Aresbank

اريسبنك

ANNUAL REPORT 2007

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CHAIRMAN'S STATEMENT

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

CHAIRMAN'S STATEMENT

Dear shareholders and friends,

The first year of Aresbank's relaunching has ended successfully. The changes occurred by the end of 2006, the consequence of which Banco Árabe Español, S.A. became fully owned by its three Arab shareholders: Libyan Foreign Bank, Kuwait Investment Company and Crédit Populaire d'Algérie, which facilitated the growth of our entity. In 2007, Libyan Foreign Bank acquired the shares held by the Kuwait Investment Company and followed its capitalization program of the bank, increasing Aresbank's capital up to 200 Million Euros. Additionally, our entity has changed its name, which is now Aresbank, S.A.

During the course of the year, Aresbank has kept a constant increase in its turnover with its customary markets and products, focusing on the foreign trade and its financing, which together with the investment of its own resources has brought Aresbank to close the year with a net profit of 1.3 Million Euros, having performed good efforts with regard to internal organization and control.

In this sense, the total assets of the bank have been increased by 450%, the loans to clients by 618%, and the contingent exposures by 84%, maintaining the capital adequacy ratio very much over the minimum required by the Bank of Spain.

Aresbank is making satisfactory progress and is reaffirming its position in the Spanish banking sector, through offering high quality financial services thanks to its specialization in the Arab world and its staff members who always answer with dynamism our clients and correspondents.

During the last quarter of the year, a change in the economic cycle has begun. The evolution of the hydrocarbon's prices and the US dollar depreciation against the Euro are factors to be taken into account regarding Aresbank's customary markets, which are countries with enormous natural and financial resources.

I would like to conclude this letter by expressing my sincerest gratitude to our shareholders for their unconditional support and confidence. Likewise, I would like to voice my gratefulness to those persons, entities, clients and correspondents who have trusted Aresbank and with whom we would like to keep on collaborating, and to our staff for their dedication, effort, and faithfulness.

Juan Carlos Montañola

SHAREHOLDERS

SHAREHOLDERS	2007	2006
Libyan Foreign Bank	99.79%	76.42%
Kuwait Investment Company S.A.K.	-	23.16%
Crédit Populaire D´Algérie	0.21%	0.42%

BOARD OF DIRECTORS

Mr. Juan Carlos Montañola (Executive Chairman)	
Mr. Mohamed Najib H. El-Jamal (Vice-Chairman)	Libyan Foreign Bank
Mr. Ahmed M. Aburkhis (Board Delegate)	Libyan Foreign Bank
Mr. Mohamed M. Zarti	Libyan Foreign Bank
Mr. Yousef S. Migirab	Libyan Foreign Bank
Mr. Hatim A. Gheriani	Libyan Foreign Bank
Crédit Populaire D´Algerie	Mr. Mohamed Djellab

Independent Directors

Mr. Julio Alvarez
Mr. Carlos Kinder
Mr. Amado Subh

Secretary

Mr. Fernando Igartua

Vice-Secretary

Mr. Fernando Marqués

AUDIT & RISK COMMITTEE

Mr. Julio Álvarez	Chairman of the Audit & Risk Committee and Member of the Board of Directors
Mr. Mohamed M. Zarti	Member of the Board of Directors
Mr. Amado Subh	Member of the Board of Directors

Secretary

Mr. Fernando Igartua

Vice-Secretary

Mr. Fernando Marqués

MANAGEMENT

Mr. Juan Carlos Montañola	Executive Chairman
Mr. Ahmed M. Aburkhis	Board Delegate
Mr. Luis Junquera	Administration Department Manager
Mr. Abdel Aziz Mohamed.	Systems Department Manager
Mr. Hedi Ben Ali Aboukhris	Treasury Department Manager
Mr. Juan Herrero(*)	Internal Audit Manager
Mr. Manuel Grijota	Head of Credit and Investment Dept.
Mr. Jesús Monge	Head of Trade & Marketing Dept.
Mr. Fernando Marqués	Head of Legal Advisory Unit
Ms. Eva Marcos	Head of Accounting Department
Ms. Yolanda Santamaría	Head of Risk & Compliance Unit
Mr. Youssef Berbash	Head of Research & Development Unit
Ms. Carmen Tomás	Barcelona Branch Assistant Manager

(*) Until February 2008

RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS ANNUAL REPORT

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

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

Our external auditors PRICEWATERHOUSECOOPERS 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.

FINANCIAL HIGHLIGHTS

(FREE TRANSLATION OF THE ORIGINAL ISSUED IN SPANISH)

FINANCIAL HIGHLIGHTS

(EXPRESSED IN THOUSAND OF EUROS)

	2007	2006	% Variation
Business volume			
Total Assets………………………………….……………....	762,867	138,760	450
Total Equity……………………………..…....…………...	199,414	99,149	101
Lending to customers (Gross)………..………..……..	726,649	101,198	618
Contingent risks……………………….....……………	99,675	54,005	84
Solvency			
Capital Adequacy ratio (%)…………………………..	91.82%	141.73%	(35)
Of which TIER 1 (%)………………….....…………….	91.62%	141.52%	(35)
Risk Management			
Total credit risk exposure….…………..……………..	826,324	155,203	432
Bad and doubtful debts exposures…….……………	795	1,092	(27)
Debt provisions …………………….…..……………...	678	997	(32)
Bad and doubtful debt as % of total exposure …….	0.10	0.70	(86)
% coverage of bad and doubtful debt ……………...	85	91	(6)
Income Statements			
Net interest income…………………..……………..	4,672	(712)	756
Gross Income………………………………….…………	11,664	4,649	151
Profit before tax…………………...…..………………	1,265	49	2,482
Other Ratios			
Average total assets…………………..…………….	217,656	70,060	211
Average total equity……………..…..……………..	133,250	24,583	442
ROA (%) Net income/Total assets…….…………….	0.17	0.04	325
ROE (%)……………………………………………....	0.63	0.05	1,160

DIRECTORS' REPORT

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

DIRECTORS´ REPORT

1. The economic and financial situation.

The financial turmoil started in early August was triggered by doubts about the quality of some assets. These doubts have spread uncertainty among investors and financial market institutions, prompting them to accumulate more liquid assets and to drastically reduce Interbank lending. Interest rate spreads in money markets in the middle of the yield curve have risen, forcing central banks around the world to intervene through a combination of liquidity injections in money markets, relaxation of collateral requirements for their lending to particular institutions, or reductions of policy interest rates.

The rise of the Euro against the US dollar has been going on since the end of 2005, from under 1.18 to 1.45 on average in December. The new heights reached by the Euro and the softening of the World trade has raised concerns about their impact on the Euro Area activity.

Estimations for the Euro Area show near term growth below potential due to the unexpected hike in oil prices, the appreciation of the Euro and the consequences of the financial turmoil since the summer months of 2007. The GDP growth could fall from 2.6% on average in 2007 to 1.8% in 2008.

The Spanish economy in 2007 showed a positive balance in terms of growth and employment rate. Current estimates place GDP growth for 2007 at 3.8%, 0.1 percentage points down from its level in 2006. The GDP growth is estimated to be 2.7% for the year 2008. Regarding inflation, the growth rate of the CPI stood at 4.2% for the year on average, however, since the Summer it moved on a progressively quickening path, placing the inflation differential with the Euro area at 1.2 percentage points.

A slowdown in lending extended to households and firms has begun, in line with the course of their fundamentals, enabling a more sustainable trend in private-sector debt to be envisaged.

The year 2008 is likely to be a year of caution for the financial sector until liquidity, transparency, and the proper pricing of risk return to financial markets.

2. Trends in Aresbank’s business

Aresbank’s main activity during 2007 remained focused on financial activities related to foreign trade between Spain and certain other countries, mainly Arab and Latin American.

The purchase of the stake of Kuwait Investment Company by Libyan Foreign Bank and the increase, by the latter, of the Capital of Aresbank were the most significant events during the year 2007. Libyan Foreign Bank intends to make a further capital injection to enhance the ability of Aresbank for handling larger business transactions.

The Financial Highlights show the developments made during the year 2007. The increased total footings were mainly due to increased deposits as a result of the gradual return of Aresbank to the Interbank financial markets. Increased lending caused the decline of capital adequacy ratio to 91.82% far above the minimum required. Important recovery of a written off debt amounting to 1.1 million Euros is mentioned in Note 30. General expenses increased by 2% in comparison with those of 2006, mainly as a result of increased marketing activities, increased the number of staff and bank restructuring. General expenses included severance payments amounting to 1.1 million Euros.

Marketing activities increased to reconnect with former clients and seek new ones to start recapturing and tackling new business opportunities and options for revenue diversification.

Internally, the bank established its new organizational structure which will enable it to achieve its mission and improve efficiency and quality of client services. The restructuring involved creating new business units and segregation of functions within the bank. The Bank began to contact top market vendors to explore the options to replace the existing IT infrastructure and services with a new modern core banking system and other supporting systems for client services and management information systems.

3. Relevant events subsequent to December 31st, 2007

Up to the date of the formulation of these Annual Accounts, the Bank has increased in a 96% its interbanking activities borrowing from financial institutions, being the increase concentrated (56%) in one non Group Entity (Note 13). These activities have caused a corresponding increase in lending to several financial institutions (Note 7).

4. Risk management and Compliance

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

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

A dedicated Risk and Compliance unit was established with the mandate to:

- Identify risks and assess potential risk events.
- Develop and implement risk and capital management models that are appropriate for the bank.
- Review and approve with General Management the credit risk , market risk and liquidity limits and consider risks terms in formulation of the strategy.
- Formulate risk and capital management policies, procedures and methodologies that are appropriate to the businesses of the bank.
- Ensure that the business conducted within each department is consistent with the risk appetite set by the bank and conduct periodic portfolio reviews.

The credit risk makes up the largest part of Aresbank risk exposures. The total lending showed a substantial growth in 2007, amounted to 826,324 Thousand Euros in comparison with 155,203 Thousand Euros of previous year. The key component of total lending was "Loans and Advances to Credit Institutions" which was accounted for 87% of total lending. Also, contingent exposures increased 84% from previous year to a total amount of 99,675 Thousand Euros.

OVERALL CREDIT RISK EXPOSURE	2007	2006
Total Loans and Advances (gross)	**726,649**	**101,198**
Contingent exposures	99,675	54,005
Total lending or credit risk exposure	**826,324**	**155,203**
Unused portion of credit lines (Drawable by third parties)	58,391	3,242
Maximum credit risk exposure	**884,715**	**158,445**

As it is shown in the following Debt Exposure & Provision table, despite the notable increases in lending, doubtful debt exposures decreased to 795 Thousand Euros in comparison with 1,092 Thousand Euros from previous year. As a result doubtful debt as % of total lending also declined to an end-of-year figure of 0.09%.

The provision for bad and doubtful debts decreased also to 624 Thousand Euros from 929 Thousand Euros of previous year. Country risk provisions was only focused on Country Group 5 (doubtful risks) and also decreased by 31% in 2007 to a total amount of 13 Thousand Euros.

DEBT EXPOSURE & PROVISIONS	2007		2006	
	Exposures	Provisions	Exposures	Provisions
Bad Debt Exposure	795	624	1,092	929
Performing Loans	721,570	41	99,497	49
Country Risks	15	13	23	19
	722,380	**678**	**100,612**	**997**

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

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

5. Acquisition of own shares.

As in previous years and due to its equity capital structure, Aresbank has not acquired, held or performed operations with its own shares during 2007.

6. Research & Development and Environmental expenses.

The Bank has not invested in projects related to R&D or protection of the environments.

AUDITORS' REPORT AND ANNUAL ACCOUNTS

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

PRICEWATERHOUSECOOPERS

Paseo de la Castellana, 43
28046 Madrid
Tel. +34 902 021 111
Fax +34 913 083 566

A free translation of the report on the annual accounts originally issued in Spanish and prepared in accordance with the accounting principles included in the Circular 4/2004. In the event of a discrepancy, the Spanish language version prevails

AUDITORS' REPORT ON THE ANNUAL ACCOUNTS

To the Shareholders of Aresbank, S.A.

We have audited the annual accounts of Aresbank, S.A. consisting of the balance sheet at 31 December 2007, the related income statement, the statement of changes in net equity, the cash flow statement and the related notes of the annual accounts corresponding to the year then ended. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on the annual accounts as a whole, based on our audit work performed in accordance with auditing standards generally accepted in Spain, which require examining, on a test basis, evidence supporting the annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made by the Bank's Directors.

In accordance with Spanish Corporate Law, the Directors have presented, for comparative purposes only, for each item of the balance sheet, the income statement, the statement of changes in net equity, the cash flow statement and the related notes to the annual accounts, the corresponding amounts for the previous year as well as the amounts for 2007. Our opinion refers exclusively to the annual accounts for 2007. On 30 March 2007, we issued our audit report on the 2006 annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for year 2007 present fairly, in all material respects, the financial position of Aresbank, S.A. as at 31 December 2007, and the results of their operations, changes in net equity and cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with the accounting principles included in the Circular 4/2004, which are consistent with those applied in the preparation of the financial statements for the previous year.

The accompanying Directors´ report for 2007 contains the information that the Bank's Directors consider relevant to the Bank, the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' report agrees with that of the annual accounts for 2007. Our work as auditors is limited to checking the Directors' report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Bank's audited accounting records.

PricewaterhouseCoopers Auditores, S.L.

José María Sanz Olmeda
Partner

27 March 2008

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31st, 2007 AND 2006
(EXPRESSED IN THOUSAND OF EUROS)

ASSETS	2007	2006
Cash and balances with Central Banks (Note 6)	**3,481**	**1,922**
Loans and receivables (Note 7)	**725,949**	**100,196**
Loans and advances to credit institutions	721,880	94,415
Loans and advances to other debtors	3,678	5,267
Other financial assets	391	514
Held-to-maturity investments (Note 8)	**-**	**609**
Memorandum item: loaned or pledged	-	609
Non-current assets held for sale (Note 9)	**3,926**	**4,381**
Equity instruments	3,859	4,314
Tangible assets	67	67
Tangible Assets (Note 10)	**29,159**	**29,140**
For own use	8,215	10,779
Investment property	20,944	18,361
Tax Assets (Note 11)	**319**	**2,503**
Current	285	1,995
Deferred	34	508
Prepayments and accrued income (Note 12)	**33**	**9**
TOTAL ASSETS	**762,867**	**138,760**

OFF BALANCE SHEET ITEM (Note 18)

Contingent Exposures	**99,675**	**54,005**
Financial guarantees	91,953	54,005
Other contingent risks	7,722	-
Contingent Commitments	**58,395**	**3,248**
Drawable by third parties	58,391	3,242
Other commitments	4	6

The accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2007 and 2006. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004 of the Bank of Spain. In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31st, 2007 AND 2006

(EXPRESSED IN THOUSAND OF EUROS)

LIABILITIES	2007	2006
Financial liabilities at amortized cost (Note 13)	**560,331**	**35,394**
Deposits from credit institutions	553,845	32,678
Deposits from other creditors	5,732	2,042
Other financial liabilities	754	674
Trading Portfolio	**1**	**-**
Provisions (Note 14)	**2,514**	**2,737**
Provisions for taxes	364	846
Provisions for contingent exposure and commitments	1,917	1,557
Other provisions	233	334
Tax Liabilities (Note 11)	**-**	**899**
Current	-	899
Deferred	-	-
Accrued expenses and deferred income (Note 12)	**607**	**581**
TOTAL LIABILITIES	**563,453**	**39,611**
SHAREHOLDERS EQUITY		
Own funds (Note 15)	**199,414**	**99,149**
Capital (Note 16)	200,002	100,002
Reserves (Note 17)	(1,853)	(902)
Profit or (loss) for the period	1,265	49
TOTAL SHAREHOLDERS EQUITY	**199,414**	**99,149**
TOTAL LIABILITIES AND EQUITY	**762,867**	**138,760**

The accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2007 and 2006. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, of the Bank of Spain. In the event of a discrepancy, the Spanish-language version prevails.

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31st, 2007 AND 2006
(EXPRESSED IN THOUSAND OF EUROS)

	2007	2006
Interest and similar income (Note 20)	10,199	3,656
Interest expenses and similar charges (Note 21)	(5,527)	(4,368)
A) FINANCIAL MARGIN	**4,672**	**(712)**
Fees and commissions income (Note 22)	1,465	993
Fees and commissions expenses (Note 23)	(29)	(335)
Gains and losses on financial assets and liabilities (Net) (Note 24)	(4)	(5)
Exchange differences (Net)	(730)	(176)
B) ORDINARY MARGIN	**5,374**	**(235)**
Other operating income (Note 25)	1,430	1,244
Personnel expenses (Note 26)	(4,800)	(4,943)
Other administrative expenses (Note 27)	(2,112)	(1,803)
Depreciation and amortization (Note 29)	(186)	(254)
Other operating expenses	(1)	(2)
C) OPERATING INCOME	**(295)**	**(5,993)**
Impairment losses (Net) (Note 30)	1,389	3,975
Loans and receivables	1,389	3,802
Non-current assets held for sale (Note 9)	-	173
Provisions expenses (Net) (Note 14)	(1,039)	41
Other gains (Note 31)	1,363	2,089
Other losses (Note 31)	(153)	(63)
D) PROFIT OR (LOSS) BEFORE TAXES	**1,265**	**49**
Income Tax (Note 19)	-	-
E) PROFIT OR (LOSS) FROM ORDINARY ACTIVITY	**1,265**	**49**
F) PROFIT OR (LOSS) FOR THE PERIOD	**1,265**	**49**

The accompanying Notes 1 to 32 are an integral part of the Annual Accounts as of December 31st, 2007 and 2006. The financial statements are originally issued in Spanish and prepared in accordance with the Circular 4/2004, of the Bank of Spain. In the event of a discrepancy, the Spanish-language version prevails.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON DECEMBER 31st, 2007 AND 2006

(EXPRESSED IN THOUSAND OF EUROS)

	2007	2006
Profit or (loss) for the period	**1,265**	**49**
Profit or (loss) published	1,265	49
TOTAL INCOME AND EXPENSES FOR THE PERIOD	**1,265**	**49**

CASH-FLOW STATEMENTS FOR THE YEARS ENDED ON DECEMBER 31st, 2007 AND 2006

(EXPRESSED IN THOUSAND OF EUROS)

	2007	2006
CASH-FLOW FROM OPERATING ACTIVITIES		
Profit or (loss) for the period	**1,265**	**49**
Adjustments:	(164)	(3,762)
Amortization of tangible assets	186	254
Impairment losses	(1,389)	(3,975)
Provisioning expense	1,039	(41)
Adjusted Profit or loss	**1,101**	**(3,713)**
Net increase or decrease in operating assets	**623,572**	**24,444**
Loans and receivables	625,734	23,573
Loans and advances to credit institutions	627,465	29,143
Loans and advances to other debtors	(1,589)	(5,116)
Other financial assets	(142)	(454)
Other operating assets	(2,162)	871
Net increase or decrease in operating liabilities	**524,440**	**(60,802)**
Financial liabilities at amortized cost	524,935	(64,666)
Deposits from credit institutions	521,168	(63,208)
Deposits from other creditors	3,690	(1,560)
Other financial liabilities	77	102
Other operating liabilities	(495)	3,864
1) TOTAL NET CASH-FLOW FROM OPERATING ACTIVITIES	**(98,031)**	**(88,959)**
CASH-FLOW FROM INVESTING ACTIVITIES		
Investments – Tangible assets	(19)	-
Divestments – Tangible assets	-	291
Divestments- Held to maturity investments	609	-
2) TOTAL NET CASH-FLOW FROM INVESTING ACTIVITIES	**590**	**291**
CASH-FLOW FROM FINANCING ACTIVITIES		
Issuance/Redemption of equity or endowment fund	100,000	89,922
Other items related with financing activities	(1,000)	(900)
3) TOTAL NET CASH-FLOW FROM FINANCING ACTIVITIES	**99,000**	**89,022**
Net increase or decrease in cash and cash equivalents (1+2+3)	**1,559**	**354**
Cash and cash equivalents at the beginning of the year	**1,922**	**1,568**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,481**	**1,922**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

1. GENERAL INFORMATION

Banco Árabe Español, S.A. 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, Banco Árabe Español, S.A. is registered at the Bank of Spain's Special Registry for Banks and Bankers under number 0136. Its fiscal identity number is A28386191.

The Extraordinary General Shareholders Assembly held on July 27th, 2007 agreed to change the company name to "ARESBANK, S.A.".

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

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

3. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) Basis of presentation

On January 1st, 2005, the "International Financial Reporting Standards" (IFRS) came into effect in Spain for some economic sectors, credit institutions among others. In order to adapt the accounting system of the Spanish credit institutions to the mentioned standards, Bank of Spain as regulator of the financial sector issued the Circular 4/2004 on public and confidential reporting rules. It was stated that its purpose was to adapt the Spanish banking accounting environment to the one arising from the adoption by the European Union of the IFRS. This Circular has been applicable since year 2005 to the individual financial statements of Spanish credit institutions.

The accompanying financial statements of the years 2007 and 2006 were prepared from the accounting records of the Bank in conformity with the accounting criteria of the Circular 4/2004 issued by the Bank of Spain and accordingly give a true and fair view of the Bank net worth and financial position as at December 31, 2007 and 2006 and of the results of its operations, of the changes in its net worth and of the cash flows for the years then ended.

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

The Annual Accounts of the year 2007 have been formulated by the Board of Directors of the Bank on the meeting held on March 26th, 2008 and they will be presented to the General Shareholders' Assembly on March 27th, 2008 for approval, which is expected to adopt them without any significant changes.

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

b) Accounting principles

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

c) Comparison of information

For comparative purposes, the Governing Board of the Entity presents, for each of the captions detailed in the accompanying annual accounts, both the figures for 2007 and those corresponding to the previous year.

d) Accounting estimates and errors

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

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

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

In these Annual Accounts there have been no corrections of errors or changes in accounting estimates.

e) Changes in accounting principles

There were no changes in accounting principles in 2007 with a significant effect on earnings for the year or on the balance sheet.

f) External Auditors

The Annual Accounts of Aresbank, S.A. as of December 31st, 2007 have been audited by PriceWaterhouseCoopers Auditores, S.L. that also audited those of previous year.

In accordance with the additional provision 14th of the " *Ley 44/2002 de Medidas de Reforma del Sistema Financiero*" (Spanish law on amendment measures on the financial market), dated November 22nd, their fees for auditing the Annual Accounts of the year 2007 amounted to 70 Thousand Euros (68 Thousand Euros in 2006). The fees for other services rendered by the audit firm amounted to 39 Thousand Euros (53 Thousand Euros in 2006).

g) Risk control

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

h) 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 2007 and 2006, 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.

i) Customer Services Department activity

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

In accordance with this legal requirement, the Customer Services Department prepared the report on its activities in 2007, which was submitted to the Bank's Board of Directors at its meeting on March 26th, 2008.

This report stated that the Customer Services Department of Aresbank, S.A. had not received any claim during 2007.

j) Own Funds

Spanish regulations

The current own funds regulation is basically stipulated by Law 13/1992, of June 1st, as well as by Bank of Spain Circular 5/1993 of March 26th, and successive amendments thereto, in special, Law 5/2005, of April 22nd and Circulars 12/1993, 3/2003, 3/2005 and 2/2006, among others.

Bank of Spain Circular 2/2006 included, among other changes, the treatment as Tier II capital of the net capital gains recorded in the accounts as adjustments to net worth resulting from valuation of available for sale financial assets and the portion of the general credit loss allowance, net of taxes, envisaged in the accounting regulations with a limit of 1.25% of the risk taken as the basis for calculation of the coverage, weighted in accordance with these regulations.

As at December 31st, 2007 and 2006, Aresbank's computable capital exceeded the regulatory required minimum amounts by 182,450 and 93,691 Thousand Euros respectively.

k) Deposit Guarantee Fund

The entity is integrated in the Deposit Guarantee Fund. The contributions made by the entity in 2007 to this Fund amount to approximately 1 Thousand Euros (2 Thousand Euros in 2006). The contributions are booked in "Other operating expenses" account in the Income Statement.

l) Subsequent Events

Up to the date of the formulation of these Annual Accounts, the Bank has increased in a 96% its interbanking activities borrowing from financial institutions, being the increase concentrated (56%) in one non Group Entity (Note 13). These activities have caused a corresponding increase in lending to several financial institutions (Note 7).

4. PROFIT DISTRIBUTION

The proposed distribution of the income for 2007 which Aresbank's Board of Directors will submit for approval by the General Shareholders' Meeting and that was previously approved for 2006, are the following:

	2007	2006
Net profit for the Year	**1,265**	**49**
Distribution		
• Result from previous years	-	3
• Other negative reserves	1,265	46

5. ACCOUNTING PRINCIPLES AND VALUATION METHODS APPLIED

The significant accounting principles and standards and valuation methods applied in preparing the accompanying Annual Accounts are described below. They basically meet those set forth in the Bank of Spain Circular 4/2004:

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.

5.3 Financial Assets

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

a) Cash and Balances with Central Banks relating to the Cash balances and the balances held at the Bank of Spain and other Central Banks (Note 6).

b) Loans and Receivables, which includes financial assets that are not traded in an active market and are not required to be valued at fair value, whose cash flows are of a determined or determinable amount, and in which all the disbursement made by the entity will be recovered, absent reasons imputable to the debtor's solvency. This category includes both the lending arising from the typical credit activity and the amounts of cash drawn and pending repayment by the customers as loans or the deposit placed with other companies, however legally instrumented, financial guarantees, unlisted debt securities, and the debts of purchasers of goods or users of services that form part of the Bank's business (Note 7).

c) Held-to-maturity investments, which includes debt securities with fixed maturity and cash flow of determined amount that the entity has decided to hold until redemption, basically because it has the financial capability to do so or has related financing (Note 8).

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

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

1) Financial assets are valued at fair value, except for Loans and Receivables, the Held-to-maturity Investments portfolio, Equity Instruments whose fair value cannot be reliably determined, Investments in Associates, Jointly Controlled Entities, Group Entities and the financial derivatives whose underlying asset are such equity instrument and are settled by delivery thereof.

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

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

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

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

5.4 Non-current assets held for sale

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

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

5.5 Financial Liabilities

Financial Liabilities are recognized in the Balance Sheet as "Financial Liabilities at Amortized Cost". These financial liabilities are not included in any of the other captions of the Balance Sheet, which relate to typical fund-raising activities, regardless of how instrumented and of their maturity (Note 13).

5.6 Impairment of value of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Circular 4/2004 of the Bank of Spain brings in the obligation to make a provision for inherent losses incurred, determined individual or collectively, that are those held by all the risk transactions assumed by the entity since the moment it grants the risk. It also sets forth maximum and minimum limits that shall be, at all times, between 33% and 125%, and a mechanism for the annual allowance of this provision that provide the risk variation in the year, and the specific allocations taken during the year for specific doubtful risks. As of December 31st, 2007 and 2006 this provision was at its maximum limit.

Additionally, the Circular requires that the non-payment of an instalment will mean the non-payment of the whole transaction.

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 Euros of the assets and liabilities denominated in foreign currency (US dollars mainly) as of December 31st, 2007 amounts, respectively, to 249,949 and 243,393 Thousand Euros (8,612 and 1,900 Thousand Euros, respectively, as of December 31st, 2006).

5.8 Tangible fixed assets

"Tangible Assets for Own Use" are the property items of which the entity considers it will make ongoing use, 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 Royal Decree 537/1997 as of April 14th. The annual depreciation coefficients used are the following:

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

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

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

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

5.9 Leases

Lease contracts are presented on the bases of the economic substance of the transaction regardless of their legal form and are classified from the outset as finance or operating leases. The Bank has not carried out any financial lease agreement as of December 31st, 2007 or 2006.

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

5.10 Prepayments and accrued income (assets) and accrued expenses and deferred income (liabilities)

They include the balance of the accrual accounts, except accrued interests that are recognized in the captions where the financial instruments which give rise to them are recognized (Note 12).

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

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

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

Provisions are classified according to the obligations covered (Note 14).

As of December 31st, 2007 and 2006, there were several legal proceedings and claims brought against the entity arising from the habitual performance of its activities. The legal advisors and the Directors of the Bank consider that the outcome of these legal proceedings and claims will not have any significant negative effect additional to that included as a provision in the annual accounts of the years in which they are concluded.

Contingent liabilities are possible obligations of the entity that arise as a result of past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They include the present obligations of the entity when it is not probable than 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, 2007 and 2006, Aresbank's pension commitments with the serving and retired employees were externalised 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 dated on October 18th, 2002.

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

Serving Employees

On December 27th, 2002, Aresbank, S.A. instrumented the externalisation of their pension commitments to their serving employees by means of the externalisation of the internal funds.

As of January 1st, 2003, the Bank undertook the compromise to contribute annually to this fund as follows:

- An amount equal to 15 days of current gross salary of each employee on the date of a new contribution, plus

- The percentage application equivalent to the increase of salary of each employee, always on the initial contribution (that is to say, in a non cumulative basis) and between 3% minimum and 5% maximum.

The total amount contributed in 2007 amounted to 186 Thousand Euros. In 2006, it amounted to 230 Thousand Euros.

Aresbank outstanding balance with the pension fund management company (BanSabadell Pensiones) amounts to a total of 3,225 Thousand Euros as of December 2007 and 3,317 Thousand Euros as of December 2006.

Retired Employees

The pension fund commitments with the retired employees were externalised by means of an insurance contract made with Banco Vitalicio.

In accordance with the insurance contract above mentioned, Aresbank has transferred to the insurance company all their pension commitments to retired employees and ceased to have any actuarial, financial or other risk in this connection.

5.14 Income tax

The Bank recognises as expenses the Income Tax that is calculated based on the annual results, taking into account possible timing differences between book profit and taxable income, as well as applicable deductions. The difference between corporate tax payable and the amount actually charged to the Income statement due to timing differences is recorded as either deferred tax assets or liabilities.

At the end of 2006, the Law 35/2006 (Personal Income Tax and partial amendment of the Laws on Corporate Income Tax, Income of Non-resident and Wealth tax) gave approval to a reduction of the Corporate Income tax rate from 35% to 32.5% in 2007 and 30% starting in 2008.

The Rule 42 of the Circular 4/2004 establishes that the quantification of the assets and liabilities for deferred taxes is done applying the tax rate that it is expected to be recovered or settled to the timing differences or tax credit. As of December 31st, 2007, the entity has deferred tax assets (Note 11).

In accordance with the prudent criteria, the Bank has not recognized any tax assets derived from the negative taxable bases pending to be offset for the years ending December 31st, 2007 and 2006.

5.15 Severance payments

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

5.16 Financial guarantees

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

Financial guarantees are classified on the basis of the risk of insolvency attributable to the customer or the transaction and, if appropriate, the need is estimated for recording provisions for them using criteria similar to those indicated in Note 5.6 for the debt instruments valued at amortized cost.

If a provision for financial guarantees is needed, commissions pending accrual that are recorded as "Accrued Expenses and Deferred Income" on the Liabilities side of the Balance Sheet, shall be reclassified to the corresponding provision.

5.17 Cash-Flow Statement

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

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

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

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

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

6. CASH AND BALANCES WITH CENTRAL BANKS

This caption on the Balance Sheet reflects available cash as well as deposits maintained in the Bank of Spain in accordance with the compulsory reserves ratio. Its breakdown is the following:

	2007	2006
Cash	101	91
Bank of Spain	3,380	1,831
	3,481	**1,922**

7. LOANS AND RECEIVABLES

The detail of this caption as of December 31st, 2007 and 2006 is as follows:

	2007	2006
Loans and advances to credit institutions	721,880	94,415
Loans and advances to other debtors	4,378	6,269
Other financial assets	391	514
	726,649	**101,198**

	2007	2006
Impairment adjustments		
Loans and advances to other debtors	(700)	(1,002)
	725,949	**100,196**

The breakdown by currency, residual maturity and sectors of the caption "Loans and Receivables" as of December 31st, 2007 and 2006 is the following:

	2007	2006
By currency		
Euros	479,891	95,921
Other currencies	246,058	4,275
	725,949	**100,196**
By residual maturity		
Up to 3 months	691,165	95,862
Over 3 months to 1 year	32,997	649
Over 1 year to 5 years	1,452	3,216
Over 5 years	335	469
	725,949	**100,196**
By sector		
Residents	114,340	12,925
Non residents	611,609	87,271
	725,949	**100,196**

The detail by nature of "Loans and Advances to Credit Institutions" as of December 31st, 2007 and 2006 is as follows:

	2007	2006
On demand		
Other	754	310
Other loans and advances		
Time deposits	717,290	94,105
Impairment Adjustments	-	-
Valuation Adjustments	3,836	-
	721,880	**94,415**

The breakdown by type of the "Loans and Advances to Other Debtors", as of December 31st, 2007 and 2006, (not considering any impairment adjustment) is the following:

	2007	2006
By type		
Secured receivables	514	1,394
Credits to Spanish General Government	1,498	2,233
Other term receivables	1,371	1,318
Receivable on demand and other	142	137
Doubtful assets	810	1,115
Valuation adjustments	43	72
	4,378	**6,269**

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

	2007	2006
By type		
Checks drawn on other banks	-	7
Our Rental Deposits	216	188
Commissions for financial guarantees	26	26
Other items	149	293
	391	**514**

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

	Percentage	
	2007	2006
Economic Activity		
Financial intermediation	99.40%	93.26%
Public sector	0.22%	3.09%
Hotel industry	0.05%	1.00%
Trade	0.16%	1.11%
Other sectors with lesser participation	0.17%	1.54%
	100.00%	100.00%

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

	Percentage	
	2007	2006
Geographic Area		
Spain	15.76%	13.07%
European Union	38.10%	75.32%
Other European countries	5.54%	6.94%
Arab countries (Asia)	38.69%	0.03%
Arab countries (Africa)	0.80%	0.00%
Latin American countries	0.09%	1.35%
Other areas	1.02%	3.29%
	100.00%	**100.00%**

The movements in 2007 and 2006 of the balance of "Impairment adjustments" per type of coverage of the caption "Loans and Receivables" are the following:

	Specific Allowance	General Allowance	Country Allowance	Total
Balance as at December 31st, 2005	**1,189**	**211**	**54**	**1,454**
Net P/L allocation	138	10	-	148
Additions	-	-	-	-
Disposals	(332)	(161)	(31)	(524)
Transfer to write-offs	-	-	-	-
Other transfers	-	-	-	-
Other	(66)	(6)	(4)	(76)
Balance as at December 31st, 2006	**929**	**54**	**19**	**1,002**
Net P/L allocation	24	20	-	44
Additions	-	-	-	-
Disposals	(259)	-	(5)	(264)
Transfer to write-offs	-	-	-	-
Other transfers	-	(9)	-	(9)
Other	(70)	(2)	(1)	(73)
Balance as at December 31st, 2007	**624**	**63**	**13**	**700**

8. HELD-TO-MATURITY INVESTMENTS

The Bank had pledged as of December 31st, 2006 Spanish Government securities 601 Thousand Euros (nominal), as coverage in favour of "Banco Bilbao Vizcaya Argentaria, S.A.", entity that represents Aresbank in the Banking Clearing House. The bank has been released from this obligation on October 2007 and these securities have been redeemed.

The movement of this caption in 2007 and 2006 is as follows:

	2007	2006
Balance carried out	609	614
Additions	-	(5)
Disposals	(609)	-
Balance brought forward	**-**	**609**

9. NON-CURRENT ASSETS HELD FOR SALE

The breakdown of this item of the Balance Sheets as of December 31st, 2007 and 2006 is the following:

	2007	2006
Equity instruments	3,859	4,314
Tangible Assets		
Tangible Assets awarded	67	67
	3,926	**4,381**

Equity instruments as of December 31st, 2007 are shown in the following chart, as well as any other information of interest, according to the last available Financial Statements as of December 31st, 2007:

					Audited Figures		
Company	External Auditors	Location	Business	Direct Stoke	Capital/ Reserves	Profit or (Loss)	Net Investment
Inversiones Hoteleras Los Cabos	Ernst & Young	Panama	Hotel	31.49%	11,225	119	3,859

The detail for year 2006 is the following:

Company	External Auditors	Location	Business	Direct Stoke	Audited Figures: Capital/ Reserves	Audited Figures: Profit or (Loss)	Audited Figures: Net Investment
Inversiones Hoteleras Los Cabos	Ernst & Young	Panama	Hotel	31.49%	11,875	789	4,314

During the year 2007, Aresbank has received several offers for buying the bank's stake in Inversiones Hoteleras Los Cabos. It is expected that the sale will materialized in the year 2008. These offers received are significantly above its historical cost.

The movements during 2007 and 2006 of the items included in "Non-Current Assets Held for Sale" are the following:

	Equity Instruments	Tangible Assets
Balance as at December 31st, 2005	**4,622**	**1,274**
Reductions for relocation within Balance Sheet	-	(1,207)
De-recognition due to sale	-	-
Other movements	(481)	(49)
Valuation adjustment	173	49
Balance as at December 31st, 2006	**4,314**	**67**
Relocation within Balance Sheet	-	-
De-recognition due to sale	-	-
Other movements	-	-
Valuation adjustment	(455)	-
Balance as at December 31st, 2007	**3,859**	**67**

10. TANGIBLE ASSETS

a) Movement

The movements of the caption "Tangible Assets" of the Balance Sheets as of December 31st, 2007 and 2006 are the following:

	For own Use	Investment Property	Total (*)
Cost			
Balance as at January 1st, 2006	**11,494**	**19,308**	**30,802**
Reallocation	1,577	-	1,577
Disposals	(1,154)	-	(1,154)
Balance as at December 31st, 2006	**11,917**	**19,308**	**31,225**
Reallocation	(3,196)	3,196	-
Additions	205	-	205
Disposals	(34)	-	(34)
Balance as at December 31st, 2007	**8,892**	**22,504**	**31,396**

(*) The value of the land amounts to 23,833 Thousand Euros

	For own Use	Investment Property	Total (*)
Accumulated Amortization			
Balance as at January 1st, 2006	**1,704**	**874**	**2,578**
Allowance	181	73	254
Disposals	(1,139)	-	(1,139)
Additions for relocation	392	-	392
Balance as at December 31st, 2006	**1,138**	**947**	**2,085**
Allowance	82	104	186
Disposals	(34)	-	(34)
Reallocation	(509)	509	-
Balance as at December 31st, 2007	**677**	**1,560**	**2,237**
Net Tangible Assets			
Balance as at December 31st, 2006	**10,779**	**18,361**	**29,140**
Balance as at December 31st, 2007	**8,215**	**20,944**	**29,159**

The disposals, both in the cost and in the accumulated amortization, correspond mainly to the disposal of assets completely amortized. The reallocation corresponds mainly to the rental of the bank's properties in Las Palmas and Madrid.

b) Tangible Assets for Own Use

The detail by nature of the items, which comprises the balance of the caption "Tangible Assets for Own Use" of the Balance Sheets as of December 31st, 2007 and 2006, is the following:

	Lands & Buildings	Furniture	Installations	Computer Equipment	Others	Total
Cost						
Balance as at Jan. 1st, 2006	**9,835**	**189**	**1,152**	**94**	**224**	**11,494**
Reallocation	1,578	-	-	-	-	1,578
Disposals	-	(63)	(1,026)	(66)	-	(1,155)
Balance as at Dec.31st, 2006	**11,413**	**126**	**126**	**28**	**224**	**11,917**
Additions	-	4	178	23	-	205
Disposals	-	-	(13)	(21)	-	(34)
Reallocation	(3,196)	-	-	-	-	(3,196)
Balance as at Dec. 1st, 2007	**8,217**	**130**	**291**	**30**	**224**	**8,892**
Accumulated Amortization						
Balance as at Jan. 1st, 2006	**(449)**	**(113)**	**(1,041)**	**(70)**	**(32)**	**(1,705)**
Allowance	(64)	(18)	(57)	(28)	(14)	(181)
Disposals	(9)	48	1,028	73	-	1,139
Reallocation	(392)	-	-	-	-	(392)
Balance as at Dec.31st, 2006	**(914)**	**(83)**	**(70)**	**(25)**	**(46)**	**(1,138)**
Allowance	(33)	(14)	(15)	(5)	(15)	(82)
Reallocation	509	-	-	-	-	509
Disposals	-	-	12	21	-	34
Balance as at Dec. 31st, 2007	**(437)**	**(97)**	**(73)**	**(9)**	**(61)**	**(677)**

Net Tangible Assets

Balance as at December 31st, 2006	**10,499**	**43**	**56**	**3**	**178**	**10,779**
Balance as at December 31st, 2007	**7,780**	**33**	**218**	**21**	**163**	**8,215**

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

c) Investment property

During 2007 and 2006, income from rents coming from investment properties amounted to 1,154 and 1,006 Thousand Euros, respectively. They are entered in the item "Other Operating Income" of the Income Statement (Note 25). The operating expenses related to said investment properties amounted to 235 and 209 Thousand Euros respectively, and are entered in the caption "Other Administrative Expenses" (Note 27). These expenses are passed on to the tenants and are recorded in "Other" under "Other operating income".

11. TAX ASSETS AND TAX LIABILITIES

It includes the amount of all assets of a tax nature, divided into "Current" (amounts of tax to be recovered during the next twelve months) and "Deferred" (amounts of tax to be recovered in future periods). The detail of these items as of December 31st, 2007 and 2006 is the following:

TAX ASSETS	2007	2006
Current:		
Corporate tax	-	289
VAT	77	15
Other	208	1,691
Deferred:		
Other	34	508
	319	**2,503**

The decrease in the caption "Tax Assets -Other" corresponds to the collection of "Sánchez- Polaina" guarantees.

The balance of the item "Tax Assets" is not affected by the modification of the Income Tax rate (Note 5.14).

TAX LIABILITIES	2007	2006
Current:		
Other	-	899
	-	**899**

The decrease of this caption corresponds to the payment on January 2007, of the Capital transfer tax corresponding to the increase of capital done during 2006.

12. PREPAYMENTS AND ACCRUED INCOME (ASSETS) AND ACCRUED EXPENSES AND DEFERRED INCOME (LIABILITIES)

The detail of these two captions is the following:

	Assets		Liabilities	
	2007	2006	2007	2006
Prepaid expenses	33	9	-	-
For financial guarantees	-	-	31	27
Accrued expenses	-	-	566	542
Other	-	-	10	12
	33	**9**	**607**	**581**

The balance of the item "For financial guarantees" corresponds to commissions collected from guarantees granted to clients, which are apportioned on a straight-line basis over the expected life of the guarantee.

The caption "Accrued expenses" includes, mainly, the amount of 318 Thousand Euros due to personnel expenses (319 Thousand Euros in 2006).

13. FINANCIAL LIABILITIES AT AMORTIZED COST

The breakdown of this caption of the Balance Sheets as of December 31st, 2007 and 2006 is the following:

	2007	2006
Deposits from credit institutions	553,845	32,678
Deposits from other creditors	5,732	2,042
Other financial liabilities	754	674
	560,331	**35,394**

The detail by currency and residual maturity of "Financial Liabilities at Amortized Cost" of the Balance Sheets as of December 31st, 2007 and 2006 is as follows:

	2007	2006
By currency		
Euros	317,035	33,602
Other currencies	243,296	1,792
	560,331	**35,394**

By residual maturity		
Up to 3 months	560,135	34,831
Over 3 months to 1 year	175	542
Over 1 year up to 5 years	21	21
	560,331	**35,394**

The detail of "Deposits from Credit Institutions" of the Balance Sheets as of December 31st, 2007 and 2006 is as follows:

	2007	2006
Time deposits	543,710	30,000
Other accounts	7,933	2,672
Valuation adjustments	2,202	6
	553,845	**32,678**

As of December 31st, 2007 Libyan Foreign Bank holds deposits amounting to 301 Million Euros (31 Million Euros in 2006). Arab countries (Asia) hold deposits for an amount of 154 Million Euros (none in 2006).

The detail of the caption "Deposits from Other Creditors" of the Balance Sheets as of December 31st, 2007 and 2006 is the following:

	2007	2006
Other resident sectors		
Demand deposits:		
Current accounts	1,648	385
Other	7	19
Time deposits		
Fixed term deposits	311	309
Valuation adjustments	6	4
Other non- resident sectors		
Demand deposits:		
Current accounts	3,566	727
Other	20	54
Time deposits		
Fixed term deposits	174	544
	5,732	**2,042**

Details of " Other financial liabilities" of the Balance Sheets as of December 31st, 2007 and 2006 grouped by financial instrument are as follows:

	2007	2006
Clearing accounts	157	175
Rental deposits	201	175
Withholdings	376	170
Special accounts	20	95
Other	-	59
	754	**674**

14. PROVISIONS

The breakdown of this caption of the Balance Sheets as of December 31st, 2007 and 2006 is the following:

	2007	2006
Provisions for taxes	364	846
Provisions for contingent exposures and commitments	1,917	1,557
Other provisions	233	334
	2,514	**2,737**

The movements of the caption "Provisions" in 2007 and 2006 are as follows:

	Provision for taxes	Contingent Exposures and Commitments	Other Provisions	Total
Balance as at December 31st, 2005	**895**	**1,587**	**1,344**	**3,826**
Net P/L allowances	172	64	83	319
Allowances released	(6)	(80)	(274)	(360)
Utilizations	(215)	-	(819)	(1,034)
Other – Exchange difference	-	(14)	-	(14)
Balance as at December 31st, 2006	**846**	**1,557**	**334**	**2,737**
Net P/L allowances	13	377	883	1,273
Allowances released	-	(16)	(218)	(234)
Utilizations	(495)	-	(1,284)	(1,779)
Transfers	-	9	518	527
Other – Exchange difference	-	(10)	-	(10)
Balance as at December 31st, 2007	**364**	**1,917**	**233**	**2,514**

The balance of the caption "Provisions for Taxes" as of December 31st, 2007 and 2006, includes, among others, a provision of 309 Thousand Euros due to the capital transfer tax for properties auctioned.

The detail per type of coverage of "Provisions for Contingent Exposures and Commitments" is the following:

	2007	2006
Specific provision	1,414	1,375
Generic provision	428	98
Country risk provision	75	84
	1,917	**1,557**

"Provisions for Contingent Exposures and Commitments" (specific provision) includes, mainly, an amount of 1,094 Thousand Euros corresponding to a legal suit (1,991 Thousand Euros of principal) in which Aresbank is vicarious civil responsible. The rest of the caption "Contingent Exposures and commitments" is considered as a remote risk due to their evolution (Note 18 a).

15. OWN FUNDS

The entity's Net-worth amounted to 199,414 Thousand Euros at December 31st, 2007. The Bank shows at the end of the year 2007, a capital solvency ratio of 91.82% that exceeds the minimum 8% required by the Spanish Monetary Authorities.

As of December 31st, 2007, the computable own funds of Aresbank, including the year's profit, amounted to 199,862 Thousand Euros, having a surplus of resources for an amount of 182,450 Thousand Euros.

The movements of the "Own Funds" during year 2007 and 2006 are the following:

	Capital	Reserves (carry forward losses)	Profit & Loss for the year	Total
Balance as at December 31st, 2005	**18,032**	**(8,983)**	**1,029**	**10,078**
Profit distribution	-	1,029	(1,029)	-
Capital decrease	(7,952)	7,951	-	(1)
Capital increase	89,922	(899)	-	89,023
Profit for the year	-	-	49	49
Balance as at December 31st, 2006	**100,002**	**(902)**	**49**	**99,149**
Profit distribution	-	49	(49)	-
Capital increase	100,000	(1,000)	-	99,000
Profit for the year	-	-	1,265	1,265
Balance as at December 31st, 2007	**200,002**	**(1,853)**	**1,265**	**199,414**

16. SHARE CAPITAL

On May 25th, 2007, the Board of Directors unanimously agreed to authorize the transfer of the 8,043 shares of Banco Arabe Español belonging to Kuwait Investment Company, S.A.K. to Libyan Foreign Bank. This sale transaction was finally signed on September 7th, 2007. On this date the Extraordinary General Shareholders' Assembly agreed to increase the share capital in an amount of 99,999,360 Euros by means of issuance of 34,722 new shares, having each a nominal value of 2,880 Euros, with the same nominal value and rights of the previously existing shares. As a consequence of the above, the share capital of Aresbank, S.A. is reconverted to 200,001,600 Euros and it is composed by 69,445 registered shares with a face value of 2,880 Euros each.

The new composition of the shareholders is shown in the following chart:

	Amount (€)	Number of shares	% owned
Libyan Foreign Bank	199,586,880	69,301	99.79%
Credit Populaire d'Algerie	414,720	144	0.21%
	200,001,600	**69,445**	**100.00%**

The composition of the shareholders as of December 31st, 2006 was:

	Amount (€)	Number of shares	% owned
Libyan Foreign Bank	76,423,680	26,536	76.42%
Kuwait Investment Company S.A.K.	23,163,840	8,043	23.16%
Credit Populaire d'Algerie	414,720	144	0.42%
	100,002,240	**34,723**	**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.

17. RESERVES

The breakdown of the reserves as of December 31st, 2007 and 2006 is as follows:

	2007	2006
Legal reserve	-	-
Results from previous years	49	(3)
Other negative reserves	(1,902)	(899)
	(1,853)	**(902)**

The caption "Other negative reserves" shows the accrued corporate tax that corresponds to the capital increase carried out in September 2007, that following the current rules has to be debited directly to the net-worth.

LEGAL RESERVE

According to the Companies Act, companies must transfer 10% of annual profits to the legal reserve until it reaches, at least, a 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.

18. 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 their net assets.

a) Contingent exposures

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

The breakdown as of December 31st, 2007 and 2006 is the following:

	2007	2006
Financial guarantees		
Other Bank guarantees and indemnities	22,070	20,102
Irrevocable issued documentary credits	19,450	95
Irrevocable confirmed documentary credits	50,433	33,808
Other contingent risks	7,722	-
	99,675	**54,005**
Memorandum item: Doubtful contingent exposure (Note 14)	**8,488**	**8,630**

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

	2007	2006	2007	2006
Geographic Area				
Spain	21,281	19,733	96.43%	98.00%
Arab countries				
Other Arab countries	789	369	3.57%	2.00%
	22,070	**20,102**	**100.00%**	**100.00%**

The detail by geographic area of "Irrevocable documentary credits issued and confirmed" is the following:

	2007	2006	2007	2006
Geographic Area				
Spain	-	95	-	0.3%
EU Countries	19,774	1,564	28.3%	4.6%
Arab countries				
Libya	29,281	25,795	41.9%	76%
Algeria	11,359	5,110	16.3%	15%
Other Arab countries	9,469	1,339	13.5%	4.1%
	69,883	**33,903**	**100%**	**100%**

The income obtained from these guarantee transactions are recognized in the Income Statement as "Fee and Commission Income" (Note 22).

b) Contingent commitments

Its breakdown is the following:

	2007	2006
Drawable by third parties		
By other resident sectors	58,391	3,242
Other contingent commitments:		
Documents delivered to clearing houses	4	6
	58,395	**3,248**

19. TAX MATTERS

Profits, adjusted in accordance with fiscal regulations, are taxed at a 32.5% rate for 2007, and at a 35% rate for 2006. The resulting quota can be reduced applying certain legal deductions.

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

The years of Aresbank, S.A. subject to Tax Inspection are 2004 onwards, except for the Corporate Income Tax that is subject to inspection from 2003 onwards.

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

	2007	2006
Accounting profit for the year	1,265	49
Timing differences		
Positives		
- Pensions Fund allocation	14	10
- Provisions	187	213
- Other	155	9
Negatives		
- Externalised Pension Fund	(499)	(499)
- Bad debts provision recoveries	(450)	(278)
- Corporate Tax due to the increase of capital	(1,000)	(899)
Total	(328)	(1,395)
Offset of prior year negative taxable bases	-	-
Negative taxable bases for the year	328	1,395
Taxable profit	-	-

The Bank has negative taxable bases (carry-forward losses) for an amount of 129,459 Thousand Euros that can be offset by the profits to be obtained along the coming fifteen years and which breakdown is as follows:

1 994	1 997	1 999	2 000	2 001	2 002	2 003	2 004	2006
25,355	1,547	26,556	12,904	8,844	1,842	2,643	48,045	1,395

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

20. INTEREST AND SIMILAR INCOME

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

The breakdown of this caption as of December 31st, 2007 and 2006 is the following:

	2007	2006
Cash balances with central banks	39	41
Loans and advances to credit institutions	9,766	3,094
Loans and advances to other debtors	329	400
Debt securities	22	27
Doubtful assets	40	94
Other interest	3	-
	10,199	**3,656**

The detail, as per origin, of the most significant "Interest and Similar Income" accrued by Aresbank in 2007 and 2006 is as follows:

	2007	2006
Cash balances with central banks	39	41
Loans and receivables	10,138	3,588
Held-to-maturity investments	22	27
	10,199	**3,656**

21. INTEREST EXPENSE AND SIMILAR CHARGES

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

Its breakdown as of December 31st, 2007and 2006 is the following:

	2007	2006
Deposits from central banks	8	10
Deposits from credit institutions	5,396	4,250
Deposits from other creditors	123	108
	5,527	**4,368**

The origin of the most significant "Interest and Similar Charges" in 2007 and 2006 is as follows:

	2007	2006
Financial liabilities at amortized cost	5,527	4,368
	5,527	**4,368**

22. FEE AND COMMISSION INCOME

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

The detail of this chapter of the Income Statement as of December 31st, 2007 and 2006 is the following:

	2007	2006
Arising from contingent exposures	1,178	824
Arising from exchange of foreign currencies and banknotes	1	3
Arising from collection and payment services	158	64
Other commissions	128	102
	1,465	**993**

23. FEE AND COMMISSION EXPENSE

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

The detail of this chapter of the "Income Statement" as of December 31st, 2007 and 2006 is as follows:

	2007	2006
Fees and commissions assigned to other entities and correspondents:		
Other	5	327
Other fees and commissions	24	8
	29	**335**

24. GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)

This item of the "Income Statement" amounts to a loss of 4 Thousand Euros as of December 31st, 2007 and to a loss of 5 Thousand Euros as of December 31st, 2006.

25. OTHER OPERATING INCOME

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

The detail of this chapter of the "Income Statement" as of December 31st, 2007 and 2006 is the following:

	2007	2006
Operating income from investment properties (Note 10.c)	1,154	1,006
Other	276	238
	1,430	**1,244**

26. PERSONNEL EXPENSES

The personnel of the Bank as of December 31st, 2007 and 2006 are the following:

	2007			2006		
	Women	Men	Total	Women	Men	Total
Senior Managers	-	2	2	-	2	2
Managers	-	4	4	-	4	4
Administrative Staff	12	29	41	9	27	36
Other	-	1	1	-	1	1
	12	**36**	**48**	**9**	**34**	**43**

The breakdown of Personnel expenses caption at December 31st, 2007 and 2006 is as follows:

	2007	2006
Wages and salaries	2,690	2,700
Social Security expenses	490	534
Transfers to defined contribution plans	186	230
Severance payments	1,070	1,155
Professional training expenses	10	-
Other	354	324
	4,800	**4,943**

27. OTHER ADMINISTRATIVE EXPENSES

The breakdown of this caption as of December 31st, 2007 and 2006 is the following:

	2007	2006
Property, fixtures and materials		
Rental	160	163
Maintenance of fixed assets	275	242
Lighting, water and heating	105	85
Printing and office materials	26	19
Communications	123	103
Technical reports and legal and lawyer expenses	378	221
Surveillance and security carriage services	64	58
Insurance and self-insurance premiums	18	16
Governing and control bodies	520	558
Entertainment and staff travel expenses	95	55
Contribution and taxes	205	174
Other expenses	143	109
	2,112	**1,803**

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

a) Board of Directors

The detail of the Attendance Fees (before taxes) received by the Bank's Directors in 2007 and 2006 is the following:

	2007	2006
Mr. Juan Carlos Montañola	32.50	2.50
Mr. Mohamed El-Jamal (**)	20.00	-
Mr. Ahmed Mohamed Aburkhis	12.00	2.00
Mr. Yousef S. Migirab (**)	6.00	-
Mr. Mohamed M. Zarti (**)	8.00	-
Mr. Hatim A. Gheriani (**)	6.00	-
Mr. Luis Vañó	-	9.00
Mr. Omar Mohamed A. Seghayer (*)	6.00	6.00
Mr. Abduelhadi Taher Giuma (*)	10.00	9.50
Mr. Abdurauf Shneba (*)	6.00	9.50
Mr. Mehemed A. Razzaghi (*)	8.00	9.50
Mr. Ahmad Abdulqader Mohammad (***)	10.00	8.00
Mr. Ahmad M.A. Bastaki	-	7.50
Mr. Yousef M.A.Y. Alabdulrazzaq	-	7.50
Mr. Khalid H.I. Al-Shayea (***)	8.00	9.50
Mr. Kamel Aït-Younes (Crédit Populaire d'Algérie)	-	6.00
Mr. Mohamed Djellab (Crédit Populaire d'Algérie)	10.00	3.50
Mr. Julio Álvarez	61.60	2.50
Mr. Carlos Kinder	32.50	2.50
Mr. Amado Subh	44.10	2.50
S.E.P.I.	-	6.00
Mr. Laureano Barreiro	-	6.00
Mr. Augusto Caro (Banco Sabadell)	-	6.00
	280.70	**115.50**

(*) Resigned on July 27th, 2007.
(**) Appointed at the General Shareholders' Assembly on July 27th, 2007
(***) Resigned on September 7th, 2007

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

The Bank does not hold direct risks with any Non-Executive Director as of December 31st, 2007.

The members of the Board of Directors of the Bank do not have any share participation in the capital of other financial entities higher than 0.0001%, except for Crédit Populaire d'Algérie, which hold the following participations in the following financial institutions:

Banque du Maghreb Arabe pour l´Industrie et le Commerce "BAMIC"	12.50%
Programme de Financement du Commerce Arabe PFCA	0.01%

None of the members of the Board of Directors hold any position in other financial entities, except Mr. Mohamed Najib El-Jamal who is a member of the Board of Directors of the following financial institutions:

- Arab International Bank (Egypt)
- ALMASRAF (United Arab Emirates)
- A & T Financial Kiralama (Leasing) A.S. (Turkey)

b) Top Management (Executive Directors)

The breakdown of the retribution received by the General Management of the Bank in the years 2007 and 2006 is the following (the attendance fees to the Boards are not included in this chart because they are included in a different caption):

Year	Number of Managers	Salary	Other remuneration	Total
2007	2	488	70.50	558.50
2006	2	468	68.00	536.00

The amounts debited for pension funds in the Income Statement of the Bank in 2007 and 2006 amounted to 25.1 Thousand Euros and 30 Thousand Euros, respectively.

The direct risks held with the General Management as of December 31st, 2007 and 2006 amounted to 5.3 Thousand Euros and 7 Thousand Euros, respectively.

29. DEPRECIATION AND AMORTIZATION

The detail of this caption as of December 31st, 2007 and 2006 is the following:

	2007	2006
Investment Property	91	137
For own use	95	117
	186	**254**

30. IMPAIRMENT LOSSES (NET)

The detail of this caption is the following:

	2007	2006
Investments		
Allowances	(44)	(148)
Recoveries of loans written off	1,169	3,426
Other recoveries	264	524
Non-current Assets held for sale (Note 9)	-	173
	1,389	**3,975**

Early 2007, two worth mentioning recoveries were made, one from National Bank of Angola for an amount of 1,086 Thousand Euros, and another from Chiclana Town Council for an amount of 145 Thousand Euros.

As of the 2006 financial year, it is worth mentioning the Grupo Sanchez Polaina S.A recovery for a total amount of 3,364 Thousand Euros.

31. OTHER GAINS AND LOSSES

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

The detail of "Other Gains" in the Income Statement as of December 31st, 2007 and 2006 is the following:

	2007	2006
Gains on disposals of tangible assets		
Other		
Other	1,363	2,089
	1,363	**2,089**

The amount of 1,363 Thousand Euros showed by the item "Other" comes from the upholding of several tax appeals, as well as the amount of 2,089 Thousand Euros for 2006.

The detail of "Other losses" of the Income Statement of the years ended on December 31st, 2007 and 2006 is the following:

	2007	2006
Other		
Other	153	63
	153	**63**

The amount of 153 Thousand Euros of 2007 mainly rises from the Withholding Tax corresponding to 2000 fiscal year (improper application of exemptions in the withhold from employees severance payments) and from " Sánchez Polaina" legal costs.

32. ADDITIONAL INFORMATION

a) Fair value of assets and liabilities

As mentioned in Note 5, most of the financial assets and liabilities of the Bank are recognized for their amortized cost in the accompanying Balance Sheets.

Their fair value does not present significant difference from the amounts that are recorded as they had been contracted at short-term and at market interest rate.

b) Most significant balances with related companies.

The most important balances with related companies as of December 31st, 2007 and 2006 are the following:

	2007	2006
ASSETS		
Loans to customers (*)	326	1,009
LIABILITIES		
Deposits from customers	120	649

(*) Impairment adjustments excluded

In addition, Libyan Foreign Bank maintains the deposit mentioned in Note 13.

c) Transactions with related companies

The most relevant transactions with related companies as of December 31st, 2007 and 2006 are the following:

	2007	2006
Interest collected	76	282
Interest paid	38	97

In addition, the interest and commissions paid to Aresbank's shareholders for the deposits and accounts held in the Bank amounted to 2,467 Thousand Euros in 2007 and 3,370 Thousand Euros in 2006.

PROPOSED DISTRIBUTION OF ANNUAL PROFIT

	Thousand Euros
	2007
PROFIT BEFORE PROVISIONS AND TAXES	2,304
PROVISIONS	(1,039)
	1,265
CORPORATE TAX ESTIMATION	-
NET PROFIT	1,265
DISTRIBUTION	
OTHER NEGATIVE RESERVES	1,265
	1,265

RESOLUTIONS THAT THE BOARD OF DIRECTORS SUBMITS TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF ARESBANK, S.A. TO BE HELD ON MARCH 27th, 2008

1. Examination and approval, as the case may be, of ARESBANK, S.A. Audited Annual Accounts (Annual Report, Balance Sheet and Profit and Loss Account) and Directors' Report, corresponding to the fiscal year 2007.

2. Application of 2007 fiscal year results.

3. Approval and ratification, as the case may be, of the conduct of the corporate affairs carried out by the Board of Directors during the year 2007.

4. Approval of changes, as the case may be, in the Board's members.

5. Renewal of the appointment of Auditors.

6. Request and questions

7. Drafting, reading and approval, as the case may be, of the Minutes of the meeting.

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