ARM ASSET BACKED SECURITIES S.A.
(IN LIQUIDATION) ("ARM")

IMPORTANT SUMMARISED INFORMATION
RELATING TO THE DISTRIBUTION OF ARM'S ASSETS TO ITS CREDITORS

Introduction

This document is relevant if you believe that you are a creditor of ARM.

As you may be aware, following the settlement last month of various legal issues surrounding the proceeds of pending bonds held with various receiving agents, ARM's liquidators are now in a position to distribute its assets to its creditors. That will take place through various dividends to be paid to creditors between now and summer 2022.

An update in relation to the settlement discussions and a summary of the terms of the agreement which settled the relevant legal issues were uploaded to the BDO website on 8 March 2017: https://www.bdo.co.uk/en-gb/arm-asset-backed-securities-sa.

Creditors include (a) pending bondholders (b) non-pending bondholders (c) the Financial Services Compensation Scheme ("FSCS") and (d) any other persons to whom ARM may owe money. For ease of reference, we will refer to creditors in classes (a), (b) and (c) as "investors" in this summary.

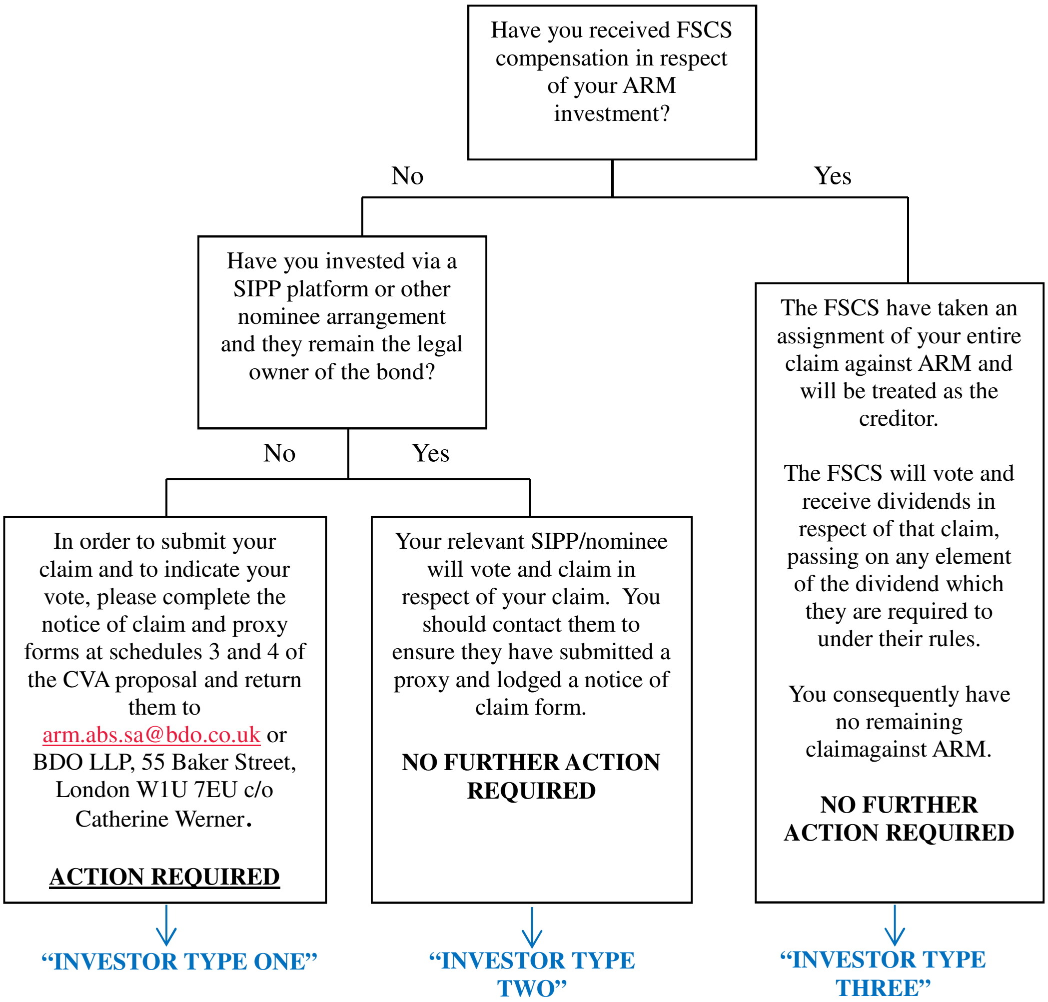
This document represents only a high level summary of the proposed mechanism to achieve the distribution of ARM's assets to its creditors. It is also intended to help you to determine what steps you need to take as part of that distribution process.

If the liquidators believe you to be a creditor of ARM, you will have been sent what is known as a CVA proposal.

That proposal is a relatively lengthy and legalistic document out of necessity. This summary is not designed in any way to take its place and you are urged carefully to read the CVA proposal document itself.

Put simply, however, the CVA proposal is believed by the liquidators to be the most effective means of distributing ARM's assets to its creditors.

Voting and claims process



What is the difference between voting on the CVA proposal, and lodging a claim in it?

Voting

In order to be effective, the CVA proposal needs to be approved by 75% in value of ARM's creditors. The FSCS are understood to be in excess of 70% of ARM's creditors and have expressed their support for the CVA proposal already. It is therefore highly likely that the CVA proposal will be approved.

The approval takes place by ARM's creditors voting. That voting will take place at a creditors' meeting which will be held on 3 May 2017 at 11 am BST at the Park Plaza Sherlock Holmes Hotel, Baker Street, London W1U 6LJ.

In order to vote, creditors need to return the notice of claim and proxy forms attached at schedules 3 and 4 of the CVA proposal to BDO by one of the following means (a) by email to arm.abs.sa@bdo.co.uk or (b) by post to Catherine Werner, BDO LLP, 55 Baker Street, London W1U 7EU.

The above table will assist you in determining whether you, as an individual creditor, will need to submit these forms or not. A proxy form only needs to be submitted if (a) a creditor is not able to attend the meeting and wishes to vote, (b) a creditor is not an individual, e.g. the creditor is a company, or (c) a creditor wishes someone else to attend and vote at the creditors' meeting on their behalf. If you are an individual creditor you are able to attend the meeting in person without submitting a proxy.

Although the relevant documentation (e.g. notice of claim form and any applicable proxy) can be brought to the creditors' meeting to consider the CVA proposal, creditors are kindly requested to return such documents to BDO as above by 10 am BST on 3 May 2017, i.e. one hour before the creditors' meeting is scheduled to start. This is purely for administrative purposes. Creditors remain entitled to bring the relevant documents with them to the creditors' meeting, but depending on how many creditors choose to do so, it may be necessary to adjourn the creditors' meeting in order to calculate votes.

Not all creditors are entitled to vote on the CVA proposals or attend the meeting, which is why we have set out the chart above.

Lodging a claim

Lodging a claim in the CVA proposal in order to be registered to receive a dividend from ARM's assets is a separate step to that for voting. That is done using the notice of claim at schedule 3 of the CVA proposal.

However, in order to streamline that process for creditors, any notice of claim forms which are submitted for voting purposes will be taken as having been lodged as a claim for adjudication for creditors to receive dividends under the CVA.

If, however, a creditor has not submitted a notice of claim form for the purposes of voting on the CVA, it will be necessary to submit a notice of claim form as set out in the above chart.

The following section explains this in further detail.

Next steps

Investor Type One

Please return your notice of claim and proxy forms attached at schedules 3 and 4 of the CVA proposal as set out above. If you do this, you will not need to submit anything further in order to lodge your claim under the CVA proposal, unless you are specifically requested to do so.

If you do not wish to vote and therefore do not submit your notice of claim and proxy forms for the purposes of voting on the CVA proposal, you should provide details of your claim in the notice of claim form at schedule 3 of the CVA proposal before 2 September 2017.

Investor Type Two

You should contact your SIPP provider/nominee to ensure that they have submitted a vote and lodged a notice of claim form under the CVA proposal in respect of your investment and discuss with them how any dividends from ARM's assets will be passed onto you.

Any dividends will be paid to your SIPP provider/nominee if they are legally the investor in ARM.

Investor Type Three

If you have taken FSCS compensation, the FSCS is the legal owner of your claim and you are therefore no longer a creditor of ARM. The FSCS will therefore deal with the formalities of voting on the CVA proposal, and lodging a claim in the CVA on your behalf. You need to take no further steps.

When the FSCS receives the relevant dividends, it will examine its records to assess whether you are due any further payment as below.

The FSCS will take account of any uncompensated losses and pay some, all, or none of the relevant dividends to you in accordance with the FSCS's own rules. If such a payment is made, the FSCS will either send the payment to you by cheque or, if your ARM investment was held on an investment platform, such as a SIPP provider/nominee, the FSCS will send the payment to your SIPP provider/nominee and inform you of this by letter.

However, before paying a SIPP provider, the FSCS will first check that your SIPP account is still open. If it is not, the FSCS will contact you to confirm where the payment should be sent.

Estimated timeline

Event	Timeframe
CVA proposal issued	5 April 2017
Window to send proxy and claim forms to BDO (for creditors who do not plan to attend the creditors' meeting in person)	5 April to 3 May 2017
Creditors' meeting to vote on the CVA proposal	3 May 2017
Member's meeting to vote on the CVA proposal	4 May 2017
Challenge period for dissatisfied creditors to object to the CVA proposal	4 May to 1 June 2017
Effective date of CVA and beginning of "initial period" for enhanced dividend claims to be submitted and adjudicated	2 June 2017
End of initial period for enhanced dividend dividend claims to be submitted and adjudicated	2 September 2017
Expected payment of first standard dividend and enhanced dividend	The earliest practicable date after the expiry of the initial period
Expected subsequent and final dividend	The earliest practicable date after the receipt of each FCIL receivable instalment between December 2017 and December 2021

Outcome for creditors

It is expected that all investors will be eligible to receive FSCS compensation in relation to the CIGL default.

Investors may also be able to claim additional compensation from the FSCS in respect of their independent financial adviser and should contact the FSCS to determine whether or not they are eligible for any further compensation from that or any other sources.

It is currently anticipated that a dividend of approximately 26p in the £ will be paid across the duration of the CVA proposal.

Certain pending bondholders will also be entitled to receive what is known as an "enhanced dividend" to compensate them up to the level of what is known as their "net loss", (i.e. their capital investment less interest payments received from ARM, taking account of FSCS compensation).

The aggregate total of the enhanced dividend is capped at £950,000. Based on the information currently available, the amount required to pay the enhanced dividend claims is approximately £740,000.

Notice of the outcome of the voting on the CVA proposal will be posted on the ARM portal (as above) on the day after the voting takes place at the creditors' meeting. The outcome of the member's meeting will be posted on the ARM portal on the same day as that meeting.

Comparison between CVA and liquidation

If the CVA proposal is not approved, it is likely that further lengthy and costly litigation will be required before any dividend could be paid to creditors.

The CVA scenario set out below illustrates the estimated returns for creditors under the CVA. It is difficult to compare this with a single 'liquidation scenario'. This is primarily due to the fact that there are a number of different potential outcomes in that scenario, some of which interact with each other

	CVA	**Liquidation**
	£	**£**
Assets	57,401,156	54,401,156
Creditors	216,710,813	216,710,813
Non-pending bondholders and other creditors		
Standard dividend	26%	Uncertain
Pending bondholders		
Standard dividend	26%	Uncertain
Enhanced dividend	up to 100% of net loss	
Timing of dividends	Share in all available assets immediately	Uncertain
Credit risk on FCIL receivable	Shared among all investors	Uncertain

The liquidators also consider that, in the liquidation scenario described above, creditors would suffer various costs and risks, including notably:

1. That the assets overall would be depleted by the additional professional costs that would be incurred in taking the various issues to trial. There would also be the potential for an appeal of the judgment and an extended timeline for an order to be handed down. We estimate that these additional costs would be in the region of £3 million for the purposes of the CVA. This would reduce the pool of assets available to pay dividends generally.

2. A court may ultimately find that the non-pending bondholders' rights are less favourable than those in the CVA. This would consequently further reduce the dividends to the non-pending bondholders (and in all likelihood other creditors who are not investors).

3. Equally, and to the contrary, a court might alternatively find that the pending bondholders' rights are less favourable than those in the CVA. This would consequently further reduce the dividends to the pending bondholders.

A further significant advantage of the CVA is that it will accelerate the timetable of the first dividend to creditors. The timing of the first dividend to creditors generally is again uncertain in the liquidation scenario but undoubtedly would take significantly longer.