

AUDIT COMMITTEE
REPORT

Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

I.- Introduction

This report on the duties and activities of the Audit Committee of Corporación Financiera Alba, S.A. has been prepared in accordance with current recommendations on good governance of listed companies, in particular the recommendations of the Aldama Committee, in its report (the “Aldama Report”) published on January 8, 2006, and the Unified Code on Good Corporate Governance (Código unificado de recomendaciones sobre buen gobierno de las sociedades cotizadas) passed by the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) on May 22, 2006.

The Audit Committee was created by the Board of Directors on March 29, 2000, following the recommendations of the “Olivencia Code”. At that time, it was called the Audit and Compliance Committee.

Subsequently, Law 44/2002 of November 22 on Financial System Reform Measures (the “Finance Law”) made it compulsory for listed companies to have an Audit Committee. It also established certain requirements regarding the Committee’s membership, powers and operating rules.

In compliance with the Finance Law, Corporación Financiera Alba, S.A. amended its articles of association and its Board of Directors Regulations and defined the Audit Committee’s powers and procedures as described below.

II.- Functions of the Audit Committee

In accordance with Additional Provision 18a of the Securities Market Act (Ley del Mercado de Valores) (introduced by Law 44/2002, of November 22, on Financial System Reform Measures), article 47 of the articles of association of Corporación Financiera Alba, S.A. attributes to the Audit Committee the following functions, notwithstanding any other functions it may be assigned by the Board of Directors:

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- Report to the General Meeting on matters within its remit raised by shareholders.
- Submit a proposal to the Board of Directors nominating external auditors for approval by the shareholders in General Meeting.
- Oversee the internal audit function, if any.
- Report on the Company's financial reporting and internal control systems.
- Conduct relations with the external auditors to gather information on matters liable to affect the external auditors' independence and any other matters arising from the auditing of the Company's accounts, and make any other disclosures required by auditing rules and regulations.

III.- Membership

The Audit Committee is a Board committee and so is made up of directors. A majority of the members must be non-executive directors appointed by the Board of Directors, and the Chairman must be chosen from among these non-executive directors. By law and under the Company's articles of association, the Chairman is replaced every four years and may be re-elected after one year out of office.

Because of the new legal provisions concerning the Audit Committee and the amendments to the Company's articles of association and Board of Directors Regulations, the Board of Directors at its meeting on May 22, 2003 renewed the membership of the Committee, reappointing the same people who previously made up the Audit and Compliance Committee.

In 2006 the Audit Committee had the following members: Mr. Manuel Soto Serrano as Chairman; Mr. Francisco Verdú Pons and Mr. Enrique Piñel López as members; and Mr. José Ramón del Caño Palop as Secretary. The Chairman is an independent non-executive director and the other two members are domainial non-executive directors.

IV.- Functioning and activities

The Committee's internal functioning is regulated by article 47 of the Company's articles of association and articles 29 to 34 of the Board of Directors Regulations, governing meetings, notices, quorums, adoption of resolutions, minutes, relations with the Company's Board of Directors and management, and authority to request information on any aspect of the Company and to seek the advice of outside professionals.

During 2006, the Audit Committee met five times. The matters discussed at these meetings, on which the Committee had all the necessary information and documentation, were:

- Review of periodic financial reports for submission to the CNMV.
- External audit of the annual accounts.
- Risk identification and internal risk control system.
- Legal compliance and compliance with company regulations.

a) Review of periodic financial reports

The Audit Committee analyzed, prior to submission, the quarterly and half-yearly financial information that the Company submits to the CNMV for public disclosure, and the complementary brochures that the Company publishes.

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This was done with the collaboration of the Company's financial director, who is responsible for preparing this information and who explained to the Committee the accounting procedures followed and the decisions and criteria adopted.

The Committee approved the reports and brochures, subject to the inclusion of certain suggestions it had made.

In one of its meetings the Committee examined the financial statements prior to their submission to the Board of Directors for authorization.

b) External audit of the annual accounts and relations with the external auditors

The meeting just mentioned was attended by the external auditors, who reported in depth on the audit work, the main issues raised and the criteria used. The auditors detected no significant risks in the Company and considered the Company's internal audit to be effective. Accordingly, their opinion on the Company's financial statements was unqualified. In carrying out their task, the independent auditors were assisted by the Company's officers. At the same time, the plan for the audit for financial year 2006 was explained.

Note that, because of the change of auditor decided in 2004, the current auditor has been appointed for fiscal years 2005, 2006 and 2007. In 2006, therefore, no renewal or change of auditor was considered.

c) Risk identification and internal risk control system

Internal control is the responsibility of the finance director and is governed by a set of operating rules. These rules are set out in the "Operations Handbook". They relate, among other things, to investments and divestments, budgets and expense control, consolidation, IT systems, administrative controls, and file keeping.

The Audit Committee has authority in this matter and determines whether the Company has the necessary organization, staff and processes to identify and monitor its main operational, financial and legal risks. It is also empowered to investigate any aspect of the risk identification and internal control system, as it sees fit. In 2004 the Company commissioned the independent auditors to carry out an in-depth review of the Company's internal control system, and of the "Operations Handbook" in particular. The auditors' opinion was that the Company's internal control system is satisfactory.

No material incident in relation to risk identification and internal control was detected during 2006.

d) Regulatory compliance

In accordance with article 26.c) of the Board of Directors Regulations, the Audit Committee provides the following, more detailed information on the Company's compliance with legal requirements and internal regulations.

First, the Committee confirms that the Company has the necessary organization to guarantee compliance with applicable law. Specifically, it has a legal department, a tax department and a finance department, each of which, in its area of competence, works to ensure that current (external and internal) regulations are respected. In addition, the Board Regulations charge the Secretary with a duty to ensure that the Company acts, in form and substance, within the law, respecting both statutory obligations and company procedures and rules of governance.

One of the Audit Committee's tasks is to make sure the Company has an effective system of internal supervision to guarantee the Company's compliance with applicable laws and regulations, and to verify that the necessary procedures are in place to ensure that managers and employees comply with internal regulations. Audit Committee meetings are attended by the Company's finance director, who is responsible for internal control and reports to the Committee on this matter.

As mentioned previously, the Company has a set of operational rules ("Operations Handbook") that provide criteria for internal control.

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Bearing all this in mind, the Committee considers that the Company has the necessary organizational resources and rules to ensure compliance with applicable internal and external regulations.

In this same area of responsibility, the Audit Committee examined the proposal for an Annual Corporate Governance Report. Said proposal was subsequently ratified by the Board of Directors. It also reviewed the Report submitted by the Supervisory Body set up under the Company's Code of Conduct on the measures taken to meet the requirements of said Code. Lastly, it reviewed the plan to amend the Code of Conduct as a consequence of the approval of Royal Decree 1333/2005, of November 11, which develops the Securities Market Act (Ley del Mercado de Valores) in matters of market abuse.

In relation to compliance, the Committee examined related-party transactions. During the year, two transactions with significant shareholders were examined to verify whether they were carried out under market conditions. In both cases the finding was favourable. One of the transactions was carried out during the year and so was disclosed in the company's periodic disclosures, while the other has not yet taken place.

Lastly, the Committee monitored the functioning of the Company's web site, which is fully compliant with current regulations.

In view of all the above, the Committee considers that the Company's compliance with corporate governance regulations is satisfactory and that the Company fulfils current legal obligations and recommendations. The Unified Code of Corporate Governance, approved by the CNMV on May 22, 2006 has yet to be adapted and implemented, but plans to do so are in place.

Madrid, February 21, 2007