DEPOSITORS' COMPENSATION SCHEME

(in relation to the Banking Business (Compensation of Depositors) Regulations 1991)

ANNUAL REPORT
OF THE SCHEME MANAGER
FOR THE YEAR ENDED
31 MARCH 2014
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Isle of Man Depositors' Compensation Scheme

SCHEME MANAGER

In accordance with Section 5 of the Banking Business (Compensation of Depositors) Regulations 1991, made under Section 21 of the Financial Supervision Act 1988, the Financial Supervision Commission ("the Scheme Manager") was charged with the administration of the Depositors' Compensation Scheme.

On 9 October 2008 the Banking Business (Compensation of Depositors) Regulations 1991 were revoked and replaced by the Compensation of Depositors Regulations 2008 ("2008 Regulations"), except that they shall continue to apply for the purposes of the fund established following the default of the Bank of Credit Commerce International S.A. in respect of which the Scheme Manager made a determination on 16 January 1992, as if they had been remade under Section 25 of the Financial Services Act 2008 for these purposes.

On 23 October 2010 the 2008 Regulations were revoked and replaced by the Depositors' Compensation Scheme Regulations 2010 ("2010 Regulations"). Despite this the Banking Business (Compensation of Depositors) Regulations 1991 continue to apply for the purposes of the fund established following the default of the Bank of Credit Commerce International S.A. in respect of which the Scheme Manager made a determination on 16 January 1992.

The Financial Services Act 2008, Schedule 1 states "the Commission shall consist of not less than seven qualified persons appointed by the Treasury, subject to the approval of Tynwald".

Tynwald has approved the following persons to be members of the Commission:

<table>
<thead>
<tr>
<th>Name</th>
<th>Date first elected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr J Aspden</td>
<td>July 1998</td>
</tr>
<tr>
<td>Mr T Cullen</td>
<td>June 2001</td>
</tr>
<tr>
<td>Mr B Stott</td>
<td>June 2001</td>
</tr>
<tr>
<td>Mr G Karran</td>
<td>July 2007</td>
</tr>
<tr>
<td>Mr A Smith</td>
<td>July 2007</td>
</tr>
<tr>
<td>Mr R Butler</td>
<td>April 2012</td>
</tr>
<tr>
<td>Sir D Lewis</td>
<td>April 2012</td>
</tr>
<tr>
<td>Mr P Wright</td>
<td>May 2012</td>
</tr>
</tbody>
</table>
Isle of Man Depositors' Compensation Scheme

OFFICERS AND PROFESSIONAL ADVISORS

SECRETARY

Mr A Kermode
Financial Supervision Commission
P O Box 58
Finch Hill House
Bucks Road
Douglas
Isle of Man
IM99 1DT

ADVOCATES

Callin Wild
Bank Chambers
15 – 19 Athol Street
Douglas
Isle of Man
IM1 1LB

AGENTS

KPMG LLC
P O Box 93
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

BANKERS

Isle of Man Bank Limited
Head Office
P O Box 13
2 Athol Street
Douglas
Isle of Man
IM99 1AN

AUDITOR

PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas
Isle of Man
IM1 1SA
REPORT OF THE SCHEME MANAGER

INTRODUCTION

This is the twenty third Annual Report by the Financial Supervision Commission in its role as Scheme Manager of the Banking Business (Compensation of Depositors) Regulations 1991, known as the Depositors’ Compensation Scheme ("the Scheme").

LEGISLATION


The 1991 Regulations provided for the establishment of a fund out of which compensation was paid on eligible protected deposits if a Scheme participant licensed under the Banking Act 1998 (previously the Banking Act 1975) was deemed to have defaulted. The 1991 Regulations further provided for the levying of contributions on other Scheme participants in order to provide monies for the establishment of the fund, upon a default by a Scheme participant.

On 9 October 2008 the 1991 Regulations were revoked and replaced by the Compensation of Depositors Regulations 2008 ("2008 Regulations"), except that they shall continue to apply for the purposes of the fund established following the default of the Bank of Credit Commerce International S.A. in respect of which the Scheme Manager made a determination on 16 January 1992, as if they had been remade under Section 25 of the Financial Services Act 2008 for these purposes.

On 23 October 2010 the 2008 Regulations were revoked and replaced by the Depositors’ Compensation Scheme Regulations 2010 ("2010 Regulations"). Despite this the 1991 Regulations continue to apply for the purposes of the fund established following the default of the Bank of Credit Commerce International S.A. in respect of which the Scheme Manager made a determination on 16 January 1992.

As a result of the Financial Services Act 2008, the 2008 Regulations and 2010 Regulations apply to “deposit takers” rather than banking institutions.
REPORT OF THE SCHEME MANAGER (Continued)

ACTIVATION OF THE SCHEME


On 16 January 1992 the Financial Supervision Commission, as Scheme Manager, determined that BCCI S.A. was in default in terms of Regulation 4(1) of the 1991 Regulations. This followed the making of a winding-up order by the High Court in the Isle of Man in respect of the affairs of BCCI S.A. in the Island and winding-up orders in Luxembourg, the Cayman Islands and the UK.

DEFAULT BY BCCI S.A.

The statutory cut-off date for submission of claim forms passed on 16 July 1993.

LEVIES

During the year ended 31 March 2014, no levies were made.

DIVIDEND DISTRIBUTION

The liquidators of BCCI SA declared a final dividend of 3.69% in August 2012 and therefore in the year ended 31 March 2014 no further dividends were due or received. As a result, no new surplus payments were due to depositors in the year. The total dividends declared by the liquidators amounted to 90.19 per cent.

More information is provided in note 6 on page 14 of the attached Financial Statements.

To date, a total of £55,717,204 has been received from the liquidators. As at 31 March 2014 £25,275,835 of this had been due, and therefore paid, to claimants.

The remaining £30,441,369 has formed part of the general pool of funds held by the Scheme Manager and enabled repayments of £23,471,495 (equivalent to 100% of total levies imposed on the banks) to be made to the contributing scheme participants.

On 14 May 2014 Treasury agreed to a request of the Scheme Manager to proceed with proposals for the closure of the Scheme, which will include the production of amendment regulations for approval. A public notice will be issued by the Scheme Manager after the date of signing this report.
REPORT OF THE SCHEME MANAGER (Continued)

RETIREMENT / APPOINTMENT OF COMMISSIONERS

There have been no changes during the year and to the date of signing the report and financial statements for the year ended 31 March 2014.

The Scheme Manager adopts a strict policy in determining and managing the conflicts of interest which may arise between members of the Commission and Scheme participants. Information regarding Commission members’ conflicts of interest is available from the Commission’s website www.fsc.gov.im.

RETIREMENT / APPOINTMENT OF SECRETARY

There have been no changes during the year and to the date of signing the report and financial statements for the year ended 31 March 2014.

PAYMENT OF COMPENSATION

During the year, the Scheme Manager made no compensation payments.

SCHEME PARTICIPANTS

Appendix A to this Report lists all participants in the current Isle of Man Depositors’ Compensation Scheme during the year ended 31 March 2014.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The audited financial statements for the year ended 31 March 2014 are set out as part of this annual report.

COMPENSATION FUND

In accordance with the 1991 Regulations, agreement was reached in the year ended 31 March 2010 to distribute a substantial part of the compensation fund to original participating banks in proportion to their original contributions to the Scheme. The total of such distributions accrued and subsequently paid was £10,754,449. No further distributions have been accrued or paid in the year ended 31 March 2014 and the Scheme Manager has not authorised any further payments at the date of signing the report and financial statements.

On 14 May 2014 Treasury agreed to a request of the Scheme Manager to proceed with proposals for the closure of the Scheme, which will include the production of amendment regulations for approval. A public notice will be issued by the Scheme Manager after the date of signing this report.
DEPOSITORS' COMPENSATION SCHEME IN RELATION TO THE COMPENSATION OF DEPOSITORS REGULATIONS 2008

A separate annual report is prepared covering the above, including the financial statements in relation to the fund that was created following the default by Kaupthing Singer & Friedlander (Isle of Man) Limited – in liquidation.

APPROVED BY THE FINANCIAL SUPERVISION COMMISSION AS SCHEME MANAGER OF THE DEPOSITORS' COMPENSATION SCHEME ON 26 JUNE 2014 AND SIGNED ON ITS BEHALF BY:

Mr G Karran

COMMISSIONER

Mr J Aspden

COMMISSIONER
Statement of Scheme Manager's responsibilities in respect of the Scheme Manager's report and financial statements

The Scheme Manager is responsible for preparing the Scheme Manager's Report and the financial statements in accordance with applicable law and regulations.

The Scheme Manager is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards in accordance with the Accounts and Audit Regulations 2013 and the Audit Directions 2008, as required by the Audit Act 2006, and the Banking Business (Compensation of Depositors) Regulations 1991 - 2007 made under the Financial Supervision Act 1988.

The financial statements are required by law to give a true and fair view of the state of affairs of the Scheme and of the income and expenditure of the Scheme for the year.

In preparing these financial statements the Scheme Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Scheme Manager confirms it has complied with the above requirements in preparing the financial statements.

The Scheme Manager is responsible for keeping proper accounting records that are sufficient to show and explain the Scheme's transactions and disclose with reasonable accuracy at any time the financial position of the Scheme and to enable the Scheme Manager to ensure that the financial statements comply with the Accounts and Audit Regulations 2013 and the Audit Directions 2008, as required by the Audit Act 2006, and the Banking Business (Compensation of Depositors) Regulations 1991 - 2007 made under the Financial Supervision Act 1988. The Scheme Manager is also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Scheme Manager is responsible for the maintenance and integrity of the Scheme's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Scheme Manager
26 June 2014

Mr A Kermode
Secretary
Isle of Man Depositors' Compensation Scheme

Independent auditor’s report to the Scheme Manager and the Treasury

We have audited the accompanying financial statements of the Depositors' Compensation Scheme which comprise the balance sheet as at 31 March 2014 and the income and expenditure account for the year then ended and a summary of significant accounting policies and other explanatory notes.

Scheme Manager’s Responsibility for the Financial Statements
The Scheme Manager is responsible for the preparation and fair presentation of these financial statements in accordance with applicable Isle of Man law and United Kingdom Accounting Standards, and for such internal control as the Scheme Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors’ Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Scheme Manager and the Treasury in accordance with the Audit Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Scheme Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion the financial statements give a true and fair view of the financial affairs of the Scheme as at 31 March 2014 and for the year then ended in accordance with United Kingdom Accounting Standards and have been prepared in accordance with regulations made under the Audit Act 2006 and comply with the requirements of the Banking Business (Compensation of Depositors) Regulations 1991 – 2007 made under the Financial Supervision Act 1988.

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
Date: 26 June 2014
Isle of Man Depositors' Compensation Scheme

Income and expenditure account
for the year ended 31 March 2014

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends received from Liquidator</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>22,145</td>
</tr>
<tr>
<td>Bank interest receivable</td>
<td>2b</td>
<td>1,205</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>23,350</strong></td>
<td><strong>1,554,080</strong></td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and professional fees</td>
<td></td>
<td>9,046</td>
</tr>
<tr>
<td>Scheme agents' costs</td>
<td></td>
<td>12,510</td>
</tr>
<tr>
<td>Audit fee</td>
<td></td>
<td>4,120</td>
</tr>
<tr>
<td>Bank charges</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>(25,679)</strong></td>
<td><strong>(43,150)</strong></td>
</tr>
<tr>
<td>Excess / (Shortfall) in income over expenditure for the year</td>
<td></td>
<td>(2,329)</td>
</tr>
<tr>
<td>Dividend surplus</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Distributions to original participating banks</td>
<td>2g</td>
<td>-</td>
</tr>
<tr>
<td>Compensation fund brought forward</td>
<td></td>
<td>1,682,872</td>
</tr>
<tr>
<td>Compensation fund carried forward</td>
<td></td>
<td>1,680,543</td>
</tr>
</tbody>
</table>

The notes on pages 12 to 14 form part of these financial statements.
Isle of Man Depositors’ Compensation Scheme

Balance sheet
as at 31 March 2014

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>2,368,444</td>
<td>2,411,810</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>12,070</td>
<td>5,993</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Current assets</strong></td>
<td>2,380,514</td>
<td>2,417,803</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals</td>
<td>16,510</td>
<td>21,225</td>
</tr>
<tr>
<td>Other creditors</td>
<td>683,461</td>
<td>713,710</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Current liabilities</strong></td>
<td>(699,971)</td>
<td>(734,931)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td>1,680,543</td>
<td>1,682,872</td>
</tr>
<tr>
<td><strong>Represented by</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation fund</td>
<td>1,680,543</td>
<td>1,682,872</td>
</tr>
</tbody>
</table>

These financial statements were approved by the Scheme Manager on 26 June 2014 and signed on its behalf by:

Mr G Karran
Commissioner

Mr J Aspley
Commissioner

The notes on pages 12 to 14 form part of the financial statements.
Isle of Man Depositors' Compensation Scheme

Notes
(forming part of the financial statements for the year ended 31 March 2014)

1 Constitution

The Isle of Man Depositors' Compensation Scheme was constituted under the Financial Supervision Act 1988 and governed by the Banking Business (Compensation of Depositors) Regulations 1991-2007. On 9 October 2008 the Banking Business (Compensation of Depositors) Regulations 1991 ("1991 Regulations") were revoked and replaced by the Compensation of Depositors Regulations 2008 ("2008 Regulations") except that they shall continue to apply for the purposes of the fund established following the default of the Bank of Credit Commerce International S.A. in respect of which the Scheme Manager made a determination on 16 January 1992, as if they had been remade under Section 25 of the Financial Services Act 2008 for these purposes.

On 23 October 2010 the 2008 Regulations were revoked and replaced by the Depositors' Compensation Scheme Regulations 2010 ("2010 Regulations"). Despite this the 1991 Regulations continue to apply for the purposes of the fund established following the default of the Bank of Credit Commerce International S.A. in respect of which the Scheme Manager made a determination on 16 January 1992.

2 Accounting policies

a Basis of preparation

These financial statements have been prepared under the historic cost convention, and in accordance with applicable United Kingdom accounting standards, the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, both made under the Audit Act 2006 and the Banking Business (Compensation of Depositors) Regulations 1991 – 2007 made under the Financial Supervision Act 1988.

b Interest receivable and expenditure incurred

Interest receivable and expenditure incurred, except for compensation payments (see note 2d) have been accounted for on an accruals basis.

c Levies receivable

Levies receivable from participants of the Scheme are credited to the income and expenditure account in the period in which they are levied.

d Compensation payments to eligible protected depositors

Compensation payments made to depositors are charged to the income and expenditure account when made.
2. **Accounting policies (continued)**

   e  *Interest receivable and costs recoverable on compensation paid*

   Under Regulation 15(4)(B) of the 1991 Regulations the Scheme Manager is entitled to recover such sums equivalent to the amount of compensation paid, interest on such compensation and the costs of recovery of such sums. No account of any amount, which may be recoverable under this Regulation, is taken until such recovery becomes certain.

   f  *Dividends received from Liquidator*

   Dividends received from the Liquidator are accounted for on a received basis.

   g  *Distributions to original participating banks*

   Distributions of the compensation fund to original participating banks have been accounted for on an accruals basis.

   h  *Translation of foreign currency*

   Foreign currency transactions during the year are translated into sterling at the rates of exchange ruling on the dates of the transactions.

   i  *Basis of preparation*

   The financial statements have been prepared in accordance with UK Accounting Standards in so far as compatible with the application of the constitution on page 12.

3 **Levies**

The Scheme Manager was permitted under the 1991 Regulations governing the Depositors’ Compensation Scheme to make successive annual levies on each Scheme participant that was a participant at the date of default of a participant until all eligible protected depositors of the defaulting participant had been compensated in full, in accordance with the 1991 Regulations.

The annual levy was equivalent to 0.125% of a participant’s deposit liabilities at a date(s) specified by the Scheme Manager (subject to a minimum levy of £25,000 and a maximum levy of £250,000). All levies in respect of the Isle of Man Branch of Bank of Credit & Commerce International S.A. have now been called. When there were surplus funds available the Scheme Manager authorised repayment of the levies. The levies repaid have been made in proportion to the levies received from each of the Scheme participants.

As at 31 March 2014 all levies have been repaid in full.
4 Compensation Fund

At 31 March 2014 the Scheme has retained funds, which will be used in satisfying the liability to depositors of the Isle of Man branch of Bank of Credit and Commerce International S.A, and covering the costs of administering the Scheme.

5 Taxation

The Scheme is not subject to Income Tax and no relief is available for any expenditure.

6 Dividends received from Liquidator

The Liquidator has declared total dividends to date of 90.19%. These funds have been paid in several tranches over the course of the liquidation. No dividends were received during the year as the liquidation of Bank of Credit & Commerce International S.A. has been completed.

7 Other creditors

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Unclaimed compensation and surplus payments</td>
<td>683,461</td>
<td>691,565</td>
</tr>
<tr>
<td>Other creditors (including unpaid agent's fees)</td>
<td>-</td>
<td>22,145</td>
</tr>
<tr>
<td></td>
<td><strong>683,461</strong></td>
<td><strong>713,710</strong></td>
</tr>
</tbody>
</table>
Appendix A – Scheme Participants

The scheme participants in the current Isle of Man Depositors’ Compensation Scheme during the year ended 31 March 2014 were as follows:

AIB Bank (CI) Limited *(licence surrendered on 29 November 2013)*
AIB International Savings Limited *(licence surrendered on 30 June 2013)*
Alliance & Leicester International Limited *(licence surrendered on 7 May 2013)*
Bank of Ireland (I.O.M.) Limited *(licence surrendered on 2 June 2014)*
Bank of Scotland plc
Barclays Bank PLC
Barclays Private Bank & Trust (Isle of Man) Limited
Barclays Private Clients International Limited
BNP Paribas Securities Services SCA *(licence surrendered on 20 June 2014)*
Britannia International Limited
Cayman National Bank & Trust Company (Isle of Man) Limited
Conister Bank Limited
Duncan Lawrie (IOM) Limited
Habib European Bank Limited
HSBC Bank plc
Isle of Man Bank Limited
Kleinwort Benson Bank (Isle of Man) Limited
Lloyds Bank International Limited *(formerly Lloyds TSB Offshore Limited)*
Nationwide Building Society *(became a participant with effect from 28 February 2014)*
Nationwide International Limited *(licence surrendered on 28 February 2014)*
Nedbank Private Wealth Limited
Permanent Bank International Limited
Standard Bank Isle of Man Limited
The Royal Bank of Scotland International Limited
The Royal Bank of Scotland plc
Zurich Bank International Limited