
Mr. Mustafa Elmanea	
D. Mohammed Dahmani (*)	Credit Populaire D'Algérie

Independent Directors

Mr. Javier Iglesias de Ussel y Ordis
Mr. Miguel Cuerdo Mir

Secretary

Mr. Gabriel Gracia González

(*) Membership ended on 13th of July 2021

AUDIT COMMITTEE

Mr. Javier Iglesias de Ussel y Ordis	Chairman of Audit Committee and Member of the Board of Directors
Mr. Fekri Sinan	Member of the Board of Directors
Mr. Miguel Cuerdo Mir	Member of the Board of Directors

Secretary

Mr. Gabriel Gracia González

RISK AND COMPLIANCE COMMITTEE

Mr. Javier Iglesias de Ussel y Ordis	Chairman of the Risk & Compliance Committee and Member of the Board of Directors
Mr. Fekri Sinan	Member of the Board of Directors
Mr. Mohamed A. Alrahebi	Member of the Board of Directors

Secretary

Mr. Gabriel Gracia González

NOMINATIONS AND REMUNERATIONS COMMITTEE

D. Miguel Cuerdo Mir	Chairman of the Nominations and Remunerations Committee and Member of the Board of Directors
D. Ahmed A. Omar Ragib	Member of the Board of Directors
D. Mustafa Elmanea	Member of the Board of Directors

Secretary

Mr. Gabriel Gracia González

MANAGEMENT TEAM

General Manager	Mr. Luis Casado Saéz
Deputy General Manager	Mr. Akram Grew
Manager of Commercial Department	Mr. Manuel Grijota Párraga
Manager of Operations Department	Mr. Juan Manuel Arranz Ruiz
Manager of Systems Department	Mr. Mariano Gómez Bellido
Manager of Accounting Department	Mr. Julio Tudela Hernández
Manager of HR & Administration Department	Ms. Begoña Bracamonte Agra
Manager of Legal Department	Mr. Gabriel Gracia González
Manager of Risk Manager Department	Mr. Julio Bello Canedo
Manager of Barcelona Branch	Mr. Salvador Planas Bacardit

RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS ANNUAL REPORT

The information obtained in the 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 the 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 KPMG Auditores, 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

(FREE TRANSLATION FROM THE ORIGINAL ISSUED SPANISH COUNTERSIGNED BY ALL THE MEMBERS OF THE BOARD)

DIRECTORS´ REPORT

1. Economic and financial situation

1.1. The international economy

The year 2021 closed amid the sixth wave of Covid-19. Besides, international markets for raw materials with high prices and the growing feeling of supply shortages, which this time has been joined by an old ghost (inflation) with rates above 5% year-on-year in many developed and developing countries, in general.

The most likely figure to close 2021 is a global GDP growth of around 5.9%, lower than all the forecasts that had been given during the second half of the year. The worst thing is that the outlook for 2022 and 2023 reduces the possibilities of growth, placing it, according to the IMF, at 4.4% in 2022 and at 3.8% in 2023.

The so-called “Omicron variant” forced to close the year as it began, that is, with important restrictions on mobility, national and international, a new slowdown in trade and a greater uncertainty in the people, which does not finish to see a clear horizon, even the more immediate, and does not reach the foreseeable levels of consumption. It is an undeniable fact that, from the most positive point of view, the appearance and extension of vaccines against the SARS-CoV-2 coronavirus has greatly slowed down the 2021 pandemic, although it has not prevented its mutation and the corresponding waves, until reaching 6 million deaths worldwide in 2022. On the other hand, it highlights the need to accelerate the production of these vaccines, to find the appropriate logistical and financial mechanisms for an affordable global distribution for everyone (still in 2022 only 6% of the inhabitants of the poorest countries in the world have been vaccinated), thus eliminating this painful source of uncertainty.

However, beyond the pandemic, the global economy has not behaved as expected, mainly due to three major topics. First, supply chains in a globalized economy have suffered significant shortages that have prevented the full restoration of world production. Second, the world's two largest economies have failed to meet their expectations. In the case of China, the urban development crisis, and the consequent financial strain, together with very restrictive mobility measures due to the pandemic, have reduced its growth expectations. In the case of the United States, the doubts generated in the current economic context by a tax policy such as the *Build Back Better* program, together with a growing concern about price control and a possible more restrictive monetary policy, have slowed its recovery. Thirdly, runaway inflation with monetary origin, but driven by rising energy prices, is no longer a transitory phenomenon, based on the adjustment between post-pandemic global supply and demand. It is beginning to be perceived as a phenomenon of greater temporal persistence, to which a new source of international tension contributes, such as the Russian invasion of a sovereign country such as Ukraine.

Internationally, according to WTO data and forecasts, global trade is likely to have recovered in 2021 at a growth rate of 8%, up from 10% in the middle of last year. This growth would be in line with the 5.1% growth of world GDP. As for the outlook on international trade for 2022, international organizations see a serious threat in the growth of inflation and the possible response of the monetary authorities with more restrictive policies that end up damaging the evolution of trade. In any case, it is considered likely that in 2022 international trade will evolve very close to international GDP, that is, around 4.5% year-on-year. While the public debt at the global level in relation to world GDP has stood at 97% in 2021. In short, a growing world, but wrapped in an important environment of diverse risks, such as the unfinished pandemic, uncontrolled prices, significant shocks in essential supplies for the people and economic activity, in addition to those already consolidated by the excessive level of debt to GDP and other emerging economies such as the recent Russian invasion of Ukraine.

1.2. The Spanish economy

If in 2020 GDP contracted in Spain by 11%, in 2021 it has recovered at a rate of 5%, according to data from the INE, reaching 1.2 trillion euros of added value in the whole year. This means that the recovery has not been enough to reach the levels of activity prior to the Covid-19 pandemic.

If the year-on-year data for the fourth quarter of 2021 are analyzed, it is observed that of the quarterly growth with respect to the same quarter of the previous year (5.2%), the contribution of national demand to that growth has been 3.6%. This variation is due to both consumption and investment. Household final consumption has grown by 2.4%. Public consumption has also continued to grow at a rate of 2%. On the other hand, gross investment also increased at a rate of 9.6%, highlighting within it the significant fall in the construction sector (-2.3%). There is a significant increase on investment in machinery and capital goods (above 10%), although investment in fixed capital, probably reduced by the behavior in construction, only increased by 3.7% as a whole. This means that there are lights and shadows in the investment sector, where despite the expectations of overcoming the worst of the pandemic, important uncertainties persist that slow down the investment effort.

On the other hand, external demand contributed 1.7% growth to GDP year-on-year in the fourth quarter. It should be noted that the growth of exports has been important (15.8%) and higher than the growth of imports (11.1%).

The Spanish economy shares with the rest of the economies of the European Union the fact of being one of the most attractive places for investors. In international investment projects planned for the year 2021 and following there were more than 350, representing the 4th place of destination of these capitals by number of projects within the European Union, although with respect to the previous moment of the pandemic it supposes a fall of more than 27%, according to the *European Attractiveness Survey* of June 2021, with a market share of 7% of total projects. However, a figure that might seem encouraging also faces a growing sentiment from experts, evidenced in the recent *Global Risks Report of 2022* of *the Global Economic Forum* that in the Spanish economy five risks are identified, employment, subsistence crisis, prolonged economic stagnation, debt crisis and fracture in interstate relations. However, this gloomy outlook only points to risks that can be confirmed or not depending on how the recovery is carried out in Spain and how the most immediate problems are faced.

As for public revenues, after the worst of the pandemic, in 2021 they have increased again to stand at more than 223,000 million euros. The variation, according to the Ministry of Finance, represents 15.1% compared to 2020. Basically, the recovery of employment and the good results of Social Security affiliation have allowed the bulk of this collection increase, they have even reached a figure higher than that of 2019, despite the tax reductions in certain products, such as energy, which reduced revenues by almost 2,400 million euros throughout the year.

On the other hand, Spanish public debt has not stopped growing until it stands at the end of 2021 at a more than likely 122% of GDP, which is the highest percentage of the large EU economies after Italy. This fact must be underlined, since a context of high inflation and a restrictive monetary policy, in which the ECB decides to withdraw part of the purchases of public debt that it is systematically making at the secondary markets, can raise the cost of Spanish debt very significantly and question the ability of public administrations to recover a path of equilibrium even in an expansionary environment.

In relation to the evolution of prices in Spain during 2021, we can speak without palliatives of an inflationary rebound throughout the year, which does not seem to have an expiration date in the shortest term. The Spanish economy has gone from closing the year 2020 with a negative rate of 0.5% year-on-year to observing how the year 2021 has closed with an inflation rate of 6.5%. Not only is the annual data frankly negative but also a continuous trend of increase since February 2021; in fact, it had already exceeded the medium-term inflation target proposed by the European Central Bank in April.

This significant increase in the general price level in the Spanish economy during 2021 becomes more worrying when compared with the variations that this price level is suffering in other EU partner countries. It is noted that, on a year-on-year basis, the inflation rate in the Monetary Union reached 5%. Using harmonized CPI, it is observed that there is a difference of 1.6 points with respect to Spain. On the other hand, it is observed in its evolution that this difference is becoming greater since August 2021. It follows that a more intense rise in prices in Spain means a loss of competitiveness through prices, which makes it more difficult for external demand to contribute to the economic recovery and shares in international markets are lost.

Awaiting for a possible change in the monetary policy, with the announced withdrawal of asset purchases, especially public debt and being more focused on price stability, this could alleviate this negative evolution of prices. We must think that a context of high uncertainty, caused by the Russian invasion of Ukraine, in an inflationary environment, can be very harmful to the economic recovery, with the risk of economic stagnation and price increases, without margin for fiscal policy and with a more restrictive monetary policy.

1.2.1. The external sector of the Spanish economy

The positive contribution that external demand has had in the partial recovery of economic activity in Spain throughout 2021 should be highlighted. With provisional balance of payments data, provided by Bank of Spain and closed on October 31st, 2021, in the calculation of the last twelve months, the Spanish economy has once again shown a financing capacity that exceeds 21,000 million euros. This means an improvement of more than 40% compared to the balance of the previous twelve months. That is to say, the total of external income has exceeded the set of external payments, either by reason of current account or capital account. This means that, one more year, after the change of the model since 2012, savings in Spain have exceeded investment, generating net savings with which to finance the rest of the world. Otherwise, Spain has been able to reduce the net balance of its external debt. By the end of 2021, according to FUNCAS[1], gross external debt would have been reduced by more than 9 points to 190% of GDP.

In terms of trade balance, the deterioration of the same has reached 2.4% of GDP. Therefore, an increase in the trade deficit of 1 point compared to the previous year. This means that, if exports grew by just over 21%, according to the foreign trade report of the Ministry of Industry, Trade and Tourism, imports also grew by more than 24%. It is necessary to underline the notable impact of energy imports, which, in terms of value, increased by just

[1] *Economic and Social Investigation division of the Spanish Savings Bank Foundation*

over 72% compared to the previous year. This shows a negative external balance in energy products of more than 25,000 million euros. In this same sense, the latest *Competitiveness Trend Index* published for 2021 indicates that the loss with respect to the OECD as a whole is important as the year has progressed, while, compared to EU countries, until the fourth quarter of the year, remains.

In the result of the foreign sector as a whole, it should also be noted, as always, that the balance of goods and services presents a surplus thanks to the balance of tourism, with a surplus of more than 16,000 million euros and an improvement of 30% compared to the previous twelve months, despite the remarkable restrictions imposed by the survival of the pandemic in its different waves. Also, the results of the financial account, which shows that, in the whole of the twelve months prior to October 2021, foreign direct investment had generated net capital inflows of almost 2,000 million euros; of course, much lower than the balance registered twelve months earlier (almost 10,000 million euros). The foreign investment in the portfolio is very remarkable, which has yielded net capital inflows of 17,000 million euros.

1.2.2. The Spanish banking sector

According to the AEB[2], Spanish banks would have exceeded 11,000 million profits as of September 30th, 2021. This means a significant change from the previous year, in which at that same date losses of more than 8,000 million euros were recorded.

The truth is that Spanish banks have managed to maintain the gross operating margin throughout 2021, although with different results depending on the type of operations. Thus, while the operating accounts have seen the margins for commissions and dividends increase, simultaneously a new fall in gross interest margin was observed.

To the light-dark of the two main sources of revenues, 2021 has been totally different from 2020 in terms of provisions, with a considerable reduction. On the other hand, there is a significant effort in operating expenses that are reduced by just over 2%.

All this allows Spanish banks to improve their *CET 1 fully loaded* to 12.7%, almost one point more than a year earlier. In the same way, always according to the data from the AEB, there is an improvement both in profitability, reaching an ROE of 7.3%, and in the efficiency ratio, which reaches 47.5%. To which must be added an improvement in the NPL ratios that stand at 3.6%, that is, "the lowest level since 2009".

1.2.3. The behavior of the main Aresbank markets

Regarding the MENA area, the World Bank points out that in 2021 the recovery has been very uneven in the region. Two elements serve as a reference for its analysis. On the one hand, the response of each country to fluctuations in the price of oil. This means that while there was a significant increase in international oil prices and the exporting countries of the area improved all their economic figures, other countries worsened ostensibly, as is the case of the economic collapse in Lebanon and, otherwise, armed conflicts have again damaged countries such as Yemen or Syria.

On the other, the management of the pandemic carried out by each country. Thus, countries such as the United Arab Emirates have managed to have 90% of the population vaccinated, while other countries, such as Yemen, vaccines have only reached 1% of the population.

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2 *Spanish Banking Association*

These large differences point to the need for a notable improvement in the distribution of vaccines if there is to be an effective and robust economic recovery in the region.

As a summary of all the above, GDP growth in the region in 2021 was 2.8%. It is true that the result is not particularly eloquent in relation to what happened in the world. However, the growth expectations for 2022, which are estimated at 4.2%, are very encouraging. In any case, it should be stressed that compared to the income-per-capita fall of more than 5% in the region throughout 2020, there has been an increase of more than 1% in 2021. That is, the year 2021 has closed on average with an improvement in individual well-being. In addition, public debt has fallen in the area to 53.6% of GDP as a whole, although a new increase is observed in non-oil exporting countries, where the figure has gone up to 92.3% of GDP in 2021.

In the case of a strategic country for Aresbank such as Libya, it is observed that the efforts made for a peaceful reunification of the country throughout the year 2021, in addition to the improvement in both the price and the level of oil extraction, have allowed a provisional increase of more than 70% in the country's GDP, according to World Bank forward-looking data.

As for the economic data, the significant contraction of oil extraction in 2020 has given way to a considerable increase to reach 1.2 million barrels per day, at least during the first half of 2021 and after lifting the blockade on the westernmost oilfields of the country. In addition, the Libyan economy is considering reaching 2 million barrels a day, according to the NOC, if they solve the financial problems that may accompany such a considerable increase in extraction in such a short space of time.

The remarkable increase in Libyan GDP in 2021 has had an important support in the increase in private consumption, which has grown by 40%, an unequivocal sign of a more stable outlook for the country. Similarly, gross investment has increased by 33%, while exports grew by almost 200% in terms of value. This has led to a public surplus of almost 12% of GDP and, also, to an external financial capacity of almost 20% in relation to GDP. All these data turn out to be very hopeful for the development of the business in Aresbank in 2022.

2. 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.
- Both the Risk & Compliance Committee and the Audit Committee inform to 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 Bank's organizational structure guarantees the independence of the risk management function in its tasks.

3. Corporate Governance and Compliance

The Bank continues its process of adapting its corporate governance system to the current regulations, both at national and European level, following the Guide on Internal Governance of the European Banking Authority EBA/GL/2021/05, which repeals the Guide EBA/GL/2017/11. In this sense, Aresbank has updated its internal governance policy with the aim of including in a single document the governance systems and the functions developed by its organizational structure, from which all the policies and procedures established in this regard are correct.

A description of the most relevant aspects of the Bank's corporate governance system and its activity during the 2021 financial year is set out herein below, which has involved a thorough work of analysis, evolution, and improvement to ensure the proper functioning of the governing bodies.

In accordance with the Article 16 of the Articles of Association, the governing bodies of Aresbank are the General Meeting of Shareholders and the Board of Directors.

A) GENERAL MEETING OF SHAREHOLDERS

The Bank has a subscribed and paid-up capital of 300 million euros, and is composed of 104,167 shares, which is distributed among two single shareholders: *Libyan Foreign Bank*, with a 99.86% stake, representing 104,023 shares, and *Crédit Populaire d'Algérie*, with a 0.14% stake, represented by 144 shares.

The General Shareholders' Meeting is the highest decision-making body in those matters attributed by law or by its Articles of Association, and of greater relevance to the entity. In accordance with the provisions of the Articles of Association, the resolutions of the General Meetings shall be adopted by majority of votes, one vote being recognized for each share, present or represented. There are no convertible shares or other instruments of equity conferring similar rights.

On the occasion of the holding of an Extraordinary Universal Meeting held on September 21, 2021, certain measures were implemented to ensure that the meetings of the General Meeting, in any of its modalities, could be held with the maximum guarantees, both health and those that affected the exercise of shareholders' rights, especially due to the consequences caused by the impact of COVID-19 on the Ordinary Activity of the Bank. In this sense, the Articles of Association of Aresbank were amended to regulate the attendance and voting of shareholders by telematic means, which would guarantee the full exercise of shareholders' rights. Similarly, at the meeting of the Board of Directors held on September 21, 2021, the modification of the corresponding articles of the Regulations of the Board of Directors was approved to establish the full validity and effects of the meetings of the Board of Directors held electronically.

A.1. Resolutions adopted by the General Meeting of Shareholders in the year 2021

All the resolutions that have been adopted by the Ordinary General Shareholders' Meeting in 2021 are indicated herein below:

A.1.1. Examination and approval of the individual annual accounts (balance sheet, profit and loss account, statement of changes in equity, statement of cash flows and memory) and management report of Aresbank, S.A., referring to the year ended December 31, 2021, in accordance with the terms in which these Accounts and

Reports have been filed by the Board of Directors of the Bank at its meeting of March 29, 2021; that have been verified by the Audit Committee and audited by KMPG Auditores, S.L.

A.1.2. Examination and approval of the management and activity of the Board of Directors over the approval of the management and performance of the Board of Directors during the fiscal year ended December 31, 2021.

A.1.3. Examination and approval of the proposal for application of the results and dividend distribution corresponding to the fiscal year ended December 31, 2021.

A.1.4. Re-election of the Auditor of the Company's accounts for the years 2021, 2022 and 2023., KPMG Auditores, S.L., with registered office in Madrid, Paseo de la Castellana 259 C, C.I.F. number B-78510153, number S0702 of the Official Register of Accounting Auditors of Spain, and registered in the Mercantile Registry of Madrid, Volume 29292, folio 88, section 8, Sheet M-188007, in accordance with the proposal made by the Audit Committee to and approved by the Board of Directors.

A.1.5. Re-election of the independent Directors for a period of three years from their appointment by the General Shareholders Meeting held on 23 March 2021, according to the stated in the article 28 of the Articles of Association.

A.1.6. Approval of the remuneration of the Directors for the year 2021, which includes the maximum amount of the annual remuneration to be paid to the Directors for the exercise of their functions, as well as the allowances for attendance at the meetings of the different Committees of the Board and the Board of Directors.

A.2. Resolutions adopted by the Universal and Special Shareholders Meeting for the year 2021

At the Universal and Special Shareholders Meeting held on 21 September 2021, the following resolutions were adopted:

A.2.1. Approval of the modification of articles 22, 24 and 30 of the Articles of Association, relating to the Shareholders' Meeting, after obtaining the authorizations that legally or statutorily proceed to regulate telematic attendance. The new wording of the articles to be amended would be as follows:

ARTICLE 22. ATTENDANCE AT GENERAL MEETINGS

a) Those owners of registered shares that have them registered in the registry-book of the company five days before the date in which the General Meeting is to be held, may attend such General Meeting.

b) Every shareholder entitled to attend may delegate his representation for the General Meeting to another person, although the latter is not a shareholder. The representation shall be granted in writing and specifically for each meeting.

c) Entities and those individuals which are not in full possession of their civil rights will attend represented by those who exercise their legal representation, duly accredited.

d) Concerning the representation of shareholders, the provisions of articles 186 and 187 of the Spanish Companies Act will be of application in this respect, when appropriate.

e) The administrators of the company must attend the General Meetings. In the event they were not shareholders, they will have the right to speak at such General Meetings, although not a vote.

f) The Managers, Officers and any other persons that may be deem convenient by the Chairman of the Board of Directors will also attend the General Meetings as observers.

The General Shareholders' Meeting may be attended either by personally attending the venue where the meeting is to be held or, if applicable, in other places provided by the Company provided that it has been indicated in the call to meeting. The attendance is proved whenever any shareholder or shareholders entitled to attend the meeting is connected therewith by video conference system or any other telematics means that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, participation and voting.

ARTICLE 24. HOLDING OF MEETINGS

The Chairman and Secretary of the General Shareholders' Meeting will be those persons occupying these posts on the Board of Directors or the persons validly replacing them, and in their absence, the substitutes validly elected by the members present at the meeting.

Before the matters on the agenda are raised, a list of participants will be drawn up, specifying the character or representation of each one and the number of shares owned or represented. At the bottom of the list will appear the number of shareholders present or represented, as well as the amount of capital held by them.

The decisions of the General Meetings will be reached by majority of votes, with one vote to each share present or represented. However, all those matters detailed in paragraph c) of article 23 of these By-laws will require the approval of two thirds of the shares present or represented, at both first and second convocation except for the dissolution of the company adopted by decision of the General Meeting in the case of article 368 of the Spanish Companies Act, which will be decided in the manner laid down in article 38 of these By-laws.

Shareholders entitled to attend and to vote may cast their vote on proposals relating to items shown on the agenda for any General Shareholders' Meeting personally, by proxy, as stated in the Article 22 of the present by-laws, or by video conference or any other telematic means that allow recognition and identification of the parties attending, and the permanent communication among the attendees.

Minutes of every General Meeting will be recorded in sufficient and detailed form in the corresponding register, as also will be the decisions taken, and signed by the Chairman and Secretary or the comptrollers referred to in the following paragraph.

The minutes of the General Meeting may be approved by the same meeting after having held this or otherwise, within the period of fifteen days, by the Chairman and two comptrollers, one representing the majority shareholders and the other representing the minority.

The Directors or Shareholders shall have the right to require the drawing up of a notarised act.

ARTICLE 30. CONVOCATION AND TAKING OF DECISIONS

The Board of Directors will meet on being convened by the Chairman on his own initiative or at the request of two or more Board members. A Board meeting will also be considered valid even without previous call, when all its members are present, and they unanimously agree to hold the meeting.

The meeting of the Board of Directors will be held at least every three months. In case of absence or sickness of the Chairman, the calling shall be made by the Vice-chairman, if any, and in the case of their absence or sickness, by two Board members.

The Board of Directors will be validly constituted when at the meeting there are present or represented one half plus one of the Board may confer representation on another member, but no one member may at the same time represent more than two other members.

The meeting of the Board of Directors may be attended either by personally attending the venue where the meeting is to be held or, if applicable, in other places provided by the Company provided that it has been indicated in the call to meeting. The attendance is proved whenever a Director or Directors entitled to attend the meeting are connected therewith by video conference system or any other telematics means that allow recognition and identification of the parties attending, the permanent communication among the attendees regardless of their location, participation and voting.

The Directors entitled to attend and to vote may cast their vote on proposals relating to items shown on the agenda of the meeting of the Board personally, by proxy, as stated in the present Article, or by video conference or any other telematics means that allow recognition and identification of the parties attending, and the permanent communication among the attendees.

The decisions will be taken by simple majority of votes amongst the members of the Board present at the meeting. In the case of a tied vote, the casting vote will belong to the Chairman or whoever is acting for him.

The minutes of the Board meetings will be entered in the book specially designated for this and will be signed by the Chairman and the Secretary.

The members of the Board will carry out their duties with the loyalty of a faithful representative acting in good faith and in the best interest for the company and will be responsible to the company, to the shareholders and to the company's creditors of the damage they may cause by actions or omissions contrary to Law or to the By-laws, or by those carried out breaching the duties inherent in the performance of their position whenever there is intent or negligence; likewise, all the members that caused the action or adopted the damaging decision will respond jointly, except those who prove that, not having participated in its adoption and execution, were not aware of its existence or, being aware, did everything necessary to avoid the damage, or, at least, opposed it expressly. The circumstance that the action or damaging decision may have been passed, authorised or ratified by the General Meeting, will not in any case, relieve from responsibility.

The company may subscribe a civil liability insurance in favour of its Board members.

A.2.2. Approval of the amendment of Articles 27 and 37 of the Articles of Association, relating to the Shareholders' Meeting, after obtaining the authorizations that are legally or statutorily appropriate, to incorporate the EBA Recommendations on corporate governance in accordance with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of the credit institutions and investment companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; the Recommendations on sound remuneration policies in accordance with Directive 2013/36/EU; Regulation (EU) 2019/876 amending Regulation (EU) 575/2013 (CRR) as regards CET1 capital instruments and remuneration policy.

The new wording of the articles would be amended as follows:

ARTICLE 27. REMUNERATION

The function of Director is remunerated. The remuneration shall consist in a fixed amount, determined for each year by the General Shareholders' Meeting. The maximum amount of the annual remuneration for all the Directors must be approved by the General Shareholders' Meeting and will be in force until amended.

Unless the General Shareholders' Meeting determines otherwise the Board of Directors shall decide on the allocation of the remuneration amongst each of its members, in accordance with the functions carried out and the assistance to the meetings of the Board and of its committees.

The Executive Directors shall be entitled to a remuneration for the rendering of services of executive nature, which consist in a fixed amount, and in its case a bonus, adequate to the functions and responsibilities assumed, in accordance with the agreement for administration services, whichever its legal nature, which shall have to be authorised by the General Shareholders' Meeting, pro rata of the number of meetings held

ARTICLE 37. APPLICATION OF RESULTS

The net profit will be the profit obtained from the operation of the company's business minus the expenses and charges of any kind necessary for the obtaining of such profit.

The General Meeting shall resolve on the application of results for the financial year as recorded in the approved balance sheet.

Once the transfers provided for in the Law or these By-laws have been made, dividends may only be distributed out of profits for the financial year or freely available retained earnings if book net assets are not, or as a result of the distribution do not become, lower than the company capital.

Should losses from prior years exist making such book net assets of the company lower than the company capital, profits shall be used to offset such losses.

In any event, an amount equal to ten per cent of profits for the financial year shall be transferred to the statutory reserve until this reserve reaches, at least, twenty per cent of the company capital.

A.2.3. Approval of the appointment of two new Directors, one of them representing the shareholder *Libyan Foreign Bank*, with five currently number of Directors; and the other, as representative of the minority shareholder, *Crédit Populaire d'Algérie*, replacing the previous representative of the Algerian bank.

A.2.4. The General Meeting was informed about the amendment of the Regulations of the Board of Directors that, following a report from the Nominations and Remunerations Committee, was agreed by the Board of Directors at its meeting of September 21, 2021, by which the articles 13 (Rules of constitution) and 16.1 (Deliberation and adoption of resolutions) were amended.

These amendments are intended to incorporate the right of the members of the Board to attend meetings and to exercise the right to vote by telematic means. In this sense, the above-mentioned articles of the Regulations of the Board of Directors are drafted as follows:

ARTICLE 13. RULES OF CONSTITUTION

The Board of Directors shall be validly constituted when concur to the meeting, present or represented, more than one half of the Directors.

The meeting of the Board of Directors may be attended either by personally attending the venue where the meeting is to be held or, if applicable, in other places provided by the Company provided that it has been indicated in the call to meeting. The attendance is proved whenever a Director or Directors entitled to attend the meeting are connected therewith by video conference system or any other telematics means that allow recognition and identification of the parties attending, the permanent communication among the attendees regardless of their location, participation and voting.

ARTICLE 16. DISCUSSION AND TAKING OF RESOLUTIONS

1. Without prejudice of the right of information which corresponds to them prior the holding of the meetings, the directors have the obligation and the right to request as many information and clarifications they may deem necessary for the exercise of their vote.

The Directors entitled to attend and to vote may cast their vote on proposals relating to items shown on the agenda of the meeting of the Board personally, by proxy, as stated in the Article 30 of the Articles of Association, or by video conference or any other telematics means that allow recognition and identification of the parties attending, and the permanent communication among the attendees.

Every Director has the right to expressly include in the minutes his observations concerning the insufficiency of the information requested.

B) BOARD OF DIRECTORS

In accordance with Spanish corporate regulations, Aresbank has a monist administration system, which implies the existence of a single collegiate body, the Board of Directors, which has the highest management functions of the Bank and supervision and control of the General Management to ensure its correct implementation.

The Board of Directors is the representative body of the company and has the broadest powers for its administration, except in matters reserved by regulation to the General Shareholders' Meeting. Its competences include the approval of the Strategic Business Plan, the annual management and budget objectives, as well as the internal governance, credit risk, control and risk management Policies, among others.

B.1. Functions

The functions of the Board of Directors are defined in the Article 31 of the Articles of Association and in the article 6 of the Regulations of the Board of Directors, which includes the functions that the Board of Directors has agreed to exercise in full, with non-delegable character, and those that it has delegated to different delegated Committees. The resolutions shall be adopted by the Board by an absolute majority of the Directors - present or represented - attending the meeting, and, in the event of a tie, the President, or whoever takes his place, will decide.

B.2. Composition

The Board of Directors of Aresbank is composed of seven members, a number determined by the General Shareholders' Meeting, within the framework of the statutory provisions (minimum of 5 members and maximum of 21), who hold office for the statutory period of three, renewable one or more times for periods of equal maximum duration; five of them are non-executive proprietary directors, and two are independent.

At the Bank's Ordinary General Meeting, held on March 23, 2021, the renewal of the appointment of the Chairman of the Board of Directors for another year was approved, as well as the independent Directors for a period of three years, as set out in the Articles of Association.

Likewise, at the Extraordinary Universal Meeting of Aresbank, held on September 21, 2021, the appointment of two new directors was approved, one of them representing the shareholder *Libyan Foreign Bank*, with five currently number of Directors; and the other, as representative of the minority shareholder, *Crédit Populaire d'Algérie*, replacing the previous representative of the Algerian bank.

At the end of 2021, the composition of the Board of Directors is set out in the following table:

Name	Position at the Board	Type of Director	Date of appointment / last re-election
Ahmed A Omar Ragib	Chairman	Non-executive	23/03/2021
Fekri A A Sinan	Vice Chairman	Non-executive	26/03/2019
Mustafa Mohamed Ali Elmanea	Director	Non-executive	26/03/2019
Mohamed Ali Ahmed Alrahebi	Director	Non-executive	26/03/2019
Mohammed Dahmani	Director	Non-executive	13/07/2018*
Javier Iglesias de Ussel y Ordis	Director	Independent	23/03/2021
Miguel Cuerdo Mir	Director	Independent	23/03/2021

(*) Position expiry date: 13th July 2021

B.3. Delegated Committees of the Board of Directors

In order to ensure a better performance of the management and supervisory functions entrusted to it, the Board of Directors has delegated Committees made up of members of the Board, whose appointment has taken into account their suitability, knowledge, skills and experience to fulfil the tasks assigned to each Committee.

The Board of Directors set up three delegated Committees: Audit Committee, Risk and Compliance Committee and Appointments and Remuneration Committee. The composition, main functions, rules of operation and activity of each Committee are briefly detailed below.

B.3.1. Audit Committee

It is a non-executive committee that reviews the Bank's audit strategy. It is composed of three members, all of them non-executive, the majority being independent. Its main responsibility is to supervise the process of preparing and presenting financial information, and to ensure that such information is made available to the Board of Directors in an accurate and complete manner. The main functions of the Committee can be divided into three main blocks:

a) Information and internal control

(i) Supervision of the process of preparation and integration of the bank's financial and accounting information.

(ii) Review of periodic financial information and to ensure that the information is made available to the Board of Directors, shareholders, and supervisory bodies in a timely manner.

(iii) Review of compliance with generally accepted principles and correct application of accounting criteria.

(iv) Periodic review of the internal control and risk management systems, so that the important risks are identified managed and reported, and that the risk and management policies identify the different types of risk (credit, interest, liquidity, operational, technological, legal, reputational, etc.) that the Bank faces, including financial and economic risks, contingent liabilities or other off-balance sheet risks; the establishment of the level of risk; the measures planned to mitigate the impact of the risks that are identified, in the event that they materialize.

(v) Establishment of a mechanism for the detection of possible financial and accounting irregularities.

b) Internal Audit

The Bank's Internal Audit shall be under the supervision of the Board of Directors, to which it shall report. Without prejudice to this, the Internal Audit Department will respond to requests for information it receives from the Audit Committee as part of the fulfilment of its obligations.

(i) The Internal Audit Department responds to requests for information that you may receive from the Audit Committee.
(ii) Oversight of the Internal Audit Department to ensure its independence and effectiveness.
(iii) To propose the selection, appointment, re-election, and dismissal of the person in charge of the Internal Audit department.
(iv) To propose the budget of the Internal Audit department.
(v) The Audit Committee receives regular information on its activities and shall verify that the General Management takes into consideration the conclusions and recommendations contained in its reports.

c) Relationship with the External Auditor:

(i) To submit to the Council proposals for the election, appointment, re-election, and replacement of the external auditor, as well as the conditions for his or her hiring.

(ii) To receive regular information from the External Auditor regarding the Audit Plan and the results of its execution and verify that the General Management takes into consideration its recommendations.

(iii) To ensure the independence of the external auditor, for which purpose the Committee shall:

i. It shall advise the Board of Directors on the change of auditor, simultaneously submitting a statement on any discrepancies that may have arisen with the outgoing auditor and, if any, a description of its content.

ii. To ensure that the company and the auditor respect the current criteria on the provision of services other than audit services, the limits imposed on the degree of concentration of the auditor's business and, in general, any other criteria that have been established to ensure the independence of the auditor.

iii. If the External Auditor resigns, he shall examine the circumstances which led to his resignation.

(iv) To serve as a communication channel between the Board of Directors and the external auditor, evaluate the results of each audit and the responses of the management team to its recommendations, as well as mediate in case of discrepancies between the auditor and management on the principles and criteria applicable in the preparation of the financial statements. In particular, the Committee shall endeavour to ensure that the accounts finally presented to the General Shareholders' Meeting appear without reservation or qualification in the audit report.

B.3.1.1.- <u>Composition</u>

In accordance with the provisions of the Article 9 of the Regulations of the Board of Directors, the Audit Committee is composed of three Directors, all of them non-executive, most of them independent directors.

The Audit Committee is composed of Directors with extensive experience and knowledge in accounting and auditing, and they have, as a whole, the appropriate technical knowledge in the financial sector.

At the end of 2021, the Audit Committee consisted of the following Directors:

Chairman:	Mr. Javier Iglesias de Ussel y Ordis (Independent Director)
Members:	Mr. Fekri A. Sinan (Non-executive Director)
	Mr. Miguel Cuerdo Mir (Independent Director)

B.3.1.2.- <u>Functioning</u>

The Audit Committee, in accordance with the provisions of the Article 9 of the Regulations of the Board of Directors of the Bank, shall meet as many times as it is convened by agreement of the members of the Committee themselves or by its Chairman and at least three times a year.

The Committee carries out its functions with operational autonomy. However, it should be noted that, on several occasions, the Directors responsible for the areas that manage matters within their competence, in particular Accounting and Internal Auditing, as well as other persons within the Bank who have knowledge or have participated in decision-making regarding the matters within the competence of the Committee, are summoned to the sessions.

B.3.1.3.- Activity of the Audit Committee in 2021

In 2021, the Audit Committee met on a total of six occasions, with all the members of the Committee, present or duly represented, participating in the sessions held. Likewise, the Directors of the areas responsible for the matters submitted to the approval of the Committee have actively participated, when necessary, and with prior invitation.

The Audit Committee has also informed the Board of Directors of the Committee's activity on a regular basis through the reports that have been made available to the Directors, after the appropriate meetings have been held.

The key issues raised on the matters that fall within the competence of the Audit Committee, and activities carried out throughout the 2021 financial year, are indicated below.

- Financial-accounting information

In accordance with the Article 9 of the Regulations of the Board of Directors, with regards to the functions of the Audit Committee, the latter has analysed and supervised, prior to its presentation to the Board of Directors of the Bank, the process of preparing and presenting the financial statements and reports, with the necessary support from the General Management.

The supervisory functions on financial reporting have been developed through a process of periodic monitoring of the evolution of the main balance sheet magnitudes and the income statement, financial reports, closing results of each period and comparison with the same periods of the previous year.

Similarly, as a result of the crisis generated by COVID-19, during 2021 the Committee has continued to monitor and analyse the impact that, from an accounting perspective, could occur on the Bank's balance sheet and income statement. In this regard, it is noted that the Bank had provided additional provisions to cover the impact of COVID-19 on the business for the whole year 2021 for an amount of 2.1 million euros.

In relation to the Bank's Financial Statements for 2021, which were submitted to the Bank's Ordinary General Shareholders' Meeting, the Audit Committee submitted its favourable opinion to the Board of Directors on them.

- Relationship with the External Auditor

At the meeting of the Audit Committee held on February 22, 2021, the Committee proposed the appointment of KPMG Auditores, S.L. as External Auditors of Aresbank for a period of three years, that is, for the audit of accounts for the years 2021, 2022 and 2023; appointment that was approved by the Board of Directors of February 23 and sent to the Ordinary General Meeting held on March 23, 2021.

The External Auditors have at all times offered direct and timely information at the meetings of the Audit Committee when they have been required throughout the 2021 financial year, providing detailed information on the audit tasks: their strategy, work plan, and development of their activity.

In accordance with the provisions of Article 529 quaterdecies 4 f) of the Consolidated Text of the Companies Act, approved by Royal Decree 1/2010, of July 2, in the wording given by Law 22/2015, of July 20, on Account Audit includes, among the powers of the Audit Committee the issuance, on an annual basis and prior to the Audit Report of accounts, of a report containing the opinion on whether the independence of the auditor was compromised and the reasoned assessment of the provision of all services provided to the entity. In this regard, Aresbank's Audit Committee complied with this obligation, which is also set out in the Articles 32 and 36 of the Articles of Association and the Article 9 of the Regulations of the Board of Directors and made the corresponding report prior to the accounts audit.

In addition, in accordance with the provisions of article 529 quarters.4 e) of the Capital Companies Law, the Audit Committee received on November 11, 2021, the declaration of acceptance in which it expresses the independence of KPMG Auditores, S.L., in relation to the audit of the financial statements for the year ended December 31, 2021.

The Audit Committee has been informed and has analysed the evolution of the work conducted by the External Auditor during the year, including the planning of the audit of the Bank's annual accounts, the financial statements, as well as any other relevant financial information subject to the audit of accounts. Likewise, the Audit Committee has had the participation of those responsible for the External Auditor in the meetings of the Committee where their presence has been required during the year, establishing permanent contact and holding working meetings in order to analyse certain specific issues related to the information subject to audit of accounts, as well as to be able to expedite the Bank's response to any possible incident that may have arisen during the development of its work.

The Committee has consistently observed the application of internal procedures that ensure that no situations that could give rise to conflicts with the independence and objectivity required of the external auditor have occurred.

Finally, the Audit Committee has analysed the proposed fees of the External Auditor for the financial year 2021 prior to being submitted to the Board of Directors for consideration, as well as the quality of the work carried out by the External Auditor during the year, and agreed to submit to the Board of Directors the proposal for the re-election of KPMG Auditors, S.L. as account auditor of Aresbank for the year 2021, which was submitted to the approval of the Ordinary General Shareholders' Meeting of the same year.

- Internal Audit

The Audit Committee has supervised at all times the evolution and degree of compliance with the Annual Internal Audit Plan corresponding to the year 2021, and has been aware of the results of its most relevant work, of the weaknesses and aspects for improvement, of the reports issued by the department, as well as of the recommendations presented to the Committee, regularly monitoring the most significant action plans for the entity and the degree of implementation of the improvements that had been identified after the review of the work.

The Committee has been duly informed of the necessary adjustments made to the Annual Internal Audit Plan during 2021, derived from the situation caused by COVID-19, and has analysed in detail the measures applied to ensure the Bank's ordinary activity.

Within the review of the functions of the Audit Committee, the Bank also responded to the request for information received from the National Securities Exchange Commission (CNMV) dated September 7, 2021, on compliance with the obligations arising from the third additional provision of Act 22/2015, of July 20, of Audit of Accounts, as well as the request for additional information received from this body of November 25, 2021.

- Related transactions

Throughout the year 2021, the Audit Committee did not have knowledge of related transactions being carried out under non-market conditions.

B.3.2 Risk and Compliance Committee

The Risk and Compliance Committee is a non-executive delegated Committee of the Board, composed of three non-executive members. The Committee reviews the Bank's risk strategy, in all its aspects (control and management of risks, internal control of risks and non-financial risks), as well as compliance with current regulations. However, its functions can be framed in two large blocks depending on the area of action.

a) Risk management

(i) Supervision of the Global Risk Control department, ensuring its independence and effectiveness.

(ii) Support of the activities carried out by the Global Risk Control Department and receive periodic information about its activities. This department will provide the Risk and Compliance Committee with the information it requests, as part of the fulfilment of its obligations.

(iii) Analysis and decision-making in response to the identification of internal risks in all areas of the Bank.

(iv) Proposal to the Board of Directors on any changes to improve risk policies.

(v) To propose the selection, appointment, re-election, and dismissal of the person responsible for the Risk Management Department.

(vi) To propose the department's budget and receive regular information about their activities.

(vii) To verify that the General Management takes into consideration the conclusions and recommendations included in its reports.

(viii) To analyse and recommend the strategy of the Bank on risk policies.

(ix) To verify that the Bank has adequate human and material resources to implement the approved risk policies.

(x) To propose to the Board of Directors any changes to improve risk policies, and the limits for the approval of operations by the different internal levels of authority.

(xi) To inform the Board of Directors about any problems arising from the different risks assumed.

b) Compliance

(i) Supervision of the activity of the Compliance Department, by ensuring its independence and effectiveness.

(ii) The Compliance Department must provide the Information requested by the Risk and Compliance Committee.

(iii) Supervision of the Manuals and procedures on the prevention of money laundering, as well as those that correspond to the Compliance activity and, in general of the corporate governance of the Bank.

(iv) To propose the selection, appointment, re-election, and dismissal of the person responsible for the Compliance Department.

(v) To propose the budget of the department and receive regular information on its activities related to the regulatory compliance function.

(vi) To verify that the General Management takes into consideration the conclusions and recommendations included in its reports.

(vii) To verify that the Bank has adequate human and material resources to adequately perform the functions of regulatory compliance and prevention of money laundering.

Likewise, the Risk and Compliance Committee has the function of informing, prior to the decisions to be adopted by the Board of Directors, on those matters within its competence provided for in the law, Articles of Association and in the Regulations of the Board of Directors.

B.3.2.1. Composition

In accordance with the provisions of the Article 9 bis of the Board Regulations, the Risk and Compliance Committee is composed of three directors, all of them non-executive, with the Chairman of the Committee being an independent director.

The Risk and Compliance Committee is composed of directors with extensive experience and knowledge to control the Bank's risk strategy, and as a whole they have the appropriate technical knowledge in the financial sector.

At the end of 2021, the Risk and Compliance Committee consisted of the following Directors:

Chairman:	Mr. Javier Iglesias de Ussel y Ordis (Independent Director)
Members:	Mr. Fekri A. Sinan (Non-executive Director)
	Mr. Mohamed Ali Alrahebi (Non-executive Director)

B.3.2.2. Functioning

The Risk and Compliance Committee, in accordance with the provisions of Article 9bis of the Rules of Procedure of the Board of Directors, shall meet as many times as it is convened by agreement of the members of the Committee themselves or by its Chairman and, at least, three times a year.

The Committee carries out its functions with operational autonomy. However, it should be noted that, on several occasions, the Directors responsible for the areas that manage matters within their competence, in particular, the Global Risk Control and Compliance department, as well as other persons within the Bank who have knowledge or have participated in decision-making regarding the matters within the Committee, are summoned to the sessions.

The Committee has held the corresponding meetings throughout 2021 to evaluate the efficiency and control of governance rules and procedures and to review the information that the Board must approve and include in the annual public documentation.

B.3.2.3. Activity of the Risk and Compliance Committee in the year 2021

In 2021, the Risk and Compliance Committee has met on a total of six occasions, with all the members of the Committee, present or duly represented, participating in the sessions held. Likewise, the Managers of the areas responsible for the matters submitted to the Committee for consideration have actively participated, when necessary, at the request of the Chairman of the Committee.

The Risk and Compliance Committee has duly informed the Board of Directors of the Committee's activity on a regular basis through the reports that have been made available to the Directors, after the appropriate meetings have been held.

The main questions raised on the matters within the competence of the Committee and the activities carried out throughout the 2021 financial year are indicated below.

- Analysis of the strategy, control and risk management

The proposals for strategy, control and risk management are analysed by the Committee and submitted to the Board of Directors. Among these proposals, Aresbank's Risk Appetite Framework stands out, which the Risk and Compliance Committee has previously analysed, and which was approved by the Board of Directors during the 2021 financial year.

The Risk and Compliance Committee has at all times had the necessary information to carry out its analysis, as well as the support of the Global Risk Control Manager (CRO) and other people from the Risk area who have participated in the preparation of the proposals.

The Committee reviewed the capital adequacy assessment (ICAAP) and liquidity assessment (ILAAP) procedures during the 2021 financial year, to monitor the development of stress scenarios and verify their adaptation to the approved Risk Appetite Framework. To this end, the Risk and Compliance Committee has always had the collaboration and assistance of the Financial Regulation Unit, which has allowed it to reflect the Bank's situation in the areas analysed.

- Periodic monitoring of the evolution of risks

During 2021, the Risk and Compliance Committee reviewed the risk control and management procedures and has regularly monitored the evolution of the Bank's risks, having at all times complete information on the risk exposure, risk of banks, risk in the corporate field, credit risk and liquidity risk, through the presentation of periodic reports made by the Global Risk Control department, according to the risk management and control models, and in accordance with the Risk Appetite Framework. All this has provided the Risk Committee with sufficient knowledge of the risks at a global level and has made it possible to fully monitor the evolution of the risks.

Likewise, since the beginning of the pandemic caused by COVID-19, the Risk and Compliance Committee has carried out a constant monitoring of the risks that have been the object of greater impact due to the pandemic, in particular, which has affected the portfolio of credits on which some type of moratorium has been applied.

During the financial year 2021, the Risk and Compliance Committee presented the Prudential Relevance Report for the years 2019 and 2020, to comply with the information requirements established in Chapter VIII of Regulation (EU) 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) 648/2012, and in accordance with the provisions of the Article 85 of Act 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions. This Report was approved by the Board of Directors in 2021.

In addition, in 2021 the Risk and Compliance Committee approved the 2020 Recovery Plan following a report of the Global Risk Control department, for its further approval by the Board of Directors in that year.

Furthermore, in 2021 the Committee approved the Bank's Outsourcing Policy Manual, following the guidelines of EBA/GL/2019/02 for subsequent approval by the Bank's Board of Directors.

The Risk and Compliance Committee has monitored the main legal risks arising from the litigation in which the Bank participates, either as a defendant or as a plaintiff.

- <u>Supervisor communications and compliance with recommendations</u>

Finally, the Committee has been informed and has participated in the management of communications with the supervisory entities for inspections carried out on the Bank and has been informed in a timely manner about the recommendations, weaknesses or areas for improvement identified by the supervisory bodies, as well as of the action plans and measures delimited by the different areas involved.

B.3.3. Nominations and Remunerations Committee

The Nominations and Remunerations Committee is a non-executive Committee, composed of three members, whose main functions are the review of proposals for the appointment of Directors and key positions for the development of financial activity and control functions, as well as the remuneration policy.

Among the functions of the Committee, the main ones are shown herein below:

(i) To report on the appointments and dismissals of department managers that the General Management proposes to the Board of Directors.

(ii) To propose to the Secretary of the Delegated Committees of the Board for approval by the Board of Directors.

(iii) To review and approve the remuneration policies of the Bank's employees, both fixed and variable, their general principles, and their adaptation to the law in terms of their limits and application for subsequent ratification by the Board of Directors, as well as the remuneration policy of the Directors.

(iv) To review the processes of selection and evaluation of suitability of the Directors and key positions for the daily development of the financial activity and control functions for their subsequent ratification by the Board; as well as to assess the capacity, knowledge and experience of the Board of Directors.

(v) To define the roles and skills required of candidates to fill each vacancy and decide on the time and dedication necessary for them to perform their duties adequately.

(vi) To prepare contingency and succession plans in key management positions, study and organize the succession of the General Management, making recommendations to the Board of Directors so that the transfer of powers is carried out in an orderly manner.

B.3.3.1 Composition

In accordance with the provisions of the Article 10 of the Board Regulations, the Nominations and Remunerations Committee is composed of three Directors, all of them non-executive, with the Chairman of the Committee being an independent Director.

The Nominations Committee is composed of Directors with extensive experience and knowledge to control the Bank's risk strategy, and as a whole they have the appropriate technical expertise in the financial sector.

At the end of 2021, the Nominations and Remunerations Committee consisted of the following Directors:

Chairman:	Mr. Miguel Cuerdo Mir (Independent Director)
Members:	Mr. Ahmed A Omar Ragib (Non-executive Director)
	Mr. Mustafa Mohamed Ali Elmanea (Non-executive Director)

B.3.3.2 Functioning

The Nominations and Remunerations Committee, in accordance with the provisions of the Article 10 of the Regulations of the Board of Directors. It meets when it is convened by agreement of the members of the Committee themselves or by its Chairman, at least once a year, and a maximum of four times. If it is necessary to hold further meetings, these shall be held on a proposal from the Chairman of the Board or the General Management.

The decision-making is carried out with the favourable vote of at least two-thirds of the members of the Committee. If there are urgent matters arising from selection processes, appointments, remuneration, etc., decisions may be taken by circulation, at the initiative of the President, which must be ratified at the following meeting of the Committee to be held.

The Secretary of the Committee, in agreement with its Chairman, has made the calls for meetings and has organized, when necessary, decision-making by circulation. To this end, it has coordinated, in everything necessary, with the Departments of Human Resources, Systems, Internal Audit, Legal Advice and Compliance, for the preparation of procedures, authorizations from the Bank of Spain, reports and compliance reviews.

Likewise, the Secretary of the Committee shall keep the records of the suitability assessments carried out by the Committee, to record their compliance and to allow the inspection work of the competent authorities.

B.3.3.3 Activity of the Nominations and Remunerations Committee in the year 2021

The Committee conducts its functions with autonomy of functioning, directed by its Chairman, who is responsible for proposing the calendar of sessions and convening those meetings that were not foreseen in said calendar. On certain occasions, the Nominations and Remunerations Committee has requested the assistance of those employees or managers of the Bank who are aware of or have participated in decision-making regarding matters within the competence of the Committee.

In 2021, the Nominations and Remunerations Committee has met on a total of six occasions (5 ordinary and 1 in writing and without a session), having participated in the sessions held all the members that make up the Committee, present or duly represented. Likewise, the managers of the areas responsible for the matters submitted to the approval of the Committee have actively participated when necessary.

The Committee has duly informed the Board of Directors of the Committee's activity on a regular basis through the reports that have been made available to the Directors, after the appropriate meetings have been held.

The following are the main activities carried out by the Nominations and Remunerations Committee throughout the 2021 financial year.

- Proposal for re-election of Independent Directors

The Nominations and Remunerations Committee proposed to the Board of Directors, for subsequent submission to the Ordinary General Meeting, held on March 23, 2021, the re-election of Mr. Javier Iglesias de Ussel y Ordis and Mr. Miguel Cuerdo Mir, as independent Directors for a period of three years, upon expiring their position on that date.

- Proposal for appointment of non-executive Directors

The Nominations and Remunerations Committee proposed to the Board of Directors, for subsequent submission to the approval of the Universal and Special Shareholders Meeting, held on September 21, 2021, the appointment of the non-executive Director, Mr. Ali Kadri, on behalf of the shareholder *Crédit Populaire d'Algérie*. This appointment filled the vacancy caused by the expiration of the position of Director of Mr. Mohammed Dahmani. In addition, the Committee proposed to the Board of Directors for the approval of the above mentioned Universal and Special Shareholders Meeting, the appointment of the non-executive Director, Mr. Ahmed AA Elabbar, as a new member of the Board of Directors of Aresbank, representing *Libyan Foreign Bank.*

Prior to the proposal made by the Nominations and Remunerations Committee to the Board of Directors for subsequent submission to the Board, the Internal Report on the Suitability Assessment of the new Directors was made following the established procedure.

- Selections and appointment of key position holders of the Bank

During the 2021 financial year, the Nominations and Remunerations Committee, following the Bank's internal suitability assessment procedure, and before submitting it to the Board of Directors for approval, has analysed the documentation required by the Committee to assess the compliance with the requirements relating to knowledge and experience and competences of two key function positions corresponding to that of Global Risk Control Manager and that of General Counsel and Secretary of the Board of Directors of the Bank.

- Other activities of the Nominations and Remunerations Committee in 2021

The Nominations and Remunerations Committee, as well as other delegated Committees of the Board of Directors, has been informed of the different inspection and communications work and information requirements that the supervisory authorities (Bank of Spain and Spanish Securities Exchange Commission – CNMV) had conducted on matters within their competence.

For its part, Compliance is one of the main pillars on which the Bank relies on the exercise of its activity, always following the highest ethical standards and preservation of the integrity and reputation of the entity. In this regard, it focuses its role on the development of policies and procedures, on the training and awareness of its staff, as well as on the assessment and mitigation of potential risks that could be affecting in all these issues. Within this global compliance environment, the role of *preventing money laundering and terrorist financing* is of particular importance; its fundamental target is preventing products and services provided by the Bank to be used for criminal purposes.

In this way, the Bank has a comprehensive policy to ensure strict compliance with current regulations, as well as the recommendations proposed by both the *Financial Action Task Force (FATF),* as well as by the Spanish and European supervisory bodies for the prevention of money laundering.

In addition, the Bank has developed a risk management system for the prevention of money laundering and terrorist financing that remains constantly evolving and updating. This allows the Bank to establish specific mitigation controls and measures, which contribute to the strength of its risk mitigation model.

In another field, Aresbank has also established an Anti-Bribery and Corruption Policy that aims to reiterate its commitment towards an ethical and transparent approach, and to develop its activity with a philosophy of zero tolerance for acts that contradict its basic principles. Thus, the principles that must guide the conduct of all employees and administrators of the Bank with respect to the prevention, detection, investigation and remedy of any corrupt practice within the entity have been established.

Finally, it is important to highlight Aresbank's commitment to the protection of personal data and privacy. To this end, the Bank has implemented a number of policies and procedures aimed at complying with its obligation of confidentiality with respect to personal data and at adopting the necessary measures to prevent its alteration, loss, treatment or unauthorized access.

4. Aresbank focus in the coming year

Taking in consideration the positive evolution of the latest data on COVID, both at the level of infections and the low severity of the effects produced to those infected, we can expect that we will be reaching a complete return to normality very soon, both in working life and in interpersonal relationships. However, the negative effects that the pandemic has produced in a significant number of companies will lead us to a delay in the return to normality of the same. In addition, the war situation affecting Ukraine and Russia will undoubtedly increase this delay back to normal.

Aresbank, will continue monitoring the evolution of its clients in order to collaborate in overcoming possible problems that may arise due to the difficulties that are occurring in the markets. We will continue to strengthen our core business in its main lines of deployment: intermediation and Foreign Trade financing within our area of influence (MENA countries) as well as increasing the typical banking activity with medium and large companies, both Spanish and European.

5. Subsequent events to December 31st, 2021

The Annual Accounts of the year 2021 have been formulated by Aresbank' Board of Directors in the resolution dated on March 29th, 2022.

6. 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 2021 and 2020.

7. Research & Development expenses

The Bank did not invest in projects related to R&D during 2021 and 2020.

8. Environmental information

The entire operative of Aresbank is subject to the legislation of protection and improvement of the environment. The Bank has adopted the appropriate measures in relation to the protection and improvement of the environment and the minimization, where appropriate, of the environmental impact, complying with current regulations in this regard. During the 2021 financial year, no environmental investments have been made and, likewise, it has not been considered to register any provision for risks and burdens of an environmental nature as there are no contingencies related to the protection and improvement of the environment.

9. Other information of interest

Aresbank holds excellent regulatory coverage ratios on December 31st, 2021, both in terms of immediate liquidity (one month ahead) with a liquidity ratio of 302.19% (349.78% in 2020), and besides, with a high-quality capital ratio of 58.24% in terms of solvency (59.91% in 2020).

FINANCIAL STATEMENTS AND EXTERNAL AUDIT REPORT

(FREE TRANSLATION FROM THE ORIGINAL ISSUED IN SPANISH COUNTERSIGNED BY ALL THE MEMBERS OF THE BOARD)

KPMG

Auditor's Report on Aresbank, S.A.

(Together with the annual accounts and directors' report of Aresbank, S.A. for the year ended 31 December 2021)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Pº. de la Castellana 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the originals in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Aresbank, S.A. commissioned by its Board of Directors:

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Aresbank, S.A. (the "Company" or the "Bank"), which comprise the balance sheet at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 3 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of the loans and advances to other debtors portfolio
See notes 5.3 and 9 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
The process of estimating the impairment of the loans and advances to other debtors portfolio due to credit risk entails a significant and complex estimate, especially with regard to the identification and classification of exposures through loans that are under special monitoring or impaired, portfolio segmentation, and the use of significant assumptions such as the realisable value of the collateral associated with credit transactions. These estimates are based on the alternative solutions provided for in the Banco de España Circular 4/2017. The consideration of this aspect as a key audit matter is based both on the significance for the Bank of the loans and advances to customers portfolio, and thus the significance of the corresponding allowances and provisions recognised, and on the relevance, subjectivity and complexity of the process for classifying these financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment.	To evaluate the impairment of financial assets, we carried out procedures on the assessment of the conceptual definitions, criteria and defined methodologies, and we performed tests of control and detail on the Company's analysis of the credit risk classification of financial instruments and on the estimated allowances and provisions for impairment. Our audit approach included assessing the relevant controls linked to the processes of estimating impairment of the loans and advances to other debtors portfolio and performing different tests of detail thereon. Our procedures relating to the control environment were focused on the following key areas: governance, accounting policies, refinancing and restructuring, monitoring of loans outstanding, the process of estimating allowances and provisions and assessment of the integrity, accuracy, quality and recency of the data and of the control and management process in place. Our tests of detail on the estimates of impairment of the loans and advances to other debtors portfolio basically encompassed the following: – Impairment of individually significant transactions: we selected a sample of the population of significant risks for which there was objective evidence of impairment and assessed the adequacy of the allowances and provisions recognized. – Validation of the adequate functioning of the calculation engine: this validation basically consists of the review of the dates of non-payment as defined in the applicable schedule, the classification of the transaction and the guarantee discount applied. A review of the functional and technical documentation was also performed. – Assessment of the integrity of the opening balances uploaded into the calculation engine and third party confirmation of these opening balances. Lastly, we evaluated whether the information disclosed in the notes to the annual accounts is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Company.

Provisions for commitments and guarantees extended See notes 5.12 and 15 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
Estimating provisions for commitments and guarantees extended and particularly the provision for country risk, involves a high degree of judgement and technical difficulty, as a result of the exposure of the Company in other countries. We consider that a significant inherent risk exists in relation to the process of estimating provisions for commitments and guarantees extended.	Our audit approach included assessing the policies and procedures manuals associated with the processes of estimating provisions for commitments and guarantees extended, and also performing substantive procedures on that estimate. Our procedures for evaluating the policies and procedures manuals were focused on the following areas: – Accounting policies: assessment of their alignment with applicable accounting regulations by Banco de España. Our substantive procedures in relation to the estimate of provisions mainly consisted of the analysis of Bank exposures in countries with different risks classed by Banco de España as well as in the recalculation of the related provisions.

Other Information: Directors' Report

Other information solely comprises the 2021 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2021 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of the Aresbank, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 29 March 2022.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 23 March 2021 for a period of three years, from the year initiated 1 January 2021.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on the original in Spanish)

Julio Álvaro Esteban
On the Spanish Official Register of Auditors ("ROAC") with No. 01661

29 March 2022

BALANCE SHEET FOR THE YEARS ENDED DECEMBER 31st, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF EUROS)

ASSETS	2021	2020 (*)
Cash, balances with Central Banks and demand deposits (Note 7)	**283,919**	**244,461**
Financial assets at fair value through other comprehensive income (Note 8)	**9,735**	**15,683**
Debt securities	9,735	15,683
Financial assets at amortized cost (Note 9)	**1,052,272**	**777,281**
Debt securities	6,129	-
Loans and advances to customers	1,046,143	777,281
Financial entities	856,963	523,008
Clients	189,180	254,273
Tangible assets (Note 10)	**31,597**	**31,909**
For own use	12,794	13,003
Investment property	18,803	18,906
Intangible assets (Note 11)	**166**	**149**
Other intangible assets	166	149
Tax assets (Note 12)	**3,826**	**2,736**
Current tax assets	2,014	1,068
Deferred tax assets	1,812	1,668
Other assets (Note 13)	**241**	**75**
TOTAL ASSETS	**1,381,756**	**1,072,294**
OFF BALANCE SHEET ITEMS (Note 20)		
Other commitments granted	**214,231**	**125,355**
Lending commitments granted	**135,473**	**111,049**

(*) Presented, solely and exclusively, for comparative purposes (See Note 3.3).
These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2017 and 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to 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, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF EUROS)

LIABILITIES	2021	2020 (*)
Financial liabilities at amortized cost (Note 14)	**1,027,969**	**713,259**
Deposits	1,027,101	704,871
Deposits from central banks	20,653	19,348
Deposits from credit institutions	951,613	616,394
Deposits from other creditors	54,835	69,129
Other financial liabilities	868	8,388
Provisions (Note 15)	**2,347**	**4,836**
Taxes and other legal contingencies	22	32
Contingent exposure and commitments	2,325	1,304
Rest of provisions	-	3,500
Tax Liabilities (Note 12)	**310**	**273**
Liabilities from current tax	310	273
Liabilities from deferred tax	-	-
Other Liabilities (Note 13)	**1,288**	**1,342**
TOTAL LIABILITIES	**1,031,914**	**719,710**
SHAREHOLDERS' NET EQUITY		
Own funds	**349,978**	**352,841**
Share capital / Paid up capital (Note 17)	300,001	300,001
Retained earnings (Note 18)	42,930	41,828
Profit (or loss) for the period	7,047	11,012
Other comprehensive income (Note 19)	**(136)**	**(257)**
Elements that can be reclassified to profit (or loss)	(136)	(257)
TOTAL NET EQUITY (Note 16)	**349,842**	**352,584**
TOTAL LIABILITIES AND NET EQUITY	**1,381,756**	**1,072,294**

(*) Presented, solely and exclusively, for comparative purposes (See Note 3.3).

These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2017 and Circular 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to 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, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF EURO)

	2021	2020 (*)
Interest income (Note 22)	7,072	11,847
Interest expenses (Note 23)	(2,018)	(4,655)
INTEREST MARGIN	**5,054**	**7,192**
Commissions income (Note 24)	12,425	16,690
Commissions expense (Note 25)	(420)	(267)
Gains and losses on financial assets and liabilities not at fair value through profit (or loss), net	8	451
Gains and losses on financial assets and liabilities at fair value through profit (or loss), net	-	-
Exchange differences, net	589	17
	(4)	117
Gains and losses on non-financial assets, net		
Other operating income (Note 26)	1,817	1,912
Other operating expense	(810)	(471)
OPERATING RESULT (NET)	**18,659**	**25,641**
Administrative Expenses	(11,214)	(10,539)
Personnel expenses (Note 27)	(8,045)	(8,359)
Other administrative expenses (Note 28)	(3,169)	(2,180)
Amortization (Note 30)	(524)	(534)
Provisions expense, net	(1,006)	(170)
Impairment losses or release on financial assets not at fair value through profit (or loss) (Note 31)	2,255	(2,076)
PROFIT (OR LOSS) BEFORE TAXES	**8,170**	**12,322**
Expenses or revenues on corporate income tax (Note 21)	(1,123)	(1,310)
PROFIT (OR LOSS) FROM ORDINARY ACTIVITY	**7,047**	**11,012**
PROFIT (OR LOSS) AFTER TAXES	**7,047**	**11,012**

(*) Presented, solely and exclusively, for comparative purposes (See Note 3.3).

These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2017 and Circular 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to 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, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF EURO)

a) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	2021	2020 (*)
Profit (or loss) for the period	**7,047**	**11,012**
Other comprehensive income	**(136)**	**(257)**
Debt instruments at fair value through other comprehensive income	(194)	(368)
Tax effect	58	111
TOTAL RECOGNIZED INCOME AND EXPENSE	**6,911**	**10,755**

(*) Presented, solely and exclusively, for comparative purposes (See Note 3.3).
These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2017 and Circular 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to 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 THOUSANDS OF EURO)

	EQUITY						REVALUATION ADJUSTMENTS	TOTAL
	Issued capital	Retained earnings	Other reserves	(-) Own shares	Result for the period	(-) Interim dividends		
1.Balance Sheet as of 31/12/20	**300,001**	**41,828**	-	-	**11,012**	-	**(257)**	**352,584**
a) Error adjustments	-	-	-	-	-	-	-	-
b) Adjustments due to accounting policy change	-	-	-	-	-	-	-	-
2. Adjusted balance sheet (1+a+b)	**300,001**	**41,828**	-	-	**11,012**	-	**(257)**	**352,584**
3. Total recognized income and expense	-	-	-	-	**7,047**	-	**(136)**	**6,911**
4.Other changes in equity (c+d+e)	-	**1,102**	-	-	**(11,012)**	-	**257**	**(9,653)**
c) Dividend distribution	-	-	-	-	(9,910)	-	-	(9,910)
d) Transfers between items	-	1,102	-	-	(1,102)	-	-	-
e) Other Issuances (reduction) for equity instruments	-	-	-	-	-	-	257	257
5. Balance Sheet as of 31/12/21 (2+3+4)	**300,001**	**42,930**	-	-	**7,047**	-	**(136)**	**349,842**

These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2017 and Circular 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to generally accepted principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

	EQUITY						REVALUATION ADJUSTMENTS	TOTAL EQUITY
	Issued capital	Retained earnings	Other reserves	(-) Own shares	Result for the period	(-) Interim dividends		
1.Balance Sheet as of 31/12/19 (*)	**300,001**	**40,964**	**-**	**-**	**8,641**	**-**	**(142)**	**349,464**
a) Error adjustments	-	-	-	-	-	-	-	-
b) Adjustments due to accounting policy change	-	-	-	-	-	-	-	-
2. Adjusted balance sheet (1+a+b)	**300,001**	**40,964**	**-**	**-**	**8,641**	**-**	**(142)**	**349,464**
3. Total recognized income and expense	**-**	**-**	**-**	**-**	**11,012**	**-**	**(257)**	**10,755**
4.Other changes in equity (c+d+e)	**-**	**864**	**-**	**-**	**(8,641)**	**-**	**142**	**(7,635)**
c) Dividend distribution	-	-	-	-	(7,777)	-	-	(7,777)
d) Transfers between items	-	864	-	-	(864)	-	-	-
e) Other Issuances (reduction) for equity instruments	-	-	-	-	-	-	142	142
5. Balance Sheet as of 31/12/20 (2+3+4)	**300,001**	**41,828**	**-**	**-**	**11,012**	**-**	**(257)**	**352,584**

(*) Presented, solely and exclusively, for comparative purposes (See Note 3.3).
These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004 and Circular 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to 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, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF EURO)

	2021	2020 (*)
A) CASH-FLOW FROM OPERATING ACTIVITIES	**35,456**	**(337,462)**
(+) Profit (or loss) for the period	**7,047**	**11,012**
(+) Adjustments to reach the operating cash flow	**5**	**3,636**
Amortization	524	534
Other adjustments	(519)	3,102
(-) Net increase or (decrease) in operating assets	**292,004**	**(539,848)**
Assets at fair value through profit or loss	-	-
Assets at fair value through other comprehensive income	181	(20,438)
Financial assets at amortized cost	290,701	(516,957)
Other operating assets	1,122	(2,453)
(+) Net increase or (decrease) in operating liabilities	**322,470**	**(888,743)**
Financial liabilities at amortized cost	322,230	(888,045)
Other operating liabilities	240	(698)
(+) Inflows or (outflows) from Corporate Income Tax	**(2,062)**	**(3,215)**
B) CASH-FLOW FROM INVESTING ACTIVITIES	**(233)**	**(225)**
(-) Outflows	**233**	**225**
Tangible assets	71	121
Intangible assets	162	104
(+) Inflows	**-**	**-**
Tangible assets	-	-
C) CASH-FLOW FROM FINANCING ACTIVITIES	**(17,689)**	**-**
(-) Dividend's payment	17,689	-
D) EFFECT OF THE EXCHANGE RATE FLUCTUATIONS	**589**	**17**
E) NET INCREASE OR (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**18,123**	**(337,670)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**190,035**	**527,705**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**208,158**	**190,035**

(*) Presented, solely and exclusively, for comparative purposes (See Note 3.3).

These financial statements and the accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2021. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2017 and Circular 5/2014, of the Bank of Spain and subsequent amendments. Consequently, certain accounting practices applied by the Company may not conform to 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 CLOSED DECEMBER 31st, 2021

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 ID Bank 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, 2021, amounts to 300,000,960.00 euros and it is formed of 104,167 registered shares with a nominal value of 2,880.00 euros 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 channeling 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 2021 were prepared from the accounting records of the Bank in conformity with the accounting criteria of the Circular 4/2017 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, 2021 and of the results of its operations and of the cash flows for the years then ended.

The information in these Annual Accounts is responsibility of the Directors of Aresbank. The Annual Accounts of the year 2021 have been formulated by the Board of Directors of the Bank in the resolution dated on March 29th, 2022, 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 thousands of 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 4/2017 and its amendments, as set forth in Note 5.

3.3 Comparison of information

For comparative purposes the Governing Board of the Bank presents, for each of the captions detailed in the accompanying Annual Accounts, both the figures for 2021 and those corresponding to the previous years. All captions that present no balance as of December 31st, 2021, and 2020, have been removed.

The information contained in these annual accounts referring to the year 2020 is presented, exclusively, for comparative purposes with the information referred to that year and, therefore, does not constitute the annual accounts of the Entity for the year 2020.

3.4 Accounting estimates and errors

On March 11th, 2020, COVID-19 was declared a global pandemic by the World Health Organization. The increased uncertainty associated with the unprecedented nature of this pandemic implies greater complexity in developing reliable estimates and applying judgment.

Therefore, estimates have been made on the best available information as of December 31st, 2021, on the facts analyzed. However, events that may take place in the future may force such estimates to change (up or down), which would be done, in accordance with applicable law, prospectively recognizing the effects of the change in estimate on the corresponding profit and loss account.

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 (see Notes 6, 9 and 31).
- The useful life adopted for tangible and intangible assets (see Notes 10 and 11).

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 recognizing the effects of that change on the related profit (or loss) account.

3.5 Changes in accounting principles

There have not been changes in accounting principles applied by the Bank during 2021.

3.6 External auditors

The Annual Accounts of Aresbank, S.A. as of December 31st, 2021 have been audited by KPMG Auditores, S.L., same as the ones from the year before.

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, auditing fees for the Annual Accounts of the year 2021 amounted to 52 thousand euros (51 thousand euros in 2020), neither other invoicing nor other services were rendered by entities affiliated to KPMG International in 2021.

The services contracted by the Bank with its auditor comply with the independence requirements contained in Law 12/2020, of June 30, which modifies Law 12/1988, of July 12, on Audit of Accounts and does not include the performance of work incompatible with the audit function.

3.7 Risk management

According to the European Commission recommendations on the publication of information regarding financial instruments (risk management); Aresbank has included in the Note 6 and in the Directors' 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 2021 and 2020, 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

The Order 734/2004 of March 11th from the Ministry of Economy stated 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 2021, which was submitted to the Bank's Board of Directors at its meeting held on February 22nd, 2022.

The Customer Service report of Aresbank informs that a single claim was received during the year 2021, which was not admitted to processing because the claimant was not duly represented. Two claims were received along 2020, which were resolved as follows: one in favor of the claimant and the other unfavorable, as it had no legal basis.

3.10 Solvency

Spanish regulations

On June 26th, 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 caused the repeal of all current regulation of Bank of Spain regarding own funds (Circular 3/2008 and Circular 7/2012) that were incompatible with the new regulation, involving the implementation of Basel III agreements with a gradual timetable to achieve its full implementation.

Regulation Nº575/2013 entered into force on January 1st, 2014 and it was applicable directly and immediately to the European financial institutions, although certain regulatory options must be set by the national supervisor. The Directive 2013/36/EU was added to the Spanish Law through the publication of the Royal Decree-Law 14/2013, of November 29th, 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. During 2014, Circular 2/2014, of January 31st, on regulations regarding public and reserved financial information and models of financial statements, Law 10/2014 of June 26th, on the organization, supervision and solvency of credit institutions came into force.

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

- Definition of the elements of computable own funds and minimum requirements. Three levels are set at this stage: level 1 ordinary capital (4.5% as minimum capital ratio required), tier 1 capital (6% as minimum capital ratio required) and level 2 capital (8% as minimum capital ratio required).
- Definition of prudential filters and deductions of elements in each of the levels of capital. 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 Bank divided by the total exposure.

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

Based on the communication received from the Directorate-General of Supervision of Bank of Spain, dated on December 17th, 2021, in accordance with Article 68.2.a) from Law 10/2014, the Bank is required to maintain a minimum capital ratio, on an individual basis, not less than 14.17% of its risk exposure total amount. This prudential requirement applies since January 1st, 2022.

On December 31st, 2021, and 2020, the Bank complies with the regulatory capital requirements mentioned in the previous paragraph, and presents the following comparative with the previous year:

	Thousands of euros 2021	Thousands of euros 2020
Total Equity (computable)	342,619	341,407
CET 1	**342,619**	**341,407**
Paid-in capital	300,001	300,001
Retained Earnings	23,280	23,280
Reserves	19,650	18,548
Other comprehensive income	(136)	(257)
Intangible Assets (-)	(166)	(149)
Other transitory adjustments (-)	(10)	(16)
Tier 2	-	-
Credit risk adjustments (Standard approach)	-	-
Common Equity Tier 1 Ratio	58.24%	59.91%
Surplus (+) / Deficit (-) on CET 1 Ratio	316,144	315,762
Solvency Ratio	58.24%	59.91%
Surplus (+) / Deficit (-) on Solvency Ratio	295,553	295,817

3.11 Deposit Guarantee Fund

On November 24th, 2021, entered into force the Royal Decree 1041/2021, of November 23rd, amending Royal Decree 2606/1996, of December 20th , on deposit guarantee funds of credit institutions; and the Royal Decree 1012/2015, of November 6th, which develops Law 11/2015, of June 18th, on the recovery and resolution of credit institutions and investment services companies, amending Royal Decree 2606/1996, of December 20th, on deposit guarantee funds of credit institutions.

In accordance with the amendment made by this Royal Decree in Articles 4 and 7 of Royal Decree 2606/1996, the Deposit Guarantee Fund will guarantee the coverage of deposits made by credit institutions, by companies and securities agencies and by portfolio management companies and financial advisory companies on behalf of their clients; that is, where these entities hold a deposit in which they act as representatives or agents of third parties and provided that the legal beneficiary has been identified or is identifiable before the circumstances described in Article 8 thereof occur. Likewise, according to the amendment made to Article 9bis.1, credit institutions will have always identified the eligible and guaranteed deposits of each depositor with the level of detail determined by Bank of Spain.

Credit institutions and branches attached to the Deposit Guarantee Fund must consider and comply with the new provisions introduced in Royal Decree 2606/1996, in addition to complying with the obligations established in Circular 8/2015, of December 18th, of Bank of Spain, to the entities and branches attached to the Deposit Guarantee Fund of Credit Institutions, on information to determine the basis for calculating contributions to the Deposit Guarantee Fund of Credit Institutions.

The Management Committee of the Deposit Guarantee Fund in Credit Institutions (FGD), in its session of November 26th, 2021, under the provisions of Article 6 of Royal Decree-Law 16/2011, of October 14th, which creates the FGD and article 3 of Royal Decree 2606/1996, of December 20th, on deposit guarantee funds of credit institutions, establishes the annual contributions corresponding to 2021 in the following terms:

i. The total annual contribution of all the entities adhering to the deposit guarantee compartment of the FGD has been set at 1.7 ‰ of the calculation base, constituted by the guaranteed monetary deposits as indicated in section 2.a) of Article 3 of Royal Decree 2606/1996, existing on December 31st, 2020, calculating the contribution of each institution based on the amount of the guaranteed deposits and its risk profile. The amount of the 2021 contribution that corresponds to Aresbank, calculated in accordance with the provisions of Circular 5/2016, of May 27th, of the Bank of Spain, amounts to 13 thousand euros.

ii. the annual contribution of the entities adhering to the securities guarantee compartment of the FGD has been set at 2 ‰ of the calculation base, constituted by 5% of the amount of the guaranteed securities, as indicated in section 2.b) of the Article 3 of Royal Decree 2606/1996, existing on December 31st, 2021. The amount of the contribution to the securities guarantee compartment of Aresbank will be quantified directly in view of the declaration of "information to determine the bases for calculating the contributions" to the FGD according to the model provided for in Annex 1 of Circular 8/2015, of December 18th, of the Bank of Spain, with data from December 31, 2021.

3.12 Bank Restructuring and Single Resolution Fund

In accordance with Article 65 of Regulation (EU) No 806/2014 of the European Parliament and of the Council, of July 15th, 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, on the Single Resolution Mechanism ('SRM'); all entities falling within the scope of the SRM Regulation should contribute to the administrative costs of the Single

Resolution Board ('SRB'). To that end, the SRB calculates and collects annual administrative contributions based on Commission Delegated Regulation (EU) 2017/2361 of September 14th, 2017, on the final system of contributions to administrative expenditure of the Single Resolution Board. The contribution made in 2021 amounted to 797 thousand euros.

The system for the collection of administrative contributions set out in that Regulation has been amended by Commission Delegated Regulation EU 2021/517 of February 11th, 2021, amending Delegated Regulation (EU) 2017/2361 as regards the payment of contributions to the administrative costs of the Single Resolution Board, which entered into force in early 2021.

Until the 2021 contribution cycle, individual annual contributions were calculated and collected in the first quarter. Starting in the 2022 cycle, the SRB will calculate and collect individual annual contributions in the third quarter. This is due to the fact that individual annual contributions are calculated on the basis of data relied upon by the European Central Bank ('ECB') to calculate its own annual supervisory fees and subsequently provided to the SRB. Since 2021, the collection of ECB supervisory fees has been deferred until the second quarter, the ECB can only provide the SRB with this data no later than the beginning of July each year.

Individual annual contributions will only be collected in the third quarter of each year, the new Article 4 bis of the Delegated Regulation allows the SRB to collect advance tranches of individual annual contributions in order to pre-finance its expenditure for the part of the financial year preceding the time the annual individual contributions are collected.

Advance tranches may amount to a maximum of 75% of the total amount of individual annual contributions to be collected in that cycle. Advance tranches shall not be collected from all entities falling within the scope of the SRM Regulation, but only from entities and groups under the direct supervision of the SRB. When the Board decides to collect advance tranches in accordance with Article 4 bis of the Delegated Regulation, this shall normally occur at the beginning of the first quarter for reasons relating to cash flow and budgetary planning. Unlike individual annual contributions, advance tranches would be calculated on the basis of the amounts paid as administrative contributions in the immediately preceding cycle. The advance tranche will be deducted from the individual annual contribution for that cycle, calculated and collected in the third quarter.

In accordance with Article 14 bis of the Delegated Regulation, the SRB shall recalculate in the financial year 2022 the individual annual contributions due for the financial year 2021 on the basis of data provided by the ECB to the SRB in May 2021, and their updates. Any difference between the amount paid in the financial year 2021 and the amount recalculated in the financial year 2022 shall be charged against the amount of individual annual contributions due for the financial year 2022.

In addition, starting from the 2022 administrative contribution cycle, a structured consultation with the institutions will be introduced as part of the decision-making process and will be carried out before the adoption of both (the decision on the advance tranches and the decision on the individual annual contributions). The introduction of a consultation phase is expected to further improve transparency and increase the robustness of the decision-making process for administrative contributions.

On the basis of the data received from the ECB in accordance with Article 6 of the Delegated Regulation, Aresbank can be considered as liable for the fee within the meaning of Article

4 of Regulation (EU) No 1163/2014. However, Aresbank does not fall into any of the categories listed in Article 4(1)(a) RD; therefore, it does not need to contribute to the advance tranches in the first quarter of 2022 and no additional action is requested.

Along 2021, 20 thousand euros were paid as a fee to cover the operating costs of the SRF and 15 thousand euros regarding ECB's supervisory fee.

3.13 Subsequent Events to December 31st, 2021

The Annual Accounts of the year 2021 have been formulated by Aresbank' Board of Directors in the resolution dated on March 29th, 2022. Likewise, the Board will propose to the Shareholder's Assembly a dividend payout for an amount of 6,342 thousand euros (Note 4).

After several years of tensions between Russia and Ukraine, on February 24th, 2022, the military invasion of Ukraine by the Russian Government took place. In response to this military action, important economic sanctions against Russia have been announced by several countries and a growing number of large public and private companies have announced voluntary actions to restrict business activities with Russia. These actions include plans to dispose of assets or disrupt operations in Russia, reduce exports or imports from the country, and suspend the provision of services to the Russian state and companies.

The Ukraine conflict and its effects take place at a time of significant global economic uncertainty and volatility and the effects are likely to interact with and even aggravate the effects of current market conditions. The outbreak of the war brings with it an important list of effects on the economy, such as the increase in the price of energy, the interruption of trade relations, volatility of the stock markets, rupture of the supply chain, etc.

At the time of the preparation of these annual accounts, the Bank has not been affected, nor is it expected to be significantly affected by the impacts of this situation.

Regardless of what has been mentioned in this report, between the closing date and the date of formulation of these annual accounts, no other additional fact that significantly affects them and that has not been included in these annual accounts has been revealed.

4. PROFIT (OR LOSS) DISTRIBUTION

The proposal that will be submitted to the General Shareholders' Meeting of Aresbank, S.A. for the distribution of the result of the year 2021 and the one that was approved in the 2021, together with the distribution of the profit for the year 2020 approved by the General Shareholders' Meeting dated March 23rd, 2021, is the following:

	2021	2020
Net profit (or loss) for the year	**7,047**	**11,012**
To retained earnings (legal reserve)	(705)	(1,101)
Dividends (Note 3.13)	6,342	9,911

5. ACCOUNTING PRINCIPLES AND VALUATION METHODS APPLIED

This Annual Accounts have been prepared applying the Spanish regulations (Circular 4/2017 from Bank of Spain), as well as its successive amendments, and other provisions of the financial information regulatory framework applicable to the Bank.

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. 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

Classification

Circular 4/2017 contains three main categories for financial assets classification: measured at amortized cost, measured at fair value with changes in other accumulated comprehensive income, and measured at fair value through profit or loss.

The classification of financial instruments measured at amortized cost or fair value must be carried out on the basis of two tests: the entity's business model and the assessment of the contractual cash flow, commonly known as the "solely payments of principle and interest" criterion (hereinafter, the SPPI).

A debt instrument will be classified in the amortized cost portfolio if the two following conditions are fulfilled:

1) The financial asset is kept within the framework of a business model whose objective is to maintain financial assets in order to obtain contractual cash flows; and

2) The contractual conditions of the financial asset give rise to cash flows that are sole payments of principal and interest, understanding the same as the compensation for the time value of the money and the credit risk of the debtor.

A debt instrument will be classified in the portfolio of financial assets at fair value with changes in other comprehensive income if the two following conditions are fulfilled:

1) The financial asset is maintained within the framework of a business model whose purpose combines collection of the contractual cash flows and sale of the assets, and
2) The contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only principal and interest payments on the outstanding amounts.

Valuation of financial assets

All financial instruments are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit (or loss), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, Unless there is evidence to the contrary, the best evidence of the fair value of a financial instrument at initial recognition shall be the transaction price.

Excluding all trading derivatives not considered as accounting or economic hedges, all the changes in the fair value of the financial instruments arising from the accrual of interest and similar items are recognized under the headings “Interest income” or “Interest expenses”, as appropriate, in the accompanying income statement in which period the change occurred.

The changes in fair value after the initial recognition, for reasons other than those mentioned in the preceding paragraph, are treated as described below, according to the categories of financial assets and liabilities.

“Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit (or loss)” and “Financial assets designated at fair value through profit (or loss)”

Financial assets are registered under the heading “Financial assets held for trading” if the objective of the business model is to generate gains by buying and selling these financial instruments or generate short-term results. The financial assets registered in the heading “Non-trading financial assets mandatorily at fair value through profit (or loss)” are assigned to a business model which objective is to obtain the contractual cash flows and / or to sell those instruments, but its contractual cash flows do not comply with the requirements of the SPPI test.

In “Financial assets designated at fair value through profit (or loss)” the Bank classifies financial assets only if it eliminates or significantly reduces a measurement or recognition inconsistency (an ‘accounting mismatch’) that would otherwise arise from measuring financial assets or financial liabilities or recognizing gains or losses on them, on different bases.

The assets recognized under these headings of the balance sheets are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the heading “Gains (losses) on financial assets and liabilities, net” in the accompanying income statements. Interests from derivatives designated as economic hedges on interest rate are recognized in “Interest income” or “Interest expenses”, depending on the result of the hedging instrument. However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading

"Gains (losses) on financial assets and liabilities, net" in the accompanying income statements).

" Financial assets at fair value through other comprehensive income"

Assets recognized under this heading in the balance sheet are measured at their fair value. Subsequent changes in fair value (gains or losses) are recognized temporarily net of tax effect, under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" in the balance sheet

The amounts recognized under the headings "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of financial assets measured at fair value through other comprehensive income" and "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Exchange differences" continue to form part of the Bank's equity until the corresponding asset is derecognized from the balance sheet or until an impairment loss is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Gains (losses) on financial assets and liabilities, net" or "Exchange differences, net", as appropriate, in the income statement for the year in which they are derecognized.

The net impairment losses in "Financial assets at fair value through other comprehensive income" over the year are recognized under the heading "Impairment losses on financial assets, net – Financial assets at fair value through other comprehensive income" in the income statements for that period.

Any variation in the value of non-monetary items that come from exchange differences are transiently recorded under the heading "Other comprehensive income - Items that can be reclassified into results - Currency conversion" of the balance sheet.

Changes in foreign exchange rates resulting from monetary items are recognized under the heading "Exchange differences, net" in the accompanying income statement.

Financial assets shall be valued at fair value with changes in results unless it is valued at amortized cost or at fair value through other comprehensive income.

"Financial assets at amortized cost"

A financial asset is classified as subsequently measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect and Meets the SPPI Criterion. The assets under this category are subsequently measured at amortized cost, using the effective interest rate method. Net impairment losses of assets recognized under these headings arising in each period are recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost" in the income statement for that period.

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.

5.5 Financial Liabilities

The standard does not require so much the business model and SPPI tests to be carried out for the classification of financial liabilities as in the case of financial assets.

"Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit (or loss) "

The subsequent changes in the fair value (gains or losses) of the liabilities recognized under these headings of the balance sheets are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying income statements except for the financial liabilities designated at fair value through profit and loss under the fair value option for which the amount of change in the fair value that is attributable to changes in the own credit risk which is presented in other comprehensive income (for the measurement of changes in credit risk). Interests from derivatives designated as economic hedges on interest rate are recognized in "Interest income" or "Interest expenses", depending on the result of the hedging instrument. However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying income statements.

"Financial liabilities at amortized cost"

The liabilities under this category are subsequently measured at amortized cost, using the effective interest rate method.

5.6 Impairment of value of financial assets

The book value of financial assets is adjusted with a charge to the Income Statement with the estimation of the expected credit losses.

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 Bank 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 expected losses for impairment is equal to the negative difference between their book value and the present value of their estimated future cash flows discounted. 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 Bank might recover.

The estimated cash flows of a debt instrument are all the amounts of principal and interest that the Bank 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 analyzed 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 Bank 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 (default event) 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 analyzed 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 Bank 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 Bank of Spain 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 analyzed 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 expected losses incurred, determined individually or collectively, that are those held by all the risk transactions assumed by the Bank since the moment it grants the risk.

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, 2021 amounts, respectively, to 920,641 and 920,465 thousand euros (592,413 and 587,387 thousand euros, respectively, as of December 31st, 2020).

5.8 Tangible assets

"Tangible Assets for Own Use" are the property items of which the Bank 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 Intangible Assets

Intangible assets are identifiable non-monetary assets, although without physical appearance, which arise as a result of a legal transaction or have been developed internally by the Bank. The Bank only recognizes intangible assets whose cost can be reasonably and objectively estimated, and the Bank estimates that it is probable to obtain economic benefits from them in the future.

Intangible assets are recorded in the balance sheet at their cost of acquisition or production, net of its accumulated depreciation and any impairment losses that could have suffer.

5.10 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, 2021 and 2020.

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.

5.11 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.

5.12 Provisions and contingent liabilities

Provisions are present obligations of the Bank 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 Bank expects to settle on maturity through an outflow of resources embodying economic benefits.

The Bank recognizes 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, 2021, and 2020, there were still pending some legal proceedings and claims brought against the Bank 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 Bank 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 Bank. They include the present obligations of the Bank 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.

5.13 Pension commitments

As of December 31st, 2021, and 2020, Aresbank' pension commitments with the serving employees were externalized by means of defined contribution pension plan and an insurance contract.

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 2021 amounted to 159 thousand euros. In 2020, it amounted to 159 thousand euros (Note 27).

Aresbank' outstanding balance related to the employees' contributions with the pension fund management company (BanSabadell Pensiones) amounts to a total of 3,588 thousand euros as of December 2021 and 3,312 thousand euros as of December 2020.

5.14 Corporate Income tax

The Bank recognizes as an expense the tax levied on profits from continuing activities accrued in the year, which is obtained on the basis of the result of the same and taking into account the temporary differences between the accounting result and the tax result (tax base). Existing bonuses and deductions on the tax rate are taken into consideration. The differences between the tax levied on the profits from the continuing activities payable and the expense for such tax caused by the temporary allocation differences are recorded as deferred tax assets or liabilities, as applicable.

By application of Rule 42 of Circular 4/2017, the quantification of deferred tax assets and liabilities is carried out by applying to the temporary difference, or credit that corresponds, the tax rate at which it is expected to recover or settle. As of December 31st, 2021, and 2020, the Bank has fiscal assets (Note 12).

5.15 Severance payments

In accordance with the labor regulations in force, entities are obliged to pay compensation to employees with whom, under certain conditions, their employment relations are terminated. These indemnities are charged to results as soon as there is a plan that requires payment of the same.

5.16 Financial Guarantees

Financial guarantees are contracts under which the Bank undertakes to pay specific amounts by a third party in the event of not doing so, regardless of their legal form, which may be, among others, that of a collateral, financial or technical guarantee and irrevocable documentary credit issued or confirmed by the Bank.

5.17 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. Off-balance-sheet items will include the balances representing rights, obligations and other legal situations that may have financial repercussions in the future, as well as those other balances that are necessary to reflect all the operations carried out by the entities, even if they do not compromise their wealth. Off-balance-sheet items shall be grouped into the following categories: guarantees granted, contingent commitments granted, financial derivatives, pension commitments and risks and similar obligations, transactions on behalf of third parties and other off-balance-sheet accounts.

The category "Other commitments granted" shall include all transactions whereby an institution secures obligations of a third party arising as a result of financial guarantees granted by the institution or by other contracts. This category includes:

a) Other financial guarantees: it will collect the amount of any financial guarantee not included as financial guarantee, financial guarantee, credit derivatives sold, derivative risks contracted on behalf of third parties.

b) Irrevocable documentary credits: it will include irrevocable payment commitments made against delivery of documents. They shall be recorded for the maximum amount for which the institution is liable to third parties on the date to which the balance sheet relates.

c) Other guarantees provided: it will include all kinds of guarantees and bonds such as technical guarantees and those for the import and export of goods and services. They shall include irrevocable formalized pledges of guarantee and the guarantee letters as soon as they may be enforceable by law and entrenchments of any kind.

d) Other contingent risks: It shall include the maximum amount of which the entity is liable to third parties for any operation in which the entity assumes a contingent risk not included in other items.

In transactions in which interest is due, the maximum amount guaranteed shall include, in addition to the principal guaranteed, the overdue interest outstanding. The amounts guaranteed may be reduced or deregistered from off-balance-sheet only if it is reliable that the risks guaranteed have been reduced or cancelled or when they are paid against third parties or must be recorded in the liabilities because the beneficiaries have claimed payment.

The category "Loan commitments granted" shall include those irrevocable commitments which could give rise to the recognition of financial assets. This category shall be broken down into the following headings:

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 Bank, 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.

5.18 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.

5.19 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.b for the detail of the related party transactions during 2021 and 2020.

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 recognized.

5.20 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.

5.21 Hedge accounting and risk mitigation

The Bank uses derivative instruments to reduce its exposure to foreign currency exchange rate risks. The Bank designates an operation as of coverage, since the beginning of the transaction or the instrument included in this coverage, properly documenting the hedging transaction. The Bank only records as hedging transactions the ones which are considered highly effective throughout the life of the transaction.

The coverage operations carried out by the Bank are classified as fair value hedging that cover the exposure to changes in the fair value of financial assets and liabilities or commitments still unrecognized, or a portion of such assets, liabilities or commitments attributable to an identified risk in particular and provided that affect the profit (or loss) account. The differences in the covered elements and in their coverages are recognized directly in the profit (or loss) account.

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 Risk & Regulatory Compliance Committee, as well as the Audit Committee, report to the Board of Directors on the risks maintained and the operation of the operation.

- Risk management is based on the monitoring of control procedures to ensure compliance within the established limits, the defined responsibilities, and the monitoring of risk indicators.
- The main objective is the management of credit, market, liquidity, operational, business and reputational risk, as well as the maintenance of a level of capital in a coordinated manner at all levels within our organization.
- The risk management function is independent of other departments.

6.1 Credit Risk

The credit risk makes up the largest part of Aresbank' risk exposures. The total credit risk weighted assets under Pillar I, using standard approach, is 544,135 thousand euros. 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 gross lending amounted as of December 31st, 2021, to 1,126,932 thousand euros, in comparison with 836,231 thousand euros in 2020. The key component of the total lending was "Loans and Advances to Credit Institutions", for an amount of 933,204 thousand euros, from which 815,822 thousand euros are placed within the Interbank market.

Contingent exposures have decreased from the previous year to a total amount of 214,231 thousand euros.

CREDIT INVESTMENT EXPOSURES	2021	2020
Balance sheet exposures (Gross)	1,126,932	836,231
Granted guarantees	214,231	125,355
Drawable balances	135,473	111,049
	1,476,636	**1,072,635**

RISK CONCENTRATION BY ACTIVITY AND GEOGRAPHICAL AREA

The breakdown corresponding to 2021 is the following:

	Total	Spain	Rest of E.U.	America	Rest of the world
Credit institutions	**1,146,039**	**761,933**	**268,292**	**24,835**	**90,979**
Central Banks	*208,050*	*208,050*	-	-	-
Rest	*937,989*	*553,883*	*268,292*	*24,835*	*90,979*
Public Sector	**-**	**-**	**-**	**-**	**-**
Other financial entities	**59,453**	**-**	**-**	**-**	**59,453**
Non-financial Corporates and Individuals	**152,307**	**112,749**	**7,926**	**-**	**31,632**
Corporates	*144,720*	*105,180*	*7,908*	-	*31,632*
SME and individuals	*7,587*	*7,569*	*18*	-	-
Other households (others)	**499**	**499**	**-**	**-**	**-**
TOTAL	**1,358,298**	**875,181**	**276,218**	**24,835**	**182,064**

The breakdown corresponding to 2020 is the following:

	Total	Spain	Rest of EU	America	Rest of the world
Credit institutions	**866,013**	**675,672**	**29,178**	**6,725**	**154,438**
Central Banks	*232,031*	*189,894*	-	-	*42,137*
Rest	*633,982*	*485,778*	*29,178*	*6,725*	*112,301*
Public Sector	**-**	**-**	**-**	**-**	**-**
Other financial entities	**75,017**	**-**	**-**	**-**	**75,017**
Non-financial Corporates and Individuals	**221,115**	**120,307**	**4,932**	**-**	**95,876**
Corporates	*200,828*	*100,167*	*4,804*	-	*95,857*
SME and individuals	*20,287*	*20,140*	*128*	-	*19*
Other households (others)	**496**	**496**	**-**	**-**	**-**
TOTAL	**1,162,641**	**796,475**	**34,110**	**6,725**	**325,331**

6.2 Market Risk

The measurement, control and monitoring of the Aresbank' 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 2021 and 2020. 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.

- **Foreign currency risk**

The global net position in foreign currency of Aresbank as of December 31st, 2021 amounts to 175 thousand euros, not exceeding the 2% of the entity's own funds; thus, no capital requirement is applicable. The Bank does not have a material trading book in the sense that there is no risk pertaining to interest rate related instruments, equities and commodities in the trading book.

- **Liquidity**

The analysis of the liquidity of the bank shows that the Bank has sufficient liquidity to meet its near-term liabilities.

As of December 31st, 2021, in thousand euro:

Time Buckets	Assets	Liabilities	Gap	Accrued Gap
Up to 1 month	1,153,550	1,027,163	126,387	126,387
Between 1 and 3 months	45,920	-	45,920	172,307
Between 3 and 6 months	31,621	-	31,621	203,928
Between 6 and 12 months	2,155	-	2,155	206,083
Between 1 and 5 years	101,963	29	101,934	308,017
More than 5 years	18,228	23	18,205	326,222

As of December 31st, 2020, in thousand euro:

Time Buckets	Assets	Liabilities	Gap	Accrued Gap
Up to 1 month	770,558	703,722	66,836	66,836
Between 1 to 3 months	76,045	-	76,045	142,881
Between 3 and 6 months	45,723	1	45,722	188,603
Between 6 and 12 months	22,208	815	21,393	209,996
Between 1 and 5 years	56,298	108	56,190	266,186
More than 5 years	74,022	179	73,843	340,029

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 burden, amounting 3,535 thousand euros, is based on the average of positive gross income of the previous three years multiplied by 15%.

7. CASH, BALANCES WITH CENTRAL BANKS AND DEMAND DEPOSITS

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, 2021 and 2020 is as follows:

	2021	2020
Cash	108	141
Bank of Spain - Nostro Account	208,050	189,894
Demand deposits	75,761	54,426
	283,919	**244,461**

The caption "Other demand deposits" is presented net, as it includes 9 thousand euros due to country-risk impairments.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The breakdown of this caption as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Nature:		
Fixed income (Spain)	9,826	15,809
Generic impairments	(91)	(126)
	9,735	**15,683**
Currency:		
Euro	9,735	15,683
	9,735	**15,683**

	2021	2020	2021	2020
Rating:				
A-	-	6,130	-	39.09%
BBB-	9,735	9,553	100.00%	60.91%
	9,735	**15,683**	**100.00%**	**100.00%**

The interest accrued in 2021 for debt securities amounted to 75 thousand euros (2020: 358 thousand euros) (See Note 22).

The detail of the valuation adjustments made through equity it is shown in Note 19, with regard to debt securities.

9. FINANCIAL ASSETS AT AMORTIZED COST

The detail of this caption as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Debt securities	6,164	-
Loans and advances to:		
Credit institutions	857,434	524,745
Customers	194,207	257,574
TOTAL Financial assets at amortized cost, gross	**1,057,805**	**782,319**

Impairment adjustments to:		
Debt securities	(35)	-
Credit institutions	(471)	(1,737)
Customers	(5,027)	(3,301)
TOTAL Financial assets at amortized cost, net	**1,052,272**	**777,281**

The breakdown by currency, residual maturity and sectors of the caption "**Financial assets at amortized cost**" as of December 31st, 2021, and 2020, is as follows:

	2021	**2020**
By currency		
Euro	157,767	192,810
Other currencies	894,505	584,471
TOTAL Financial assets at amortized cost, net	**1,052,272**	**777,281**
By residual maturity		
Up to 3 months	913,860	601,628
Over 3 months to 1 year	30,456	64,457
Over 1 year to 5 years	99,554	43,580
Over 5 years	8,402	67,616
TOTAL Financial assets at amortized cost, net	**1,052,272**	**777,281**
By sector		
Residents	649,335	569,806
Non- residents	402,937	207,475
TOTAL Financial assets at amortized cost, net	**1,052,272**	**777,281**

9.1 – Debt securities

The detail by nature as of December 31st, 2021, and 2020 is as follows:

	2021	**2020**
Promissory notes	6,164	-
Debt securities, gross	**6,164**	**-**
Impairment adjustments	(35)	-
Debt securities, net	**(6,129)**	**-**

The interest accrued during the year 2021 of debt securities registered at amortized cost amounted to 195 thousand euros (2020: 0 thousand euros) (See Note 22).

9.2 – Loans and advances to credit institutions

The detail by nature as of December 31st, 2021, and 2020 is as follows:

	2021	2020
Time deposits	857,332	524,571
Non-Performing Assets	-	102
Interest accrued	160	134
Commissions	-	(52)
Purchase premium/discounts	(58)	(10)
Loans and advances to credit institutions, gross	**857,434**	**524,745**
Impairment adjustments	(471)	(1,737)
Loans and advances to credit institutions, net	**856,963**	**523,008**

The interest accrued during the year 2021 on loans and advances to credit institutions registered at amortized cost amounted to 2,248 thousand euros (2020: 4,729 thousand euros) (See Note 22).

9.3 – Loans and advances to customers

The breakdown as of December 31st, 2021, and 2020 is as follows:

	2021	2020
By type		
Other term receivables	194,802	257,984
Receivable on demand and other	346	89
Non-Performing Assets	561	1,374
Other Financial Assets	479	525
Commissions	(2,449)	(2,755)
Premiums / Discount	(4)	(236)
Interest Accrued	472	593
Loans and advances to other debtors, gross	**194,207**	**257,574**
Impairment adjustments	(5,027)	(3,301)
Loans and advances to other debtors, net	**189,180**	**254,273**

The line "Other financial assets" includes an approximate amount of 479 thousand euros mainly of bails and advances to suppliers as of December 31st, 2021 (525 thousand euros as of December 31st, 2020).

The detail of the economic activities regarding **"Financial assets at amortized cost"** is as follows:

	2021	**2020**
Economic Activity		
Financial intermediation	86.98%	81.91%
Retail / Wholesale	7.37%	4.16%
Other manufacturing Industry	3.30%	1.13%
Professional activities	1.04%	1.30%
Hostelry	0.75%	0.62%
Other sectors with lesser participation	0.31%	0.40%
Construction	0.25%	0.47%
Oil refinery	-	10.01%
	100.00%	**100.00%**

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

	2021	**2020**
Geographic Area		
Spain	61.83%	73.31%
Other European Union countries	26.10%	0.62%
Arab countries (Asia)	6.77%	10.53%
Other European countries	3.06%	4.72%
Other countries (Asia)	1.69%	4.72%
Arab countries (Africa)	0.55%	10.83%
	100.00%	**100.00%**

The interest accrued during the year 2021 from loans and advances to customers registered at amortized cost amounted to 4,523 thousand euros (2020: 6,753 thousand euros) (See Note 22).

9.4 – Impairment adjustments

The movements in 2021 and 2020 of the balance of "**Impairment adjustments**" per type of coverage of the caption "Financial assets at amortized cost" and "Financial assets at fair value through other comprehensive income" are as follows:

	Specific Allowance	Generic Allowance	Country risk Allowance	TOTAL
Balance as of 31 December 2019	**2,233**	**992**	**2,395**	**5,620**
Additions (see Note 31)	210	1,596	1,876	3,682
Disposals (see Note 31)	1,320	(1,266)	(1,660)	(1,606)
Other	(2,457)	(46)	(18)	(2,521)
Balance as of 31 December 2020	**1,306**	**1,276**	**2,593**	**5,175**
Additions (see Note 31)	115	1,024	73	1,212
Disposals (see Note 31)	-	(1,363)	(2,104)	(3,467)
Other (see Nota 16)	(860)	3,547	26	2,713
Balance as of 31 December 2021	**561**	**4,484**	**588**	**5,633**

The caption "Other" as of December 31st, 2021 and 2020 includes adjustments due to foreign exchange and reclassifications.

10. TANGIBLE ASSETS

a) Movement

The movements of the caption "**Tangible Assets**" of the Balance Sheets as of December 31st, 2021 and 2020 are as follows:

	For own Use	Investment Property	TOTAL (*)
Cost			
Balance as of 31 December 2019	**16,007**	**21,766**	**37,773**
Additions	121	-	121
Disposals	(4)	-	(4)
Balance as of 31 December 2020	**16,124**	**21,766**	**37,890**
Additions	71	-	71
Disposals	(23)	-	(23)
Balance as of 31 December 2021	**16,172**	**21,766**	**37,938**

(*) From which 25,749 thousand euros corresponds to the historical value of the land.

Accumulated Amortization			
Balance as of 31 December 2019	**(2,843)**	**(2,757)**	**(5,600)**
Allowance (Note 30)	(280)	(103)	(383)
Disposals	2	-	2
Balance as of 31 December 2020	**(3,121)**	**(2,860)**	**(5,981)**
Allowance (Note 30)	(276)	(103)	(379)
Disposals	19	-	19
Balance as of 31 December 2021	**(3,378)**	**(2,963)**	**(6,341)**
Net Tangible Assets			
Balance as of 31 December 2020	**13,003**	**18,906**	**31,909**
Balance as of 31 December 2021	**12,794**	**18,803**	**31,597**

As of December 31st, 2021, and 2020, the Entity had no tangible assets that were temporarily out of service or removed from active use.

As of December 31st, 2021, and 2020, the Entity did not have any commitment to purchase or sell tangible assets for a significant amount.

The breakdown of fully amortized tangible assets is as follows:

	Furniture	Installations	Office Equipment	Others	TOTAL
Balance as of 31 December 2020	**126**	**257**	**82**	**-**	**465**
Balance as of 31 December 2021	**438**	**263**	**106**	**9**	**816**

b) Tangible Assets for Own Use

The detail by nature of the items which comprises the balance of this caption as of December 31st, 2021 and 2020, is as follows:

	Land & Building	Furni ture	Installati ons	Office Equipment	Other	TOTAL
Cost						
Balance as of 31 December 2019	**14,029**	**626**	**924**	**266**	**162**	**16,007**
Additions	1	5	36	79	-	121
Disposals	-	-	-	(4)	-	(4)

Balance as of 31 December 2020	**14,030**	**631**	**960**	**341**	**162**	**16,124**
Additions	-	1	36	34	-	71
Disposals	-	-	(19)	(4)	-	(23)
Balance as of 31 December 2021	**14,030**	**632**	**977**	**371**	**162**	**16,172**
Accumulated Amortization						
Balance as of 31 December 2019	**(1,531)**	**(510)**	**(649)**	**(139)**	**(14)**	**(2,843)**
Allowance (Note 30)	(98)	(55)	(63)	(58)	(6)	(280)
Disposals	-	-	-	2	-	2
Balance as of 31 December 2020	**(1,629)**	**(565)**	**(712)**	**(195)**	**(20)**	**(3,121)**
Allowance (Note 30)	(98)	(35)	(69)	(69)	(5)	(276)
Disposals	-	-	15	4	-	19
Balance as of 31 December 2021	**(1,727)**	**(600)**	**(766)**	**(260)**	**(25)**	**(3,378)**
Net Tangible Assets						
Balance as of 31 December 2020	**12,401**	**66**	**248**	**146**	**142**	**13,003**
Balance as of 31 December 2021	**12,303**	**32**	**211**	**111**	**137**	**12,794**

At the balance sheet date, the Bank did not maintain any tangible fixed assets balance transferred under Leasing.

c) Investment property

The Bank is the lessor of certain offices within the building placed at Paseo de la Castellana, 257 in Madrid, and a trade premise at Calle León y Castillo, Las Palmas de Gran Canaria. These operating lease contracts can be cancelled without penalties, except one of them, binding from January 1st, 2022, to September 23rd, 2022. The rest of the contracts have a prior notice agreed between 3 and 4 months, depending on the agreements. The total expected earnings from these operating leases, until the maturity of the contracts, amounting to 3,983 thousand euros until June 2027 (last contract maturity date), and the breakdown is the following:

	2021	**2020**
Up to one year	1,133	1,433
From 1 year to 5 years	2,580	3,210

Over 5 years	270	352
	3,983	**4,995**

During 2021 and 2020, income from these operating leases coming from investment properties amounted to 1,153 and 1,424 thousand euros, respectively. They are entered in the item "Other Operating Income" of the Income Statement (Note 26). The operating expenses related to said investment properties amounted to 250 and 208 thousand euros respectively and are entered in the caption "Other Administrative Expenses" (Note 28) as premises expenses. Those are passed on to the tenants and are recorded in "Other" under "Other operating income" (Note 26).

11. INTANGIBLE ASSETS

The movements of this caption as of December 31st, 2021 and 2020 are as follows:

	2021	2020
Cost		
Balance as of January 1st	**1,515**	**1,411**
Additions	162	104
Disposals	-	-
Balance as of December 31st	**1,677**	**1,515**
Accumulated Amortization		
Balance as of January 1st	**(1,366)**	**(1,215)**
Allowance (Note 30)	(145)	(151)
Disposals	-	-
Balance as of December 31st	**(1,511)**	**(1,366)**
Net Intangible Assets		
Balance at the beginning of the period	**149**	**196**
Balance at the end of the period	**166**	**149**

The amount of intangible assets fully amortized as of December 31st, 2021, amounts to 1,481 thousand euros (1,261 thousand euros in 2020)

12. TAX ASSETS AND TAX LIABILITIES

This chapter includes the amount of all assets of a tax nature. The detail of these items as of December 31st, 2021 and 2020 is as follows:

	2021	2020
TAX ASSETS		
Corporate income tax (Note 21)	1,060	1,012
Corporate income tax (previous years)	954	-
VAT pending to offset	-	56
Other tax assets	1,812	1,668
	3,826	**2,736**

TAX LIABILITIES	2021	2020
Social Security	18	31
Income tax payable	277	241
Deferred tax	-	-
Others	15	1
	310	**273**

13. OTHER ASSETS AND OTHER LIABILITIES

The detail of these two captions is as follows:

	Assets		Liabilities	
	2021	2020	2021	2020
Prepaid expenses	241	75	-	-
Financial guarantees	-	-	73	68
Accrued expenses	-	-	1,215	1,274
	241	**75**	**1,288**	**1,342**

The caption "Accrued expenses" includes mainly overheads accruals. The caption "For financial guarantees" includes, at December 31st, 2021 and 2020, commissions from guarantees granted to clients, which are accrued over the expected life of the guarantee at the effective interest rate.

14. FINANCIAL LIABILITIES AT AMORTIZED COST

The breakdown of this caption of the Balance Sheets as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Deposits:		
from central banks	20,653	19,348
from credit institutions	951,613	616,394
from other creditors	54,835	69,129
TOTAL Deposits	**1,027,101**	**704,871**
Other financial liabilities	868	8,388
TOTAL Financial liabilities at amortized cost	**1,027,969**	**713,259**

The detail by currency and residual maturity of "**Financial liabilities at amortized cost**" of the Balance Sheets as of December 31st, 2021 and 2020 is as follows:

	2021	2020
By currency		
Euro	107,700	125,920
Other currencies	920,269	587,339
TOTAL Financial liabilities at amortized cost	**1,027,969**	**713,259**
By residual maturity		
Up to 3 months	1,027,600	712,156
Over 3 months to 1 year	6	816
Over 1 year to 5 years	340	108
Over 5 years	23	179
TOTAL Financial liabilities at amortized cost	**1,027,969**	**713,259**

14.1 – Central bank deposits

The breakdown of the "**Central Bank Deposits**" balance sheet as of December 31, 2021, and 2020 is as follows:

	2021	2020
Demand deposits:		
Current accounts	20,653	19,348
Valuation adjustments	0	0

	2021	2020
Central bank deposits	**20,653**	**19,348**

During the 2021 financial year, interest expense amounted to 627 thousand euros (2020: 1,162 thousand euros). (See Note 23).

14.2 – Deposits of credit institutions

The detail of "**Deposits from credit institutions**" of the Balance Sheet as of December 31st, 2021, and 2020 is as follows:

	2021	2020
Time deposits	812,290	436,947
Other accounts	139,250	179,401
Valuation adjustments	73	46
Deposits from credit institutions	**951,613**	**616,394**

As of December 31st, 2021, the Libyan Foreign Bank holds deposits amounting, 900 million dollars (497 million dollars and 25 million euros in 2020), recorded in the caption "Deposits from Credit Institutions".

The interest accrued during the year 2021 on deposits of credit institutions amounted to 1,390 thousand euros (2020: 3,491 thousand euros) (See Note 23).

14.3 – Customer deposits

The detail of the caption "**Deposits from other creditors**" of the Balance Sheet as of December 31st, 2021, and 2020 is as follows:

	2021	2020
Public sector		
Spanish Government	22	30
Other resident sectors		
Demand deposits:		
Current accounts	17,083	21,483
Time deposits		
Fixed term deposits	34	159
Other non- resident sectors		
Demand deposits:		
Current accounts	37,678	47,329
Time deposits		
Fixed term deposits	18	128
Deposits from other creditors	**54,835**	**69.129**

The interest accrued during the 2021 financial year on customer deposits amounted to 1 thousand euros (2020: 2 thousand euros) (See Note 22).

14.4 – Other financial liabilities

All financial liabilities recorded under this heading of the attached balance sheet are classified in the portfolio of "Financial liabilities at amortized cost" so they are valued at their amortized cost. It includes the amount of obligations payable in the nature of financial liabilities not included in other items.

Details of "**Other financial liabilities**" of the Balance Sheets as of December 31st, 2021 and 2020 grouped by financial instrument are as follows:

	2021	2020
Dividends	-	7,777
Other accounts	319	260
Rental deposits	186	186
Special accounts	363	165
Other financial liabilities	**868**	**8,388**

15. PROVISIONS

The breakdown of this caption of the Balance Sheets as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Legal and tax	22	32
Contingent exposures and commitments	2,325	1,304
Other contingencies	-	3,500
	2,347	**4,836**

The movements of the caption "**Provisions**" in 2021 and 2020 are as follows:

	Provision for taxes	Contingent exposures and commitments	Other contingencies	TOTAL
Balance as of 31 December 2019	**590**	**2,607**	**120**	**3,317**
Net P/L allowances	-	949	3,460	4,409
Allowances released	(558)	(2,328)	-	(2,886)
Other	-	76	(80)	(4)
Balance as of 31 December 2020	**32**	**1,304**	**3,500**	**4,836**

Net P/L allowances	-	1,394	-	1,394
Allowances released	(10)	(378)	-	(388)
Other	-	5	(3,500)	(3,495)
Balance as of 31 December 2021	**22**	**2,325**	**-**	**2,347**

The provisions recorded by the Entity represent the best estimate of future obligations. The Directors of the Entity consider that there is no significant risk that the materialization of these estimates, taking into account the amount of these provisions, will entail a material adjustment on the carrying value of the assets and liabilities of the Entity in the next accounting year.

The Entity quantifies the provisions taking into account the best available information on the consequences of the event in which they are caused and are re-estimated at each accounting close, to be used to meet the specific obligations for which they were originally recognized; proceeding to its reversal, total or partial, when these obligations cease to exist or decrease.

The provisions relating to "Commitments and guarantees granted" include the amount set for generic and specific provisions of contingent risks, understood as those operations in which the Entity guarantees obligations of a third party, arising as a result of financial guarantees granted or other types of contracts, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets.

The chapter on "Other contingencies" includes provisions for processes in which the Entity assesses that it is likely to have to divest itself of resources that incorporate profit. In the same way, it includes the coverage of various risks, for which provisions have been set that cover unresolved aspects of which the Entity estimates a probable disbursement, as well as the coverage of probable disbursements that the Entity will have to face, derived from the usual activity of the same. In 2020, a provision of 3,500 thousand euros for COVID-19 contingencies was included, which have been reclassified to impairment losses on financial assets at amortized cost (see Note 9.4)

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

	2021	**2020**
Specific provision	270	-
Generic provision	707	409
Country risk provision	1,348	895
	2,325	**1,304**

“Provisions for contingent exposures and commitments” is considered as a remote risk depending on their evolution.

16. SHAREHOLDERS' EQUITY

The Bank's equity amounted to 349,842 thousand euros at December 31st, 2021 (352,584 thousand euros at December 31st, 2020). The Bank shows at the end of the year 2021 a capital solvency ratio of 58.24% (59.91% as of December 31, 2020) in terms of CET1 that highly exceeds the 13.21% minimum required by the Regulator for the year 2022. The movement of this heading for the years 2021 and 2020 is shown in the Statement of Changes in Equity.

17. SHARE CAPITAL

The share capital of Aresbank, S.A. as of December 31st, 2021, amounts to 300,001 thousand euros, and it is formed of 104,167 registered shares, fully disbursed, with a nominal value of 2,880 euros each.

The composition of the shareholders as of December 31st, 2020 is as follows:

	Amount (thousand euros)	Number of shares	% owned
Libyan Foreign Bank	299,586	104,023	99.86%
Crédit Populaire d'Algèrie	415	144	0.14%
	300,001	**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. RETAINED EARNINGS

The breakdown of the reserves as of December 31st, 2021 and 2020 is as follows:

	2021	**2020**
Legal reserve	19,650	18,548
Undistributed results	23,280	23,280
	42,930	**41,828**

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 to this end.

In any case, the Bank is subject to minimum regulatory capital requirements (Note 3.10).

19. OTHER COMPREHENSIVE INCOME

The balances in this chapter include the adjustments made to changes in the fair value of debt instruments with changes in other comprehensive income, that are temporarily recorded in equity. These are expressed net from tax effect.

	2021	2020
Fixed Income (Spain)	(136)	(257)
Valuation Adjustments	**(136)**	**(257)**

The bank undertakes a periodic evaluation mark to market on available for sale instruments in order to adjust its book value.

20. 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) Other commitments granted

It corresponds to transactions for which an entity guarantees obligations of a third party, arising as a result of financial guarantees granted by the entity or by other types of contracts. The entity must pay on behalf third parties in the event of non-payment by those who are originally obliged to pay, in response to the commitments made in the course of its usual activity.

The breakdown as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Financial guarantees		
Irrevocable issued documentary credits	6,932	6,228
Irrevocable confirmed documentary credits	183,107	92,716
Other Bank guarantees and indemnities	24,192	26,411
	214,231	**125,355**
Memo item: Doubtful contingent exposure	-	-

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

	2021	2020	2021	2020
Geographic Area				
Spain	6,329	6,039	3.33%	6.10%
EU Countries	26,311	28,495	13.85%	28.80%
Other European countries	3,040	2,090	1.60%	2.11%
Arab countries				
Libya	132,648	56,748	69.80%	57.36%
Algeria	20,893	5,543	10.99%	5.60%
Other Arab countries	817	29	0.43%	0.03%
	190,039	**98,944**	**100.00%**	**100.00%**

The income obtained from these guarantee-transactions is recognized in the Income Statement as "Fee and Commission Income" (Note 24).

The detail by geographic area of "**Other Bank guarantees & indemnities**" is as follows:

	2021	2020	2021	2020
Geographic Area				
Spain	15,905	18,051	65.74%	68.35%
EU Countries	691	801	2.86%	3.03%
Other European countries	3,434	3,394	14.20%	12.85%
Arab countries				
Libya	4,162	4,165	17.20%	15.77%
	24,192	**26,411**	**100.00%**	**100.00%**

b) Lending commitments granted

Breakdown is as follows:

	2021	2020
Drawable by third parties		
By other resident sectors	93,331	69,739
Non-residents	42,142	41,310
	135,473	**111,049**

21. TAX MATTERS

The Entity has open to inspection the last four years for the taxes to which its activity is subject. Due to the different interpretations that may be made of the tax rules applicable to the operations carried out by the Entity, there may be, for the years pending inspection, certain tax liabilities of a contingent nature, which are not susceptible of objective quantification. However, in the opinion of the Directors of the Entity, the possibility that in future inspections these contingent liabilities will materialize is remote and, in any case, the tax debt that could arise from them would not significantly affect the attached annual accounts.

According to tax legislation, positive accounting results are taxed at a tax rate of 30% in 2021 and 2020. The resulting tax payable may be reduced by applying certain deductions. However, tax settlements cannot be considered as definite until either Tax Authorities have checked 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 fiscal years open to inspection are 2018 onwards, except for the Corporate Income Tax, which is subject to inspection from 2017 onwards.

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

	2021	2020
Accounting profit (or loss) for the year before tax	8,170	12,322
Permanent differences	-	350
Temporary differences		
Positives	5,310	5,190
Negatives	(5,067)	(1,376)
Total	8,413	16,486
Offset of prior year negative taxable bases	(4,206)	(8,243)
Taxable profit	4,207	8,243
Tax liabilities	1,262	2,473
Deductions	-	-
Withholding tax	(260)	(270)
Advanced payment on Corporate Tax	(2,062)	(3,215)
Corporate income tax payable / (receivable) (Note 12)	(1,060)	(1,012)

The figures for 2020 correspond to those declared in July 2021 before the Spanish Tax Authorities. Those for 2021 are estimates, no significant changes are expected to the final statement.

As of December 31st, 2021, and 2020, the expense (-) or tax revenue on the results of continued activities is as follows:

	2021	2020
Current tax	1,320	2,261
Deferred tax	(197)	(2,545)
Tax credit amortisation	-	1,594
Expenses or revenues on corporate income tax	**1,123**	**1,310**

The Bank has negative taxable bases (carry-forward losses) for an amount of 36,245 thousand euros (44,680 thousand euros as of December 31st, 2020), coming from the tax year 2010.

The limitations approved in RDL 3/2016 (Royal Decree-Law) at Corporate Income Tax level have effects for tax periods beginning on or after January 1st, 2016. These are affecting taxpayers with a net turnover of, at least, 20 million euros and with regards to two types of tax credits: on the right to offset negative tax bases and reversals on impairments of certain credits that would have generated deferred tax assets, which are tax credits that are applied to the tax base, and, on deductions for internal and international double taxation, so much those generated in the tax period itself as those pending for application, which are tax credits that are applied to the tax payable.

The RDL 3/2016 has added a new additional provision fifteen to the Corporate Tax Law whose paragraph 1 establishes new limits to the right to offset negative tax bases for those taxpayers whose net turnover is, at least, 20 million euros during the 12 months preceding the date on which the tax period begins. These limitations to the offsetting of negative tax bases are like those adopted on a temporary basis in recent years, although RDL 3/2016 does not provide for a time limit for their application, affecting only the percentage limit without modifying the minimum compensation amount, up to 1 million euros.

As a result, it has been established a limit of the 50% of the tax base prior to the application of the capitalization reserve and the offsetting of the negative tax bases for those taxpayers whose net amount of turnover in the twelve months prior to the starting date of the tax period would have been between 20 million and 60 million euros, and, a limit of the 25% of the above-mentioned taxable base if the net turnover had been in excess of 60 million euros. As for taxpayers whose net turnover in the twelve months before the starting date of the tax period had been less than 20 million euros, RDL 3/2016 has modified the wording of the thirty-sixth transitory provision to establish that the 60% percentage limit for the tax periods beginning in 2016 (and 70% for tax periods beginning on or after January 1st, 2017) should continue to apply.

Due to the different interpretations that may be given to certain legal rules and the results of future inspections, there may be tax liabilities that are not capable of objectively being assessed. However, the Bank's Directors, based on the opinion of their tax advisors, are of the view that these potential tax liabilities would not significantly affect these Annual Accounts.

22. INTEREST INCOME

This chapter of the Profit and Loss Account covers interest accrued in the financial year for all financial assets, and the return of which is obtained from applying the effective interest rate method. Interest is recorded for their gross amount, without deducting, where appropriate, withholding tax made at source.

The breakdown of this caption as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Loans and receivables to central banks (Note 9)	31	6

Loans and receivables to credit institutions (Note 9)	2,248	4,729
Loans and receivables to other debtors (Note 9)	4,523	6,753
Debt securities (Note 8 and 9)	270	358
Others	-	1
	7,072	**11,847**

23. INTEREST EXPENSE

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, 2021 and 2020 is as follows:

	2021	**2020**
Deposits at Central Banks (Note 14)	627	1,162
Deposits from credit institutions (Note 14)	1,390	3,491
Deposits from other creditors (Note 14)	1	2
	2,018	**4,655**

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

24. COMMISSIONS INCOME

It comprises the amount of all fees and commissions accrued in favor of the Bank in the accounting year, except those are 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, 2021 and 2020 is as follows:

	2021	**2020**
Guarantees and contingent commitments granted (Note 20)	10,336	14,540
Maintenance, collections and payment services	1,330	1,178
Loans and other commissions	759	972
	12,425	**16,690**

25. COMMISSIONS EXPENSE

It shows the amount of all fees and commissions paid or payable by the Bank 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, 2021 and 2020 is as follows:

	2021	2020
Fees and commissions assigned to other entities and correspondents	12	16
Other fees and commissions	408	251
	420	**267**

26. 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, 2021 and 2020 is follows:

	2021	2020
Operating income from investment properties (Note 10.c)	1,368	1,424
Other	449	488
	1,817	**1,912**

27. PERSONNEL EXPENSES

The personnel of the Bank as of December 31st, 2021 and 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Women	Men	Total	Women	Men	Total
General Management	0	2	2	0	2	2
Managers	1	6	7	1	4	5
Rest	27	44	71	25	40	65
	28	**52**	**80**	**26**	**46**	**72**

The average staff has been 78 employees in 2021 (74 employees in 2020). During the year 2021 and 2020, the Bank had no employees with disabilities equal to or greater than 33%.

The breakdown of Personnel expenses captions as of December 31st, 2021, and 2020 is as follows:

	2021	2020
Wages and salaries	5,531	6,066
Social Security expenses	1,100	1,035
Transfers to defined contribution plans (Note 5.13)	166	169
Severance payments	155	14
Other expenses	1,093	1,075
	8,045	**8,359**

The caption "Wages and salaries" includes 560 thousand euros (900 thousand euros in 2020) regarding provision for extraordinary gratifications, that have been proposed and submitted for approval.

28. OTHER ADMINISTRATIVE EXPENSES

The breakdown of this caption as of December 31st, 2021 and 2020 is as follows:

	2021	2020
Installations and maintenance	1,075	477
Travelling and transportation	43	42
Communications	293	262
Legal and professional fees	441	309
Governing and control bodies	923	702
Withholding and sales taxes	261	250
Insurances	62	57
Commercial Offices and delegations	17	19
Business development	21	17
Subscriptions, contributions and others	33	45
	3,169	**2,180**

The caption "Installations and maintenance" includes 580 thousand euros (0 thousand euros in 2020) regarding the digital project of the bank.

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

a) Board of Directors

The detail of the total gross remuneration and compensations received by the Bank's Directors in 2021 is as follows:

2021	Members	Remuneration	Allowance	Total
Chairman & Vice-Chairman	2	340	79	419
Rest of Board Members	5	459	47	506
	7	**799**	**126**	**925**

Along 2021, there have been no new appointments and one leave within the Board of Directors. The Bank has 6 Board members as of December 31st, 2021.

The gross remunerations and other compensations received by the Board of Directors in 2020 are as follows:

2020	Members	Remuneration	Allowance	Total
Chairman & Vice-Chairman	2	436	30	466
Rest of Board Members	8	721	33	754
	10	**1,157**	**63**	**1,220**

The Bank has 7 Board members as of December 31st, 2020.

Aresbank, S.A. has no other obligations derived from pensions or life insurance premiums with any of the members of the Board of Directors. The Bank does not hold direct risks with Board members as of December 31st, 2021, and as of December 31st, 2019. In compliance with the requirements of article 229 of the Spanish Companies Act (LSC), administrators have reported no conflict with the interests of the Bank.

b) General Management

The breakdown of the retribution received by the General Management in 2021 and 2020 is as follows:

2021	Members	Remuneration	Other benefits	Total
General Management	2	1,474	201	1,675

The breakdown of the retribution received by the General Management in 2019 is as follows

2020	Members	Remuneration	Other benefits	Total
General Management	2	1,254	201	1,455

The amounts debited for pension funds and insurances in the Income Statement of the Bank in 2021 amounts to 13 thousand euros, 12 thousand euros in 2020. The Bank holds direct risks with the General Management amounting 67 thousand euros as of December 31st, 2021, under the applicable conditions of the collective agreement.

c) Situations of conflict of interest of the Directors of the Entity

In accordance with the provisions of article 229 of the Capital Companies Law, the directors have informed the Bank that, during the 2021 financial year, they or their related persons, as defined in article 231 of the aforementioned Capital Companies Law:

- No transactions have been made with the Entity, without taking into account ordinary operations, made under standard conditions for clients and of little relevance, understood as those whose information is not necessary to express the faithful image of the assets, financial situation and results of the Entity.
- They have not used the name of the Entity or invoked their status as administrators to unduly influence the relationship of private operations.
- They have not made use of the social assets, including the confidential information of the Entity, for private purposes.
- They have not taken advantage of the business opportunities of the Entity.
- They have not obtained advantages or remuneration from third parties other than the Entity and its Group associated with the performance of their position, except in the case of mere courtesy attentions.
- They have not developed activities on their own account or for others that involve effective competition, whether punctual or potential, with the Entity or that, in any other way, place them in a permanent conflict with the interests of the Entity.

30. AMORTIZATION

The detail of this caption as of December 31st, 2021 and 2019 is as follows:

	2021	**2020**
Tangible assets:		
Investment Property (Note 10)	103	103
For own use (Note 10.b)	276	280
Intangible assets:		
Software (Note 11)	145	151
	524	**534**

31. IMPAIRMENT LOSSES OR RELEASE ON FINANCIAL ASSETS NOT AT FAIR VALUE THROUGH PROFIT (OR LOSS)

The detail of this caption is as follows:

	2021	2020
Financial assets at amortized cost (Note 9)		
Allowances	(1,212)	(3,682)
Releases	3,467	1,606
	2,255	**(2,076)**

As of December 31st, 2021, and 2019 the allowances for impairment are mainly due to provisions allocated for Country Risk, specific and generic risks.

32. ADDITIONAL INFORMATION

a) Fair value of assets and liabilities

The following charts present the fair value of the financial instruments of the Bank at December 31, 2021 and 2019 with the breakdown by classes of financial assets and liabilities and on the following levels:

- LEVEL 1: financial instruments whose fair value has been determined with their market price, without any modifications.
- LEVEL 2: financial instruments whose fair value has been estimated based on market prices of organized markets for similar instruments or using other valuation techniques in which all significant inputs are based, directly or indirectly, on observable market data.
- LEVEL 3: instruments whose fair value is estimated using valuation techniques in which any significant input is not based on observable market data. An input is considered significant when it is important in the determination of the fair value as a whole.

The breakdown as of December 31, 2021, is the following:

	Fair value hierarchy			Changes on fair value before taxes		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value through profit (or loss)	-	-	-	-	-	-
Assets at fair value through other comprehensive income	**9,735**	-	-	**(194)**	-	-
Debt securities	9,735	-	-	(194)	-	-

The breakdown as of December 31, 2020, is the following:

	Fair value hierarchy			Changes on fair value before taxes		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value through profit (or loss)	**-**	**-**	**-**	**-**	**-**	**-**
Assets at fair value through other comprehensive income	**15,683**	**-**	**-**	**(368)**	**-**	**-**
Debt securities	15,683	-	-	(368)	-	-

b) Most significant balances with related companies.

The most important balances with related companies as of December 31st, 2021 and 2020 are as follows:

	2021	2020
LIABILITIES		
Deposits from credit institutions		
Libyan Foreign Bank	794,632	430,020
Current Accounts		
Libyan Foreign Bank	31,182	121,400

c) Transactions with related companies

The interest and commissions paid to Aresbank' shareholders for the deposits and accounts held in the Bank amounted to 1,382 thousand euros in 2021 and 3,399 thousand euros in 2020.

d) Information regarding payment to suppliers. (Law 15/2010, from July 5th)

Based on the Resolution dated in January the 29th, 2016, from the ICAC, the following information is incorporated in connection with the average payment period to suppliers in commercial operations.

	2021	2020
	Days	Days
Average payment period (suppliers)	28	4
Paid transactions ratio	32	5
Pending transactions ratio	3	6

	Amount (Thousand euros)	Amount (Thousand euros)
Total payments made	2,759	3,551
Total pending payments	3	7

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 7th, that it modified thoroughly the Law 2/1981, of March 25th, 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) Agency Contracts

Neither at the end of the 2021 and 2020 financial years nor at any time during those years, the Bank has maintained in force "agency contracts" in the manner in which these are contemplated in article 22 of Royal Decree 1245/1995, of July 14.

(g) Abandoned balances and deposits

As of December 31st, 2021, the Entity has balances immersed in abandonment amounting to 32 thousand euros, 10 thousand dollars and 49 thousand sterling pounds (2020: 6 thousand euros and 0 thousand sterling pounds) as defined in article 18 of Law 33/2003, of November 3rd, on the assets of public administrations.

(h) Other commitments

As of December 31, 2021, and 2020, the Entity did not maintain additional commitments to those broken down in the previous Notes.

(i) Earnings per share

During the years 2021 and 2020, Aresbank, S.A. has held 104,167 shares, with earnings per share amounting to approximately 67.65 euros in 2021 and 105.71 euros in 2020.

(j) Seasonality of operations

The nature of the most significant operations carried out by the Bank corresponds mainly to the typical activities of financial institutions, not being affected by factors of significant seasonality.

k) Other public information required by Circular 4/2017 of the Bank of Spain

The following is another public information required in Circular 4/2017 of the Bank of Spain:

- The Entity did not have "Assets foreclosed or received in payment of debts" as of December 31, 2021, and 2020.
- As of December 31, 2021, and 2020, the Bank had not issued neither bonds and mortgage notes nor public covered bonds.

ADDITIONAL INFORMATION

PROPOSAL OF PROFIT DISTRIBUTION

	(Thousand euro)
BASIS FOR DISTRIBUTION	**2021**
PROFIT (OR LOSS) BEFORE TAXES	8,170
CORPORATE INCOME TAX ESTIMATION	(1,123)
NET PROFIT / (NET LOSS)	**7,047**
DISTRIBUTION	
RETAINED EARNINGS (LEGAL RESERVE)	705
DIVIDEND PAYOUT	6,342
TOTAL	**7,047**

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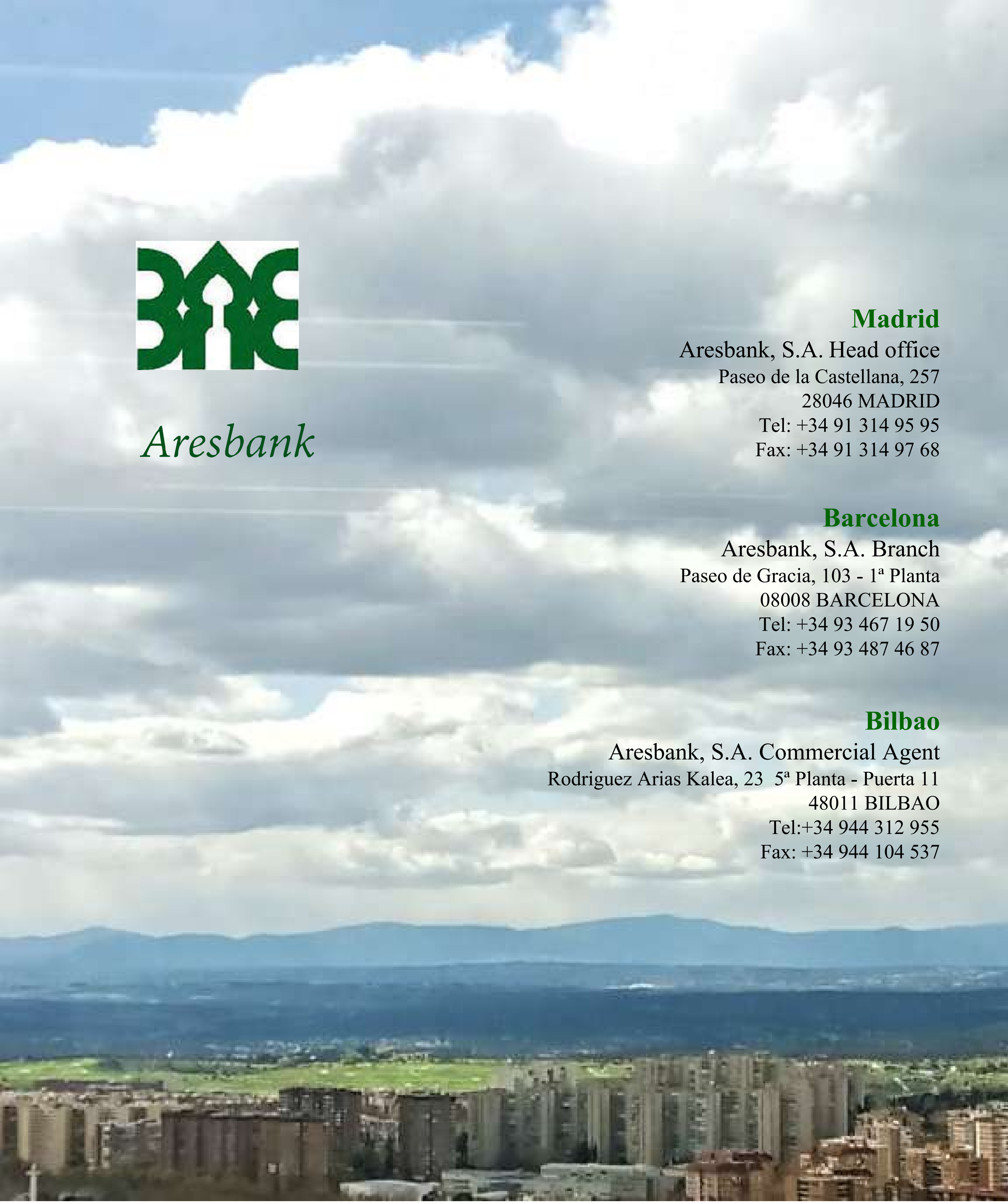
Aresbank



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