

FirstCaribbean International Bank Limited (FCIB)

All Figures Quoted in United States Dollars Unless Otherwise Stated

<u>SYMBOL</u>	<u>FCI</u>
RECOMMENDATION	BUY
Current Price	TT\$11.10
Running EPS	US\$0.125 (TT\$0.792)
Projected EPS	US\$0.134 (TT\$0.85)
P/E at Projected EPS	13.06 times
Dividend Yield	3.42%
Return on Assets	1.96%
Return on Equity	21.57%

Results for the First Quarter Ended January 31, 2007

Earnings Per Share

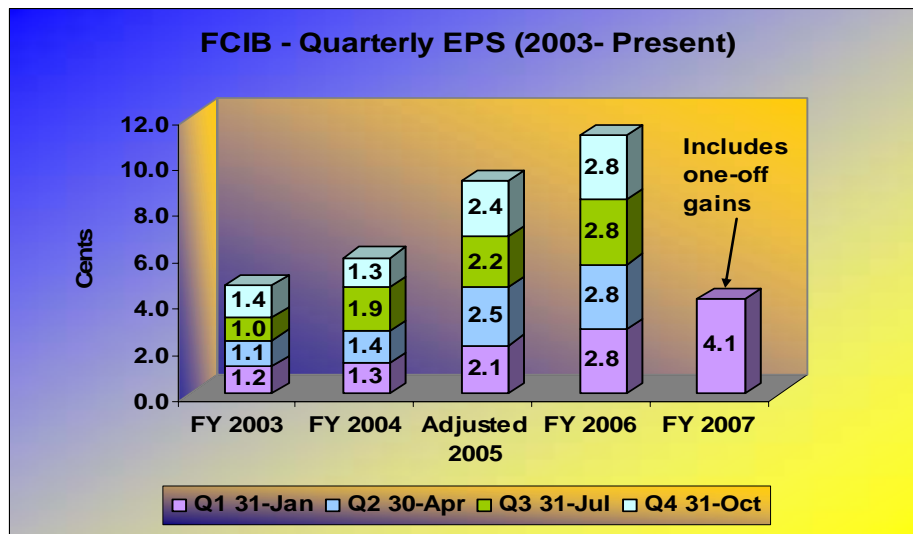
FirstCaribbean International Bank (FCIB) reported growth in Earnings Per Share (EPS) of 46.83 per cent for the first quarter ended January 31, 2007 as its EPS rose from 2.8 cents to 4.1 cents. These results however were affected by two factors:

1. The impact of a change in accounting policy, which resulted in a one-time gain of \$15.4 million (net of taxes)
2. The impact of a change in accounting estimate which resulted in an additional depreciation charge of \$1.6 million.

According to the Chairman’s Statement, excluding these and other items, comparable earnings increased by 20 per cent over the first quarter 2007.

FCIB has shown consistent growth in EPS over the period 2003 to present. (See Graph1)

Graph 1





Financials

The Group had a strong top line performance as Net Interest Income increased 23.05 per cent to \$103.784 million. This was driven by growth in Interest Income of 29.34 per cent to \$191.575 million while Interest Expenses rose from \$53.145 million to \$87.791 million. The strong growth in Net Interest Income was driven principally from increases in loan balances as Loans & Advances to customers rose 18.25 per cent. Also driving Net Interest Income was the acquisition of the Curacao operations which was not included in the comparative period for 2006. This was however offset by reductions in other income mainly driven by lower investment returns.

Operating Income fell 8.02 per cent to \$32.483 million while Operating Expenses fell 11.85 per cent to \$60.009 million. Excluding the impact of the one-off gain Operating Expenses would have risen 13 per cent or by \$9.1 million. This was on account of expenses from its Curacao operations which was not acquired until February 1, 2006.

Loan Loss Expenses increased 27.06 per cent to \$3.789 million while there was an Intangibles Amortization charge of \$0.740 million. The amortization charge was as a result of the customer relationship in relation to the ABN AMRO (Curacao) acquisition fair value exercise. This led to the recognition of an intangible asset in the amount of \$17 million to be amortized through the statement of income based on a useful life of six years.

Income before Tax and Minority Interest rose 47.59 per cent to \$71.729 million while the Effective Tax Rate increased from 9.62 per cent (Q1-FY 2006) to 10.61 per cent (Q1-FY 2007). Ultimately Net Income to Equity Holders of the Company rose 42.52 per cent to \$62.606 million.

Table 1 shows Financial Data Comparison for Q12007 on Q1 2006

Table 1

FCIB Financial Data Comparison for First Quarter			
	Q1 2007 USD'000	% Change Q1'06 - Q1 '07	Restated Q1 2006 USD'000
Interest Income	191,575	39.34%	137,485
Interest Expense	(87,791)	65.19%	(53,145)
Net Interest Income	103,784	23.05%	84,340
Operating Income	32,483	-8.02%	35,317
Operating Expenses	60,009	11.85%	68,074
Loan Loss Expense	3,789	27.06%	2,982
Intangibles Amortization	740	***	-
Income before Tax and Minority Interest	71,729	47.59%	48,601
Taxation	7,613	62.91%	4,673
Income before Minority Interest	64,116	45.96%	43,928
Minority Interest	1,510	0.60%	1,501
Net Income for the Period	64,116	45.96%	43,928
Earnings Per Share (USD)	\$0.041	46.43%	\$0.028
Earnings Per Share (TT\$)	\$0.260	47.31%	\$0.177
Exchange Rate	1USD: 6.351TTD	***	1USD:6.313TTD



Table 2 shows Financial Data Comparison for Year End (2003-2006)

Table 2

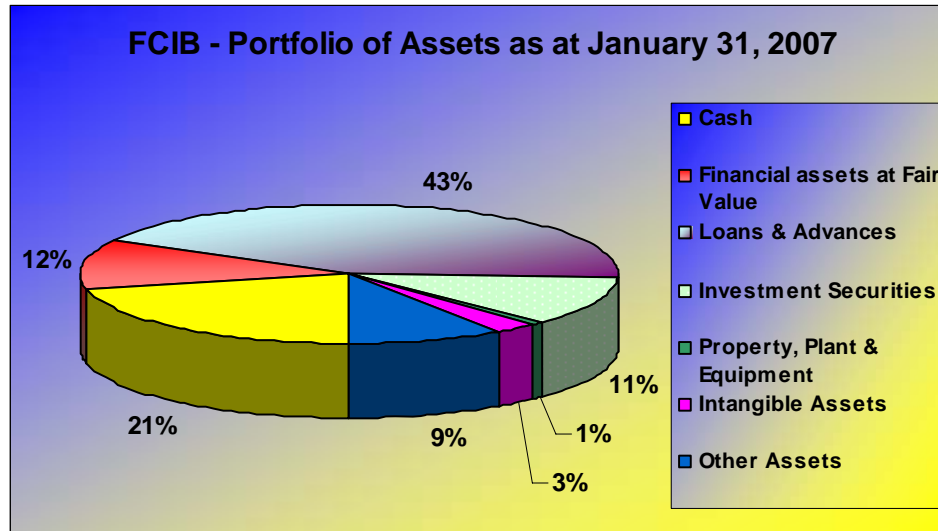
FCIB Financial Data Comparison for Year End (2003-2006)							
	YE 2006 USD'000	% Change '05 -'06	YE 2005 USD'000	% Change '04 -'05	YE 2004 USD'000	% Change '03 -'04	YE 2003 USD'000
Interest Income	637,685	33.01%	479,415	19.80%	400,167	3.82%	385,436
Interest Expense	(261,913)	255.29%	168,664	33.00%	126,816	-2.61%	130,218
Net Interest Income	375,772	20.92%	310,751	13.68%	273,351	7.10%	255,218
Operating Income	128,390	-45.56%	235,817	110.48%	112,039	-2.23%	114,594
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
Intangibles Amortization	2,219		-		-		-
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
Net Income for the Period	176,320	-31.64%	257,935	191.31%	88,542	24.53%	71,100
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

Assets and Liabilities

FCIB has the largest Asset Base of any of the listed Banks in the Region. The Bank's Total Assets stood at \$13.836 billion on January 31, 2007 with growth of 11.48 per cent or \$1.424 billion over the three month period. Loans and Advances continue to make up the largest asset class in the Bank's portfolio with a contribution of 43 per cent to Total Assets. Cash is the second largest contributor to assets and represents a pool of approximately \$2.951 billion (21 per cent) from which the Bank can further expand its Loan Portfolio. See **Graph 2** for the percentage contribution of each of the asset classes of FCIB.

Total Liabilities of the Bank also increased over the three month period, moving from \$11.205 billion to \$12.619 billion- an increase of 12.61 per cent. Customer Deposits totaled \$9.713 billion and grew by 6.32 per cent over the three months under review.

Graph 2



Republic Bank's Sale of FCIB Shares

On February 8, 2007, Republic Bank Limited advised that its wholly owned subsidiary Republic Caribbean Investments Limited in St. Lucia sold the majority of its portfolio of shares in FCIB. This transaction brought CIBC's total shareholding in FCIB to 91.49 per cent.

Offer Notice

FCIB has recently posted an Offer Notice to shareholders dated February 27, 2007 in which they have the option to tender their shares. The Offer Price is US\$1.6335 per share and reflects the aggregate of US\$1.62 plus US\$0.0135 per share in respect of ordinary dividends. This is the same price as the Offer in December 2006.

According to the Notice, the present Offer was made solely for the purpose of complying with the requirements of the Take-Over Bid Regulation, 2002, made under The Companies Act. This was as a result of CIBC Investments (Cayman) Limited (CICL) having acquired in excess of 25 per cent of the Company's outstanding Common Shares from Barclays Bank PLC in a privately negotiated transaction.

FCIB has however made it clear that the tender of the Offer is by no means mandatory for shareholders as the Offer was made for regulatory purposes. The Company in fact wishes to remain a publicly traded company and there is no intention of de-listing its shares from the Exchanges in any of the four territories in which they are listed.

If shareholders wish to have CICL acquire their shares nevertheless, they are entitled to:

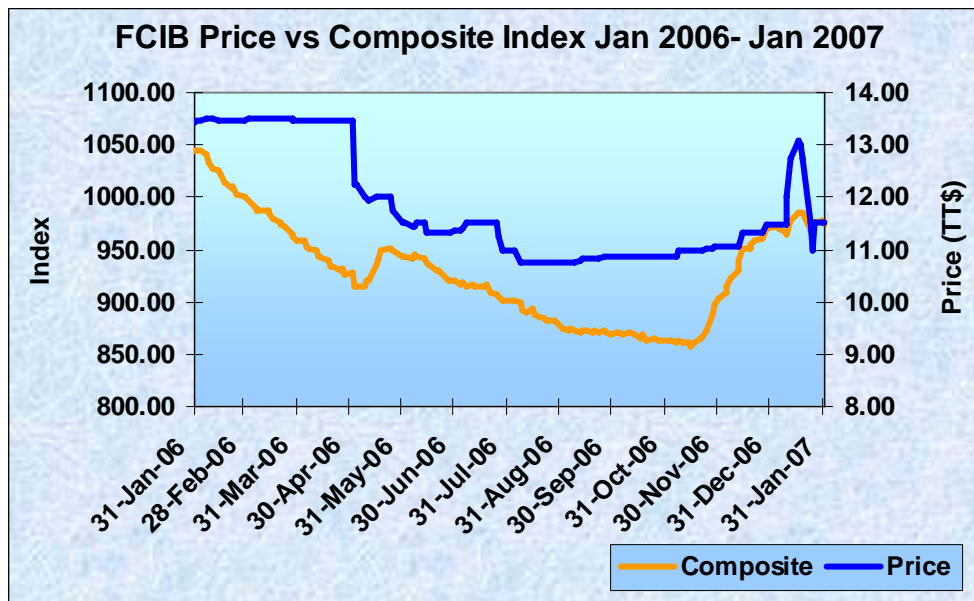
- (a) elect to transfer the Shares to CICL in consideration for the Offer Price of US\$1.6335 cash per Common Share
- (b) notify CICL that they wish to have the fair value of the Common Shares fixed by the Court in accordance with By Laws 26 (4) and 26 (5) of the By-Laws



Share Price

FCIB's share price started 2006 at TT\$13.41 and traded closely around this price until May 3, 2006 when the price closed at TT\$12.25 after opening at \$13.45. The price continued to decline from this date- most likely due to the speculation in the market at that time that Barclays Bank Plc was looking to sell off its shareholding in FCIB to Canadian Imperial Bank Company Limited (CIBC). On December 22, 2006 this speculation became reality as FCIB announced that CIBC had purchased 599,401,230 shares of FCIB under the previously announced plans to acquire Barclays Bank's 43.7 per cent ownership in the regional financial institution. After the announcement of the close of the transaction, FCIB's share price shot up to as high as TT\$13.10 on January 16, 2007. At this price, sellers came on to the market and drove the price down to TT\$11.50 on January 31, 2007. (See Graph 3)

Graph 3

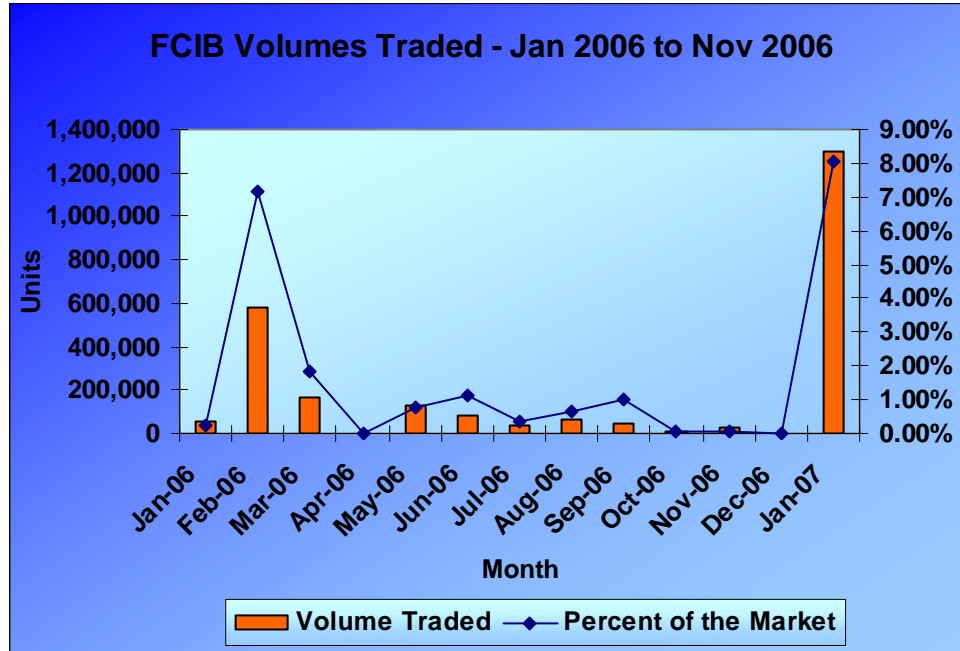


Volumes Traded

FCIB shares traditionally trade in low volume in comparison to the rest of the market as over 95 per cent of these shares have been held by significant interests. This can be clearly seen in **Graph 4** below, the exceptions being February 2006 and January 2007. Both in February 2006 and January 2007, the market saw large blocks traded in FCIB shares, presumably by substantial shareholders. Additionally, the increased trading activity in January 2007 was most likely due to sellers trying to get the best price for their share since the market price was above CIBC's offer price. As mentioned above (**Graph 3**), this increased supply in January also led to a fall in price of the share.



Graph 4



Recommendation

Based on these results we are adjusting our EPS upward from TT\$0.80 to \$TT0.85. At the current price of \$11.10, FCIB is currently trading at approximately 13 times earnings. Given that this share usually trades within a range of 15 to 18 times earnings this would suggest a buying opportunity.

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