

**FirstCaribbean International Bank Limited**

*All figures quoted in United States dollars unless otherwise stated*

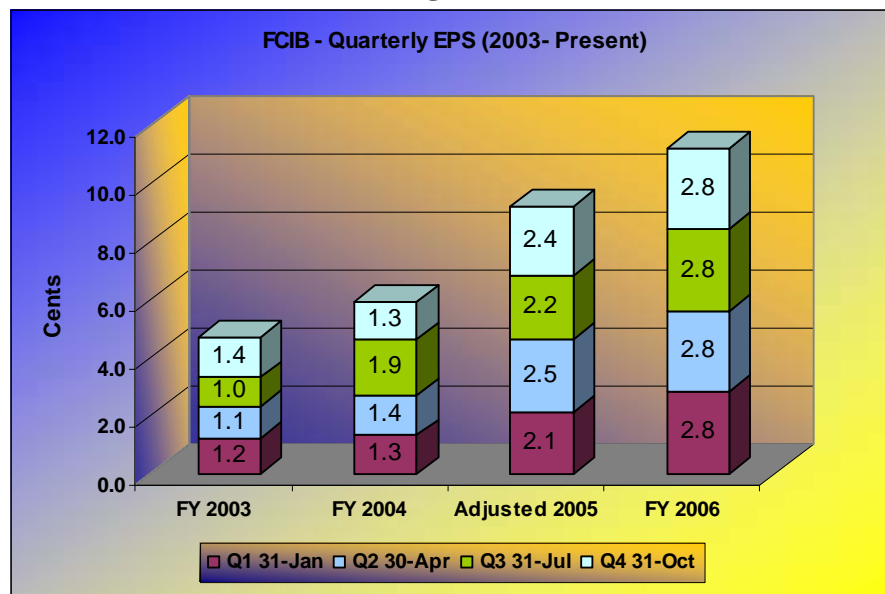
	<b>FCI</b>
<b>RECOMMENDATION</b>	<b>HOLD</b>
<b>Current Price</b>	<b>TT\$12.75</b>
<b>Running EPS</b>	<b>TT\$0.70</b>
<b>Projected EPS</b>	<b>TT\$0.80</b>
<b>P/E at Projected EPS</b>	<b>15.93 times</b>
<b>Projected Dividend</b>	<b>37 cents</b>
<b>Dividend Yield</b>	<b>2.90 per cent</b>
<b>Return on Assets</b>	<b>1.60 per cent</b>
<b>Return on Equity</b>	<b>15.58 per cent</b>

*Results for the Year Ended October 31, 2006*

**Earnings Per Share**

FirstCaribbean International Bank Limited (FCIB) reported Earnings Per Share (EPS) of 11.2 cents for the year ended October 31, 2006. This was a decrease of 32.93 per cent from 2005's EPS of 16.7 cents. The previous year's EPS however included a one time gain of \$117 million which contributed approximately 7 cents to the year end EPS. Excluding this gain, the Bank would have registered growth in EPS of approximately 19 per cent. Within this year, there was no sequential quarter on quarter growth as each quarter earned the same amount of income per share. After adjusting the 2005 EPS, this year's income is the largest the Company has earned per share over the past four years (See Figure 1).

**Figure 1**





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## Financials

Net Interest Income rose 20.92 per cent to \$375.772 million driven by Interest Income which rose 33.01 per cent to \$637.685 million. This was due mainly to increases in loan balances as well as the acquisition of its Curaçao operations. Interest expenses however rose significantly by 55.29 per cent to \$263.913 million.

Operating Income dropped 44.78 per cent to \$128.390 million. The 2005 figure would have however included the one off gain mentioned before. Without this gain, Operating Income would have been up approximately 11 per cent.

Operating Expenses rose 12.47 per cent to \$294.864 million. According to the Chairman, this was largely as a result to FCIB's acquisition in Curaçao, one-off transaction related costs and increased depreciation charges associated with the Bank's continuing efforts to improve the efficiency and product offering to customers. The Bank's efficiency ratio (ratio of costs to revenues) was 58.5 per cent, a marked improvement over the prior year of 61.6 per cent. The Chairman also pointed out that this reflected the Bank's continuing efforts to improve productivity and manage growth in an effective and efficient manner. Loan Loss Expense rose 41.89 per cent to \$10.369 million.

Income Before Tax fell 28.15 per cent to \$196.710 million. Without the one of gain this item would have risen approximately 25 per cent. The Effective Tax Rate rose from 4.93 per cent in 2005 to 10.37 per cent in 2006. The smaller rate in 2005 is most likely partly due to the one-off gain. Ultimately, Net Income was down 32.26 per cent to \$176.320 million.

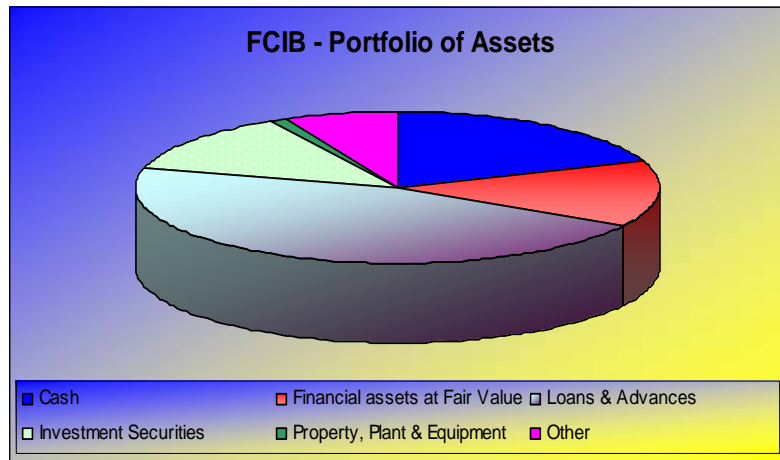
## Change in Accounting Treatment

As stated by the Chairman, "In accordance with IAS 18 Revenue, fees, such as loan origination and commitment fees that are considered to be an integral part of the effective rate of a financial instrument, are required to be deferred, along with related direct costs. In previous years, this accounting treatment was not followed as the effects were considered immaterial in any one year. In 2006, this accounting treatment was introduced and resulted in a restatement of the prior year's opening retained earnings of \$29.7 million and a reduction in the prior year's net income to equity shareholders of \$2.8 million."

## Assets & Liabilities

The Bank's Total Assets have grown 29.66 per cent boosted by its Curaçao acquisition. The Group has maintained its strong cash position with over 19.55 per cent of its asset base held in this item (See Figure 2). As mentioned before, the Bank experienced growth in loan balances of 22 per cent over the prior year to now stand at \$5.670 billion. Loans & Advances now make up 48.38 per cent of the Bank's total assets. On the Liabilities side, Customer deposits and other borrowed funds grew 27.01 per cent to \$9.871 billion.

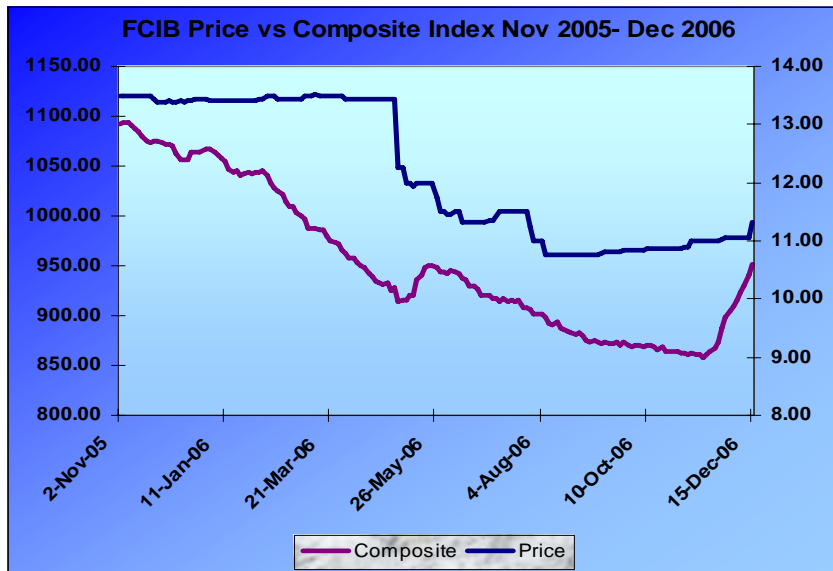
Figure 2



### Share Price

FCIB's share price traded generally around TT\$13.45 until May when it started to fall. The fall most likely was because of speculation in the market concerning the fact that Barclays Bank was seeking to sell its shareholding of FCIB to Canadian Imperial Bank Company Limited (CIBC). When speculation became fact, the share price witnessed further declines trading as low as TT\$10.75 (See Figure 3). Its 52 week high is currently TT\$13.51.

Figure 3

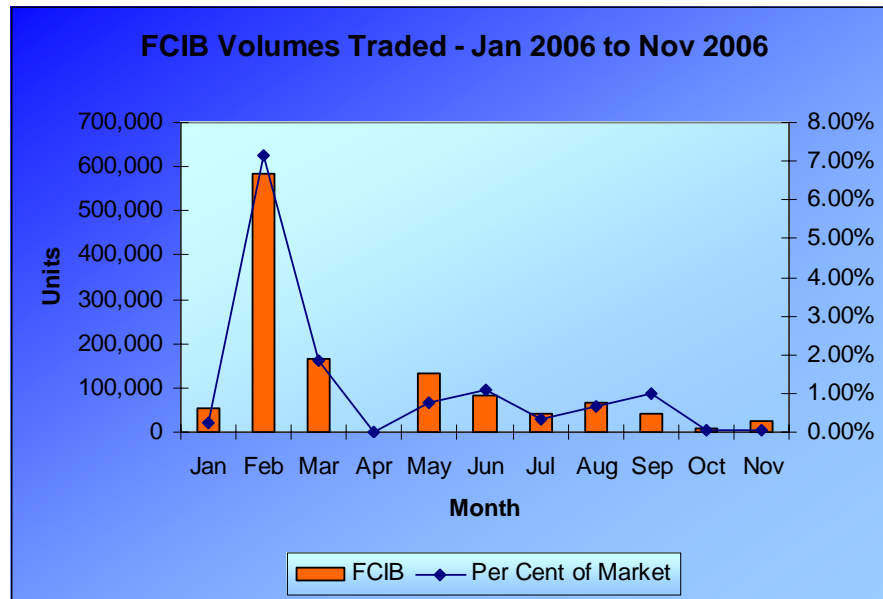


### Volumes

FCIB usually trades in low volumes in relation to the rest of the market as over 95 per cent of its shares are held by significant interests. The highest amount of shares traded this year in relation to the market was 7.13 per cent while one month actually experienced no trades in this share (See Figure 4)



Figure 4



### Sale of Shares by Barclays

Canadian Imperial Bank of Commerce (CIBC) acquired 599,401,230 of FCIB shares from Barclays Bank PLC pursuant to an agreement dated June 28, 2006. Barclays retained 66,600,137 shares and has the option, but is not under obligation to sell all or a portion to CIBC. CIBC has distributed an Offer Circular to FCIB shareholders to buy all of the outstanding common shares at a cash price of \$1.62. The Offer was made however, solely to satisfy legal requirements as CIBC has publicly stated that it is strategically important that FirstCaribbean maintains a strong minority shareholding. The Offer will be open for acceptance until January 30, 2007 at 5:00 pm (Barbados Time).

### Dividends

The Directors have approved the payment of a final dividend of 3 cents which will be payable to shareholders on record on December 30, 2006. This dividend brings the total dividends paid for FY 2006 to 5.25 cents which is 23.52 per cent more than 2005.

### Outlook & Recommendation

FCIB has performed in accordance with WISE's expectations and we believe it should continue to show favourable growth in its core operations. At this point in time we are forecasting FY 2007 EPS of TT\$0.80. At this forecasted EPS and the current price of TT\$12.75, FCIB is currently trading at a price/earnings ratio of 15.93 times. Given that the shares of FCIB traditionally trade at a premium to the market and for the current year has traded in a band of 15 to 18 times earnings, we recommend a HOLD.



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Figure 5

FCIB Financial Data Comparison for Year End (2003-2005)							
	YE 2006 USD'000	% Change '05-'06	YE 2005 USD'000	% Change '04-'05	YE 2004 USD'000	% Change '03-'04	YE 2003 USD'000
Interest Income	637,685	33.01%	479,415	19.80%	400,167	3.82%	385,436
Interest Expense	(261,913)	255.29%	168,664	33.00%	126,816	-2.61%	130,218
<b>Net Interest Income</b>	<b>375,772</b>	<b>20.92%</b>	<b>310,751</b>	<b>13.68%</b>	<b>273,351</b>	<b>7.10%</b>	<b>255,218</b>
<b>Operating Income</b>	<b>128,390</b>	<b>-45.56%</b>	<b>235,817</b>	<b>110.48%</b>	<b>112,039</b>	<b>-2.23%</b>	<b>114,594</b>
Operating Expenses	294,864	12.47%	262,172	0.18%	261,706	6.28%	246,232
Loan Loss Expense	10,369	41.89%	7,308	-50.92%	14,889	25.40%	19,958
<b>Intangibles Amortisation</b>	<b>2,219</b>		<b>-</b>		<b>-</b>		<b>-</b>
Income before Tax and Minority Interest	196,710	-29.01%	277,088	154.69%	108,795	4.99%	103,622
Taxation	20,390	45.92%	13,973	-17.45%	16,926	32.07%	12,816
Income before Minority Interest	176,320	-32.99%	263,115	186.40%	91,869	22.57%	74,950
Minority Interest	5,688	9.81%	5,180	55.70%	3,327	13.58%	3,850
<b>Net Income for the Period</b>	<b>176,320</b>	<b>-31.64%</b>	<b>257,935</b>	<b>191.31%</b>	<b>88,542</b>	<b>24.53%</b>	<b>71,100</b>
Diluted Earnings per Share (USD)	\$0.112	-33.73%	\$0.169	186.44%	\$0.059	25.53%	\$0.047
Diluted Earnings per Share (TT\$)	\$0.706	-33.73%	\$1.065	189.66%	\$0.368	27.16%	\$0.29
Market Price @ Financial Year End (TT\$)	\$10.87	-19.48%	\$13.50	37.06%	\$9.85	25.48%	\$7.85
P/E Ratio @ Financial Year End	15.41		12.68		30.40		31.13
Dividend (TT\$)	\$0.33	22.22%	\$0.27	68.75%	\$0.16	6.67%	\$0.15
Dividend Payout Ratio (%)	46.77%		25.36%		49.39%		59.49%
Dividend Yield	3.04%		2.00%		1.62%		1.91%
Net Asset Value (TT\$)	\$4.99	7.08%	\$4.66	-6.43%	\$4.98	10.91%	\$4.49
Market to Book Ratio	2.18		2.90		1.98		1.75
Return on Equity	15.58%		22.24%		7.64%		6.74%
Return on Assets	1.60%		2.83%		1.03%		0.81%
Shares Outstanding '000	1,521,937		1,525,176		1,527,189		1,544,097

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