

Management's Report

The year that has just ended will always remain with us as the year that our managing director Bill Fabro so suddenly passed away, only ten days before his sixtieth birthday and six months before his retirement. Bill had been in the Senior Management of our Bank for over twelve years as the senior representative of our shareholders The Bank of Nova Scotia. In this capacity Bill was responsible for a.o. information technology, electronic delivery services, account and financial administration, audit and risk management, and wealth services. All of these areas underwent very significant changes during Bill's tenure, and this has helped our Bank reach the high levels of productivity and profitability which we enjoy today. Bill leaves behind many friends at our Bank and in the Curaçao community at large. Many have expressed their own sense of loss at his demise - in writing and personally, as well as at the memorial ceremony held in his honor at what had been his favorite spot in Curaçao, Boca St. Michiel. We wish Bill's wife Heather and all who mourn him much strength in the months and years ahead.

Our Country and Our Economy

In last year's Annual Report, we said that we were "confident that we will see continued, and probably even stronger, economic growth in 2007." That turned out to be the case, with the Netherlands Antilles GNP showing real growth of 2.4% in 2007. The expectations for 2008 are even better, with GNP projected to grow 2.6% in 2008. For our main market of Curaçao, the turn-around was more dramatic with 1.5% real GNP growth in 2006 to 2.5% in 2007 and an expected 4.0% in 2008. Inflation is expected to remain in the 3.0% to 3.5% range of the past two years in Curaçao and the Netherlands Antilles. Aruba saw a serious increase of inflation to approximately 10.2% for 2007, the result of a combination of increased oil prices and the cumulative effect of the newly introduced sales tax. The recent steep climb in the price of crude oil will surely impact the rate of inflation in 2008 for all our islands and become a burden, especially on the less fortunate in our societies.

This change from the anemic growth of the past has come about mainly due to two factors. The first is undoubtedly the agreement by the Curaçao Parliament to the framework for the changes



in constitutional structure which are described elsewhere in this Report. This agreement by Curaçao followed earlier agreements by the other islands of the Netherlands Antilles with the Netherlands. The result now is a clearly outlined path to the new constitutional structure, which includes a very significant domestic debt relief by the Netherlands. This has created new confidence with local and especially Dutch investors and has led to many new projects, particularly in tourism and real estate developments being initiated in Curaçao and Bonaire.

The second factor that has led to the change in economic growth is tourism. Particularly in Curaçao, tourism has increased strongly with all hotels showing record-high occupancy rates. This is the case in Bonaire and St. Maarten as well, while Aruba's tourism is recovering after a temporary dip, now that several hotels are again fully open following renovations and new construction. In both St. Maarten and Curaçao cruise tourism remains strong and will grow further in the coming year. All this has led to the construction of new hotels and other resort facilities, which has further contributed to economic growth. Of course, as the US' and perhaps the world's economies appear at the time of this writing to be headed into a recessionary period, there is concern as well how this will affect tourism on our islands in 2008.

A series of still unsolved fires in the Curaçao Free Zone led to a slow-down of international trade activities, especially due to shortage of storage and showroom space in the Free Zone; new construction has been initiated, however, and we expect that this important economic activity will normalize in the second half of 2008. At the same time, foreign exchange facilities made available to Venezuelans by regulators there have led to a large number of shopping visitors in the fourth quarter of 2007, which has benefited the retailers and economies of especially Curaçao and Aruba. The international financial sector continues to perform strongly. Nevertheless, new ways are being sought to increase its competitiveness, supported by an active Governmental policy to conclude new tax treaties with various countries around the globe.

The year that we have just entered will be a very important one for our countries. It is the year when, as currently planned, on December 15th 2008, the new constitutional and political structure of the Kingdom of the Netherlands takes effect. It is the year by the end of which Curaçao and St. Maarten will become autonomous countries in the Kingdom and the year in which Bonaire, St. Eustatius and Saba take on a new legal status similar to that of a Dutch municipality. Much still needs to happen to realize this – and much determination and perseverance will need to be shown by the leaders of our societies to create this new Kingdom. At the same time, we have to ensure that our economies keep growing so that the social needs of the people of the Netherlands Antilles and Aruba can be met, and that the burden on the



less privileged of a higher inflationary environment can be relieved. Maduro & Curiel's Bank stands ready with its considerable financial and human resources to lend a hand in making all of this happen.

Our Bank

The year just ended has been a very busy year in our Bank. With the strong and enthusiastic support of our 1418 colleagues, we got a lot done and again set the pace for banking innovation in our communities.

Most important was the introduction of a new *Sales & Service* structure and culture in our branches, which at year's end was in the process of being rolled out to all our branches and then on to all the islands. Our branch staff went through intensive product knowledge and behavioral training sessions to enable them to serve the needs of our clients even better than before. The results have been heartwarming, both inside and outside of our Bank. We are pleased and grateful to hear from our clients that they are being assisted faster and more effectively and their needs served better, while our staff already perceives the growth opportunities that the new *Sales & Service* initiative brings with it.

At the very end of 2006 we launched a new microfinance program, *Granito*, and in 2007 we were pleased to see this program assist over 135 micro-entrepreneurs develop their skills further and create additional sources of income for themselves and employment for others. *Granito* now enjoys wide acceptance and appreciation in our Curaçao community.

In association with Corporate Financial Solutions BV, we launched a joint venture factoring company in 2007. *Caribbean Factoring Services BV* is the first company in our markets to offer to businesses a fast and easy way to convert their receivables into cash and at the same time off-load the burden of collection to our company. *FactorPlus*, as the new, non-recourse factoring product is called, promises to become yet another successful service with which our Bank is associated.

The number of transactions on our *Pagomatiko BillPay* terminals grew exponentially in 2007; they now provide bill payment or recharge services for seven utilities, telecommunication and airline vendors – used by thousands of clients each and every month. We introduced a new Antillean Guilder credit card, *Kompa Leon Efektivo*, the first no membership fee-card in our markets – and its launch was the most successful ever in Curaçao for a credit card. We launched a new website, www.kompaleon.com, to enable our Kompa Leon cardholders to make optimal use of this unique credit card. We assisted *McDonald's* in launching its first gift



card in the Caribbean, a card “powered by Maduro & Curriel’s Bank” and we created a new pre-paid card for Divi Hotels in Aruba as part of the latter’s marketing incentives for timeshare sales. We took our popular pre-paid *MoneyCard* online for payments and balance increase. Our *MCB@Home* online banking service was enhanced with new functionality and our *MCB Business* online cash management system for small and medium-sized businesses has proven to be a market leader; in 2008 we will follow this with a total revamping of our popular *MCBDirect* online banking system for corporations. We have also made a good start this year at updating the documentation of our procedures, and have done so for several of our back office functions, developed a new credit manual and documented anew our anti-money laundering procedures.

Our Bank was very active as well in retail lending. We not only geared our promotions to satisfying the needs of the consumer, but also brought into the market two new booklets to guide that consumer in borrowing in a responsible way. *Maneho di Plaka* (Managing Money) and *Bon Bista pa Hipotek* (Good View on Mortgages) have been written for that purpose and are freely available to all consumers and potential borrowers; these booklets will be the texts for classes on responsible borrowing that we will be offering in 2008. In addition, as support to our small and medium-sized business clients, we issued a booklet entitled *BoNegoshi* (Your Business) which provides guidelines for the planning of a new business. At the start of 2007, we held yet another series of small business classes “*Empresa Chiki na Plaka Chiki*”, which more than 300 businessmen and -women attended. In mortgage lending, we created new ways to serve professionals and more sophisticated borrowers with a menu of choices of competitive products.

During 2007 we significantly enhanced the security features of our Bankomatiko ATMs as well as our POS terminals to prevent fraud with skimmed cards. We also strengthened our internal procedures to prevent account take-over and identity theft. We will remain vigilant to ensure that our facilities are not used by perpetrators of fraudulent transactions. In addition, we heightened awareness in our community of the risks of cards being skimmed through a series of press ads and a television infomercial.

In the past year we took the first steps toward the repositioning of our Private Client Services, which will encompass our Private Banking, Investment and Financial Planning activities. We expect in 2008 to see our integrated approach to wealth management serve our clients with new and expanded services.



But we were kept busy as well by many other activities. We celebrated International Volunteers Day in a grand way, and we gave all sixth grade pupils in Curaçao and Bonaire the newly published *Kompa Nanzi* book so they, too, can be part of the wonderful world of Nanzi (Ananzi in some African and other Caribbean cultures.) Lito, the friend of all young savers, launched our *Kuida Bo Skol i Stima Bo Skol* (Take Care of Your School and Love Your School) program. We continued to sponsor transmissions of Major League Baseball and the 2010 World Cup dreams of our national soccer team in the qualification rounds, and one of our proudest moments was when, together with the Dutch Antillean Soccer Association NAVU, we initiated and sponsored the "Women's Soccer Tournament Against Breast Cancer."

This past year we started a Representative Office in Saba which we plan to convert to a full-fledged branch due to the great acceptance of our Bank there, for which we are grateful; once that is the case, MCB will have branches on all six islands of the Dutch Caribbean. We had planned to see construction start for new or renovated premises in Curaçao, Aruba, Bonaire and St. Maarten in 2007. Due to so many other priorities we did not make it in 2007, but plans are very far advanced to see this happen on most of our islands in 2008.

Corporate Governance

We mourned the passing in 2007 of our Honorary Supervisory Director Morris E. Curiel, who had been a director of our Bank for 39 years until his retirement in 2002. May he rest in peace.

In September, in a brief ceremony in Toronto, Cedric Ritchie, a past-CEO of The Bank of Nova Scotia and past-Director on our Bank's Board, and R.E. (Rick) Waugh, the current CEO of Scotiabank, were installed as Honorary Supervisory Directors of our Bank for their considerable contributions to the partnership, since 1970, between Scotiabank and Maduro & Curiel's Bank. The full Board and Senior Management of our Bank were present at the ceremony and applauded this new honorary status of our good friends Ced and Rick.

We are pleased to report that Joe van Dongen has joined our Bank as managing director as of March of 2008 to take the place that was so suddenly left vacant by Bill Fabro's untimely passing. Joe is a seasoned and experienced Scotiabanker, and we look forward to working with him to grow the Bank in the years ahead.

As in previous years, MCB's Board of Supervisory Directors and our Management continue to be committed to the principles of sound corporate governance. The Board has continued supervising Management through its active Audit, Credit, Risk and Compensation Committees. The local members of the Board, often joined by other Directors, continued to meet monthly in

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addition to the formal quarterly Board Meetings, in order to gain even deeper understanding of our Bank. Management is grateful for the confidence of our Shareholders and Directors and looks forward to their continued support.

At the end of 2007 we were in the process of implementing a fully integrated, automated and sophisticated anti-money laundering (AML) system. Full implementation will be completed in Curaçao in the first quarter of 2008 and in the rest of the MCB Group in the second quarter of this year. This new system will enable us not only to create many new efficiencies but also to develop more accurate risk matrices and track transaction profiles better than has been the case up to now. In addition, transactions of all kinds will be monitored on a real-time basis against the US Government's and other lists of suspected money-launderers and terrorists.

We also had our Compliance Office manuals and AML procedures examined and re-written by an expert firm to ensure that our procedures comply with the very latest developments in this sensitive and important area. Our Bank remains, as before, committed at all to the principles of sound due diligence on our clients and to combating money laundering and terrorist financing.

Our Financial Statements and Other Highlights

We continue the tradition, started in our 2005 Annual Report, of providing extensive information, more than the required disclosures of financial statements, to assist our clients and communities in knowing their Bank better. As always, we stand ready to discuss or clarify any aspect of these reports or statements.

The MCB Group consists of 15 companies operating onshore and international businesses based in Curaçao, Aruba, St. Maarten, Bonaire, and St. Eustatius. The information contained in these consolidated highlights represents the total of the financial statements of all 15 members of the MCB Group. Companies in which we hold a minority share, specifically Royal & SunAlliance Insurance (Antilles) NV and Caribbean Factoring Services BV, are not included in the consolidation.

Profit & Loss Statement

The income presented in our financial statements is derived from both the onshore and international activities of the Group. This income is well diversified with solid contributions coming from each of the markets mentioned above. If in 2006, the 90th year of our Bank, we were proud to break the NAf. 90 million profit-mark, so it was with considerable pride that in 2007 our profit after tax exceeded NAf. 100 million, thanks to the hard work of all of our colleagues. In 2007, before the transfer to the Reserve for General Banking Risks, MCB Group

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in the Netherlands Antilles and Aruba made a profit after tax of NAf. 106.8 million, a 14.4% increase compared to 2006.

It was again satisfying that all our territories contributed to this increase in profits. The net result after tax in Curaçao in 2007 was up 13.6%, Aruba was up 20.5%, Bonaire was up 3.1%, and St. Maarten was up 7.8%.

Our financial results in 2007 benefited from some factors which may not repeat in 2008 and beyond, such as the surge of Venezuelan shoppers to our islands in the last quarter of 2007. The net results of our bank in Aruba benefited from a lower profit tax rate than in 2006.

Balance Sheet and Equity

MCB Group's consolidated assets increased NAf. 559 million or 12.7% since December 2006 and ended the year just short of the five billion guilder mark at NAf. 4,948 million.

Net loans and advances to clients increased by 8.4%, and closed 2007 at NAf. 2,816 million. In the past year, net loans and advances grew especially in Curaçao and in St. Maarten – each by 11%; in Aruba loan growth continues to be restricted by the Central Bank there as part of its monetary measures. We ended the year with a full pipeline of committed but not yet drawn loans, and therefore also expect 2008 to be a year of good growth of loans and advances to clients. Our loans and deposit market shares remained virtually unchanged in Curaçao and Aruba, and increased in St. Maarten and Bonaire. Our bank's share of outgoing foreign exchange transactions increased on all islands.

Customer deposits increased by over NAf. 492 million or 12.7% over 2006's closing amounts for deposit accounts. Retail customers increased their deposits by 26.2%, while corporate and other deposits were up 3%. The largest growth in deposits was seen in Bonaire (21%), Curaçao (14%), and St. Maarten (13%.) Much of this growth was in balances of demand deposits which, on a consolidated basis, at the end of 2007 were not less than 22% higher than at the end of 2006. In Curaçao, this was especially indicative of the strong economic growth and commercial activities in the last quarter of the year, as well as the confidence brought about by positive economic expectations.

The book value of our Shareholders' Equity in the MCB Group was NAf. 341 million at the end of 2007. This represents a very strong 10.1% increase over 2006. This solid capital base, which our Shareholders agreed to increase by not less than a record NAf. 31 million this year, continues to represent a key strength of our Banking Group. As MCB is the largest financial



institution in the Dutch Caribbean, it is therefore also an important asset for the future of these islands.

Loans

Corporate loans (before allowances) increased 6.2%. We are proud that we were able to arrange or provide financing for some important companies and institutions in our community. These included new and expanding hotels, retailers and retail malls, building materials and hardware companies, health care institutions, utility companies, and port services and free zone companies.

Retail loans (before allowances) also showed a healthy increase during the year and grew by 7.9%. We have implemented a new automated underwriting system that is in the process of being rolled out to our branches and subsidiaries on the other islands, and this has significantly and positively impacted our service level and reduced backlogs and waiting times. Personal loans and mortgages are successfully being targeted to specific market groups with direct mail and special facilities

In 2007, MCB in Curacao alone extended almost 7000 new personal loans and car loans representing over NAf. 125 million and gave 423 new residential mortgages for an amount of over NAf. 74 million. In total during these twelve months, MCB in Curaçao gave 840 new business loans representing an amount of over NAf. 300 million. This included no fewer than 530 small business loans and 136 micro-finance loans.

Taxes

The MCB Group's profit tax-obligation resulting from its operations in 2007 is NAf. 27.2 million as compared to NAf. 24.8 million over 2006, while it also paid NAf. 2.7 million in turnover tax last year. During this same period, its employees paid wage taxes to an amount of NAf. 29.7 million.

MCB in the Netherlands Antilles collects foreign exchange license tax for the Central Bank, which in turn pays it to the Government of the Netherlands Antilles. MCB in the Netherlands Antilles collected NAf. 41 million in license fees in the past 12 months. In Aruba, our Caribbean Mercantile Bank collected f. 12 million in exchange tax which it pays to the Central Bank of Aruba for the Aruban Government.

Employment



MCB Group employed 1418 persons in the Netherlands Antilles and Aruba at the end of 2007. This represents a significant increase of 56 persons during 2007. This increase included a number of specialists to strengthen the various administrative, technical and commercial areas of our banks on all islands. During the year, MCB Group paid its employees NAf. 79 million in salaries alone, not counting social benefits, pensions, medical and other insurances.

Community

MCB continued to share with its communities on all islands with over 3850 donations of all kinds. In 2007, MCB in Curaçao alone contributed an amount of over NAf. 2.8 million to its community while an additional NAf. 1.2 million was contributed by our banks in Aruba, Bonaire and the Windward Islands to their communities. All of these contributions support the important work done by so many volunteers in neighborhood, religious and sports organizations, institutions benefiting the youth, social assistance organizations, and educational organizations and institutions. In addition, we were able to provide direct social assistance to less fortunate individuals in our society. Not included in these monetary figures is the assistance given by the 257 volunteers among our staff on all islands, who help the young and the elderly, the sick and the recovering addict, in schools and in homes for the aged. We were pleased in Curaçao to honor our very own and also other volunteers at a special luncheon on International Volunteers Day, when we also donated about half a million guilders to ten organizations. In addition, in Curaçao we again held our now-traditional *Siman di Kurason Positivo* in December, when our own Bank and our staff contribute in so many ways to our society – through gifts to children, donating blood, donations of household goods and food packages. All of us at Maduro & Curiel's Bank not only are committed to sharing with our community but also consider it our responsibility to do so in a meaningful way.

The Future

In another section of this Management's Report, as well as elsewhere in this Annual Report, we discuss various aspects of the constitutional and political restructuring process that is underway. We also allude to the importance of ensuring that the less fortunate in our community do not suffer disproportionately from the increased and increasing price of crude oil – and the resulting inflationary pressures. This leads us to mention the urgent need to arrive at an all-encompassing energy policy for our countries, which should also include significant emphasis on alternative energy sources, and the stimulation of the generation of alternative energy. It is likely correct to say that the whole world has now been awakened, some perhaps more than others, to the dangers of global warming and to other factors which endanger our environment. So have we. We are therefore dedicating this year to a number of initiatives which will emphasize the need to become more 'green'. One start is the fact that this entire



2007 Annual Report has been printed on 95% FSC-certified paper; the Forest Stewardship Council's (FSC) mission is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests. We will encourage clients to make use of online, paperless banking and will be reducing paper use in our branches as well. We will very consciously strive for energy conservation and, insofar as possible, for other aspects of 'green building' in all new construction that we undertake on all islands. We will continue to be conscious of the need to protect our environment and look for ways to do so in our daily lives – and we will help build greater awareness as well in our society. We hope in this small way to contribute to the future of our children and our children's children and to all who inhabit this planet. In doing so, we know that we can continue to count on the confidence and trust of our clients and our community, and of our shareholders and directors and our employees, to whom go also our warm gratitude for their support in the past year.

Lionel Capriles II
President and CEO

Ron Gomes Casseres
Managing Director

March 10, 2008