

FirstCaribbean International Bank (Bahamas) Limited



FIRSTCARIBBEAN
INTERNATIONAL BANK

GET THERE. TOGETHER.

Consolidated Financial Statements

For the six months ended April 30, 2007

(All figures expressed in thousands of Bahamas Dollars)

Chairman's Review

The consolidated net income of FirstCaribbean International Bank (Bahamas) Ltd for the six months ended April 30, 2007 was \$65.4 million, an increase of 19% over last year's restated net income of \$54.8 million. Excluding the impact of the changes as described in notes 3, 5 and 6 to these interim statements, the growth in net income on a year over year basis was 10%.

Earnings per share for the period was 54.4 cents, an increase of 8.8 cents over last year. Excluding the impact of the changes as noted above, earnings per share was 48.7 cents for the period.

The Bank's net interest income of \$71.7 million increased by \$0.9 million or 1% over the prior year as interest income increased \$33 million and interest expense increased \$32 million over the prior year. Higher loan balances and additional investment in securities drove the increase in interest income, whereas higher level of customer deposits along with additional borrowings resulted in the increased interest expense.

Operating income for the period of \$20.3 million was \$1.8 million greater than last year as gains on securities offset the reduction in fees. Operating expenses for the six months were \$24.9 million, which was \$7 million lower than the same period last year, mainly because of the favourable adjustment with respect to change in policy, as described in note 5. Excluding the impact of the changes, operating expenses were \$31.8 million.

The Bank's total assets at April 30, 2007 were \$4.7 billion, representing a growth of \$0.9 billion or 24% from last year. Total loans grew by \$134 million to \$2.4 billion as residential mortgages increased by \$101 million from last year. Cash and securities increased \$776 million from last year as additional investments were made in the securities portfolios. Deposit balances, including deposits from related entities, increased by \$458 million or 14% over last year to \$3.6 billion.

The return on assets and the return on tangible equity for the first half of this fiscal were 2.8% and 30% respectively. Over the past six months, the tight local dollar liquidity has had a consequential impact on the aggregate balances and the performance of the Bank.

The Directors have declared an interim dividend of 22 cents per share payable on July 12, 2007 to shareholders of record at the close of business on July 4, 2007.

We thank our customers and shareholders for their continuing loyalty and patronage and our dedicated staff for their contribution.

Michael K. Mansoor
Chairman

Consolidated Balance Sheet

| | Unaudited April 30, 2007 | Unaudited April 30, 2006 (Restated) | Audited October 31, 2006 (Restated) |
|-------------------------------------|-----------------------------|---|---|
| Assets | | | |
| Cash and balances with banks | 489,258 | 647,046 | 367,400 |
| Securities | 1,497,824 | 563,847 | 1,367,651 |
| Loans and advances to customers | 2,440,359 | 2,305,917 | 2,444,830 |
| Intangible assets | 187,747 | 187,747 | 187,747 |
| Property, plant and equipment | 27,755 | 30,115 | 29,209 |
| Other assets | 60,968 | 47,231 | 55,248 |
| Total assets | 4,703,911 | 3,781,903 | 4,452,085 |
| Liabilities | | | |
| Deposits | 3,612,488 | 3,154,208 | 3,503,903 |
| Other borrowed funds | 376,281 | - | 281,344 |
| Other liabilities | 55,811 | 48,529 | 61,432 |
| Debt securities in issue | 20,610 | - | - |
| Total liabilities | 4,065,190 | 3,202,737 | 3,846,679 |
| Equity | | | |
| Share capital & reserves | 432,227 | 432,983 | 435,556 |
| Retained earnings | 206,494 | 146,183 | 169,850 |
| | 638,721 | 579,166 | 605,406 |
| Total liabilities and equity | 4,703,911 | 3,781,903 | 4,452,085 |

Sharon Brown
Director

Diane Stewart
Director

Consolidated Statement of Changes in Equity

| | Share Capital & Reserves | Retained Earnings | Total |
|--|-----------------------------|----------------------|----------------|
| Balance at October 31, 2005 | | | |
| as previously reported | 417,281 | 162,439 | 579,720 |
| Prior period adjustment | - | (18,481) | (18,481) |
| Balance at October 31, 2005 as restated | 417,281 | 143,958 | 561,239 |
| Net income for the period | - | 55,298 | 55,298 |
| as previously reported | - | (489) | (489) |
| Prior period adjustment | - | 54,809 | 54,809 |
| Net income as restated | - | 54,809 | 54,809 |
| Dividends | - | (36,065) | (36,065) |
| Revaluation gains/(losses) | (817) | - | (817) |
| Transfer to Statutory Reserve Fund | - | (4,000) | - |
| - Turks & Caicos Islands | 4,000 | (4,000) | - |
| Transfer to Statutory Loan Reserve | 12,519 | (12,519) | - |
| Balance at April 30, 2006 | 432,983 | 146,183 | 579,166 |
| Balance at October 31, 2006 | 435,556 | 169,850 | 605,406 |
| Net income for the period | - | 65,357 | 65,357 |
| Dividends | - | (30,054) | (30,054) |
| Revaluation gains/(losses) | (1,988) | - | (1,988) |
| Transfer to Statutory Reserve Fund | - | - | - |
| - Turks & Caicos Islands | - | - | - |
| Release from Statutory Loan Reserve | (1,341) | 1,341 | - |
| Balance at April 30, 2007 | 432,227 | 206,494 | 638,721 |

Consolidated Statement of Income

| | Unaudited Quarter Ended | | Unaudited Six Months Ended | | Audited Year Ended |
|---|----------------------------|------------------------------|-------------------------------|------------------------------|-----------------------|
| | April 30, 2007 | April 30, 2006 (Restated) | April 30, 2007 | April 30, 2006 (Restated) | Oct 31, 2006 |
| Total interest income | 67,952 | 55,419 | 141,815 | 108,783 | 239,740 |
| Total interest expense | (35,003) | (19,960) | (70,094) | (37,977) | (91,407) |
| Net interest income | 32,949 | 35,459 | 71,721 | 70,806 | 148,333 |
| Operating income | 13,788 | 7,531 | 20,289 | 18,439 | 33,536 |
| | 46,737 | 42,990 | 92,010 | 89,245 | 181,869 |
| Operating expenses | 16,721 | 15,443 | 24,933 | 31,900 | 65,873 |
| Loan loss expense | 604 | 1,695 | 1,720 | 2,536 | 5,324 |
| | 17,325 | 17,138 | 26,653 | 34,436 | 71,197 |
| Net income | 29,412 | 25,852 | 65,357 | 54,809 | 110,672 |
| Weighted average number of common shares outstanding for the period | | | 120,216,204 | 120,216,204 | 120,216,205 |
| Earnings per share (in cents) | | | 54.4 | 45.6 | 92.1 |

Consolidated Statement of Cash Flows

| | Unaudited Six Months Ended April 30, 2007 | Unaudited Six Months Ended April 30, 2006 (Restated) | Audited Year Ended Oct 31, 2006 (Restated) |
|--|--|--|--|
| Net cash from (used in) operating activities | 25,466 | (56,847) | (253,390) |
| Net cash from (used in) financing activities | 85,493 | (36,065) | 214,573 |
| Net cash from (used in) investing activities | 14,972 | (51,703) | (523,210) |
| Net increase (decrease) in cash and cash equivalents | 125,931 | (144,615) | (562,027) |
| Cash and cash equivalents, beginning of period | 180,084 | 742,111 | 742,111 |
| Cash and cash equivalents, end of period | 306,015 | 597,496 | 180,084 |

Notes to Consolidated Interim Financial Statements

Six Months Ended

April 30, 2007

1. Accounting Policies

The accounting policies used in the preparation of these consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended October 31, 2006.

The consolidated interim financial statements include the accounts of the following wholly owned subsidiaries:

FirstCaribbean International Finance Corporation (Bahamas) Limited
FirstCaribbean International (Bahamas) Nominees Company Limited
FirstCaribbean International Land Holdings (TCI) Limited

2. Comparatives

Where necessary, comparative figures have been adjusted to comply with changes in presentation in the current year.

In the prior year, in accordance with IAS 18 Revenue, loan fee

income, which would have been considered to be an integral part of the effective interest rate of the financial instruments, was deferred and recognised as an adjustment to the effective interest yield on the loan. This adjustment was applied retrospectively, and as such, the comparative statements for 2005 were restated. The 2006 previously published comparatives have also been restated to reflect this adjustment.

3. Change in Accounting Estimate

Effective November 1, 2006, the Bank changed its estimate on the useful life of software which resulted in an increase in the depreciation charge for the six month period in the amount of \$438.

4. Change in Accounting Policy

Effective March 1, 2007, the Bank changed the date on which all purchases and sales of financial assets at fair value through the profit and loss are to be recognised from trade date to settlement date. The audited October 31, 2006 balances have been restated to reflect this change. The impact on the audited October 31, 2006 balances was to reduce trading securities by \$157 million, other assets by \$82 million and other liabilities by \$239 million. There was no impact on the year to date April 30, 2006 balances.

5. Post-Retirement Benefits

Effective January 1, 2007 certain changes to the Bank's post-retirement health benefit schemes were made which resulted in the recognition of a curtailment gain of \$7.2 million.

6. Related Party Transactions

The agreement with Barclays Bank PLC whereby the Bank would receive an annual payment from Barclays Bank PLC of \$10 million as an incentive to retain deposit placements with Barclays Capital expired on December 31, 2005. The comparative period ended April 30, 2006 would therefore include income for the final two months in the amount of \$1.7 million within operating income.

7. Deposits

Included in deposits are deposits from related entities in the amount of \$519 million (April 30, 2006: \$181 million) which may be repaid within the year.

8. Issuance of Debt Instruments

On November 3, 2006, the Bank issued \$20 million redeemable floating rate notes at prime plus 0.75% which mature November 3, 2011.