



COMPANY UPDATE

First Caribbean International Bank
Half-Year Ended (HYE) April 30, 2006
All figures quoted in US\$ unless otherwise stated

Exchange Rate: US\$1.00 = TT\$6.32

	FCIB
Recommendation	SHORT TERM SELL
Current Price	TT\$11.31
Current Running P/E	17.53
Running EPS	TT\$0.645
Projected EPS	TT\$0.70
Dividend Yield FY 05	2.33%
Return on Equity	7.37%
Return on Assets	0.82%

Earnings per Share (EPS)

In the unaudited financial statements for the half year ended April 30, 2006, First Caribbean International Bank Limited (FCIB) reported a diluted EPS of 5.6 cents. This is the result of a consistent EPS of 2.8 cents in both the first and second quarter (**See Exhibit I**). Reported EPS for the corresponding period in 2005, HYE April 05, was 12.3 cents, which is 54.5% higher than the EPS of the current period. This comparison would imply a fall in the Bank's performance. It should be noted, that the HYE April 05 included an exceptional gain of \$117 million on the sale of the Bank's shareholding in Republic Bank Limited (RBL). If we adjust for this gain, the EPS for HYE April 05 would be 4.6 cents and a year on year improvement of 22%. The management of FCIB continues to expect full year EPS to be in the range of 10.8 cents to 11.4 cents and based on the performance of the Bank to date, this range seems attainable.

Exhibit I





Dividends

The Board of Directors has approved an interim dividend of 2.25 cents per share, payable on July 3, 2006 to common shareholders on record on June 20, 2006. The dividend payment for the corresponding period last year was 2.0 cents per share.

Financials

The Asset Portfolio of FCIB has grown by 15.2%, mainly due to the recent acquisition of ABN AMRO Bank Curacao N.V. and its subsidiary ABN AMRO Asset Management (Curacao) N.V; and also due to an increase in Loans and Advances by \$1 billion to \$5.2 billion- which is 25% higher than the prior year period.

The Bank's main revenue driver is Interest Income on Loans and Advances, which is and continues to be positively affected by the rising interest rate environment in the US. The Interest Income for the period under review amounted to \$294 million and was \$61 million or 26.4 % higher than the corresponding period last year. Interest Expense however, increased considerably to \$116 million, which represents an increase of \$40 million or 52.9%. Net Interest Income for the period amounted to \$178 million an increase of \$21.3 million or 13.6%.

FCIB has a large Cash position of \$3.1 billion which is a great resource from which the loan book can be enhanced. Even if the Cash remains idle, given the current and forecasted interest rate environment, the Bank should show improved interest revenue.

The Bank's Operating Income for the period stood at \$66 million and if compared to the Operating Income adjusted for the exceptional gain in 2005, there was a slight increase by 4.7% or \$2 million. Operating Expenses were marginally higher, 5% above the prior year period, due in part to the recent acquisition in Curacao. Income before Tax and Minority Interests increased from the prior year period by 19.81% to \$98.7 million, while Taxation also increased from \$9 million to \$10 million. Net Income for the period amounted to \$85.7 million, which is \$15 million or 21.3% higher than the corresponding period (excluding the one off gain on RBL shares).

Pending Transactions

FCIB has set up a Special Committee, to oversee the progress of a transaction, whereby- Barclays Bank Plc- one of two parent companies of FCIB, is in negotiations to sell their 43.7% interest to the other parent company, Canadian Imperial Bank of Commerce (CIBC). There may be some potential implications for shareholders, as the reported price at which the transaction is geared to close is US\$1.62 (TT\$10.24), which is 10% below the current market rate.



Share Price

From December 8, 2004 to May 2, 2006 the shares of FCIB did not dip under TT\$13.00, even when the Composite Index started falling in August 2005 (**See Exhibit II**) - the share still held its ground, while also having a high P/E multiple. However one month after May 2, 2006, the price fell by 14.5 % to TT\$11.50 (June 2, 2006). While the drop in price does not fall in line with the fundamentals of the Bank, it may be due to speculation in the market on the expected transaction between Barclays and CIBC. Thus, we expect the shares to trade in low volumes in the near future and the price to fall at a slow rate, fluctuating between TT\$11.00 and TT\$11.50 as the transaction date draws closer. The share price can then be expected to continue trading at light volumes around this lower share price of TT\$10.24 in the short term. In the medium term, we expect the price to settle somewhere in the high eleven to mid twelve range.

Recommendation

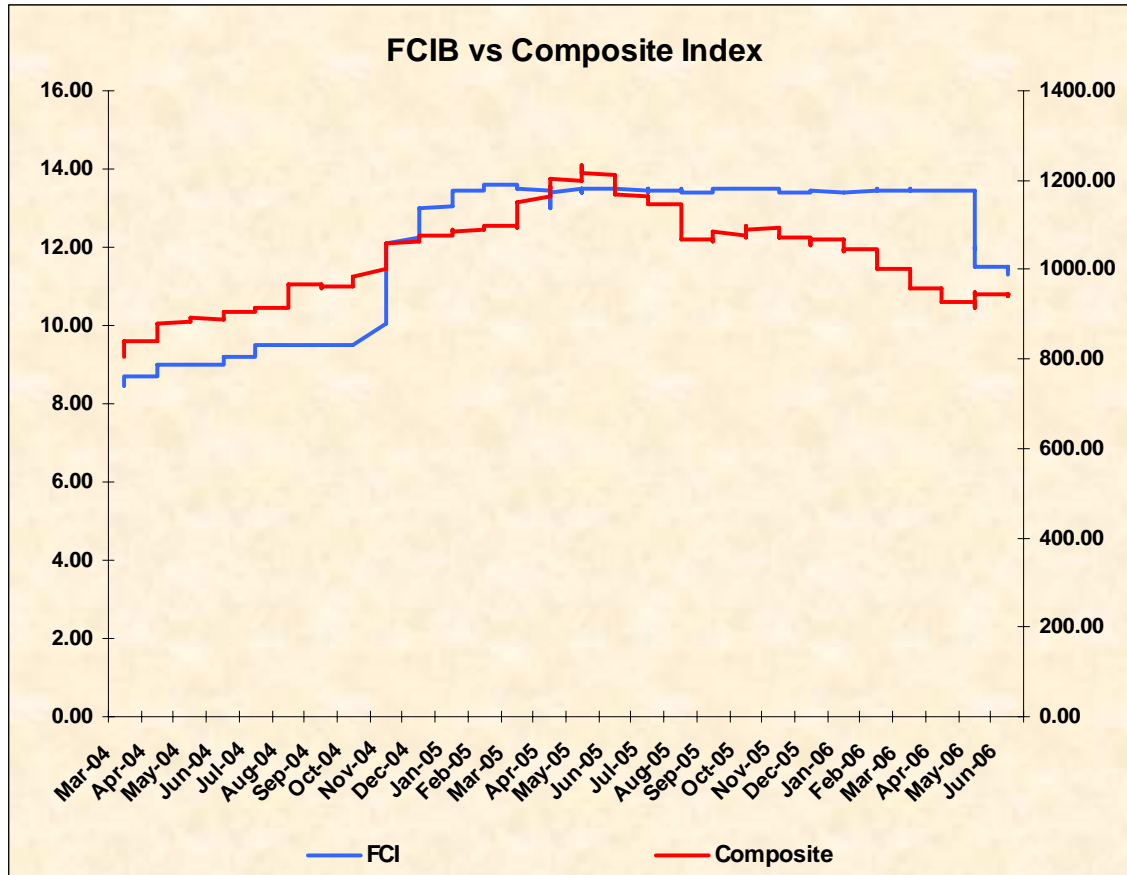
The outlook for FCIB remains promising, as favorable upward movements of US interest rates will translate into a strong performing loan book. Thus, the Bank should continue to deliver strong earnings and considerable growth performance for the year. At a current price of TT\$11.31 and Running EPS of TT\$0.645, the shares of FCIB are trading at a P/E multiple of 17.53 times. We forecast an EPS for 2006 of TT\$0.70, which at the current price of TT\$11.31 translates to a P/E multiple of 16.16 times. Although this multiple lies in the higher range of multiples on the local market, when compared to the traditional range for FCIB individually, this level is actually relatively low (2003-2005 P/E 20+ times based on core-operational results). Given this fundamental analysis, we hold our recommendation of a medium to long term BUY.

However, in the current speculative environment, we recommend a SELL for the short term, preferably higher than TT\$11.00. The risk takers will see this current period, until the completion of the transaction, as an opportunity to short sell in the market, but the main risk factor to be considered for this stock-is the availability of the shares at the lower share prices.

Suffice to say, the fundamentals of FCIB are driving the price up, while technicalities in the market are driving the price down.



Exhibit II



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