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ARM ASSET BACKED SECURITIES SA - PROVISIONAL LIQUIDATORS APPOINTED (THE 'ISSUER')

FREQUENTLY ASKED QUESTIONS - SUBMITTED WEEK ENDED 8 NOVEMBER 2013

Q 5.1

How much has been paid to each ARM director during the period since ARM got into financial difficulty in July 2011. Please include salaries, expenses and any other payments (including termination payments).

The Provisional Liquidators have requested that the Issuer's statutory accounts be brought up to date, audited and filed. It is their understanding that the remuneration of the directors would be disclosed within those statutory accounts. Please see also the response to the questions under 5.2 below.

Q 5.2

How much has been paid in professional fees (accounting, audit, legal fees and other) during the period since ARM got into financial difficulty in July 2011? If possible, please identify the matters on which these costs were incurred.

How much has been paid by ARM to Catalyst (both to Catalyst Investment Group and to Catalyst Fund Management) during the period since July 2011?

How much has been paid to M Pacaud, the Luxembourg court appointed Supervisor, since his appointment in November 2011?

Whilst the Provisional Liquidators have the specific power to investigate the Issuer's affairs, currently, their main focus is progressing matters such as the Pending Monies and the general strategy they wish to adopt to maximise and return value to the Issuer's Bondholders and other creditors.

However, the Provisional Liquidators expect to consider these and analogous issues and would report to Bondholders/other creditors as appropriate. To the extent that the payments in question require investigation/action, Bondholders and other creditors should rest assured that the Provisional Liquidators will take all appropriate steps consistent with their mandate to maximising returns to Bondholders/other creditors.

Further, to the extent appropriate, such issues would be discussed with any *ad hoc* creditors' committee formed. Bondholders and other creditors will doubtless understand that it is not appropriate to conduct an investigation of individual issues via these FAQs.

Q 5.3

Is ARM continuing to make payments to the directors and to the Supervisory Commissioner. If so, what is the ongoing cost to ARM?

The Provisional Liquidators will only make such payments as are necessary or commercially expedient to protect/maintain the Issuer's assets and discharge their duties as Provisional Liquidators.

It is anticipated that the Provisional Liquidators will enter a protocol agreement with the Supervisory Commissioner, as contemplated in the court order appointing the Provisional Liquidators. The Provisional Liquidators will closely monitor any costs associated with this to make sure their being incurred is overall in the interests of Bondholders/other creditors.

As regards the directors of the Issuer, the Provisional Liquidators will only make such payments insofar as they are expedient or necessary to the interests of Bondholders/other creditors. This, for example, might cover the provision of services or information to the Provisional Liquidators, which the Provisional Liquidators cannot compel the relevant directors to provide by law, or which would otherwise be more costly to be provided by some other party.

Q 5.4

Can you confirm that the agreement with FCIL is now unconditional, notwithstanding the single policy yet to be transferred? If the agreement is unconditional, then can you confirm that the initial payment has been received and the ongoing deferred consideration is being received in accordance with the agreement?

The Provisional Liquidators are currently taking legal advice in respect of the confidentiality requirements of various transactions into which the Issuer entered before their appointment. Of utmost importance to the Provisional Liquidators is ensuring that the Bondholders/other creditors of the Issuer are not prejudiced in any manner by any actions the Provisional Liquidators take. As soon as the Provisional Liquidators are comfortable that releasing information will not prejudice the Bondholders/other creditors, they will release such information as they are able to Bondholders/other creditors.

Q 5.5

Besides the proceeds of the sale of the policies, have you been able to ascertain whether there are any other assets/potential assets or liabilities that may have the effect of increasing or reducing the residual value of ARM?

The Provisional Liquidators are investigating the financial position of the Issuer.

At present, the Provisional Liquidators are only aware of the following asset classes:

- Those relating to the life policies.
- Cash in hand.
- Cash relating to the Pending Monies.

As soon as the Provisional Liquidators are able, they will provide Bondholders and other creditors with as full a view on the Issuer's financial position as they are able.

Q 5.6

Have you now gained sufficient knowledge about ARM's financial affairs to be able to have some idea as to when it will be possible for some statement to be prepared that gives investors some information about the possible remaining value of ARM.

The Provisional Liquidators intend, as soon as possible, to issue an RNS which provides a high level view of the Issuer's asset/liability position. The RNS will also be uploaded to the BDO ARM website.

The Provisional Liquidators are continuing to investigate the financial position of the Issuer and will provide further/more detailed updates as and when possible and appropriate.

Q 5.7

Has a Statement of Affairs been produced? If so, can the Bondholders be provided with a summary?

The Provisional Liquidators have formally requested that the directors of the Issuer provide them with a Statement of Affairs. However, the Provisional Liquidators are yet to receive this document.

To the extent they are able, the Provisional Liquidators will provide Bondholders/other creditors with the information contained within the Statement of Affairs.

Q 5.8

If the FSCS agrees that in certain cases some investors were wrongly advised and they accept claims, will there be a further long wait for settlements to be made? Will there be any priority given for people suffering from hardship as a result of this?

The Provisional Liquidators cannot comment on the position of the Financial Services Compensation Scheme ("FSCS"). However, it is our understanding that the FSCS will be issuing an update regarding the Issuer this month.

We set out below a link to the website of the UK FSCS, which may be of interest to Bondholders.

<http://www.fscs.org.uk/news/2013/october/catalyst-investment-group-limi-5te68m91v/>

The following questions are, we believe, already covered by current FAQs as published on our website:

- There appears to be much talk of a creditors committee at present, and I am concerned about the make-up of such a committee and the members' mandate. Answered Q 2.9 and Q 4.2.