IBOR Transition Guide

Allied Irish Bank (GB) IBOR Transition Guide March 2022 Version

CONTENTS

What has changed?

Banks use benchmark rates as the basis for calculating interest rates for some products.

Interbank Offered Rates (IBORs) were the most commonly used benchmark rates. IBORs have been reformed, and in many cases, have either ceased, or are no longer representative. The London Interbank Offered Rate (LIBOR) was one of the most widely used IBORs.

Based on regulatory guidance all banks have introduced alternative rates to IBORs generally, and LIBOR in particular.

Helping You on the IBOR Transition Journey

Helping You Prepare

This guide should help you understand what is involved in IBOR transition where:

(a) the interest rate on your facility is/was calculated using a LIBOR rate; and

(b) in accordance with regulatory guidance, the LIBOR rate needs to be switched to a replacement rate.

We are supporting you on the IBOR transition journey.

How is IBOR transition affecting customers?

- Contracts where the interest rate is calculated using USD, JPY, CHF and/or Sterling LIBOR have been reviewed.
- Allied Irish Bank (GB) is reviewing and responding to industry developments and regulatory guidance as it evolves.
- We have engaged with customers where changes to contracts were/are required. We will continue to communicate with customers as needed in this regard.
- We recommend that you read all of this booklet.

You should review your documents carefully as needed and seek independent advice (legal, financial, tax, accounting or otherwise), from your own professional advisors, based on your own particular circumstances.

What are IBORs and how are they used?

Interbank Offered Rates, such as the London Interbank Offered Rate (LIBOR) and the Euro Interbank Offered Rate (EURIBOR), are forms of benchmark rates used, for example, in the calculation of interest on some of our products.

How are they used?

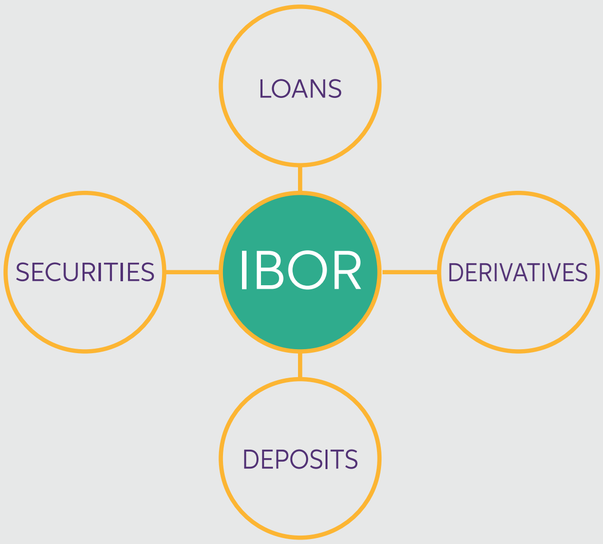
IBORs have been used in all kinds of financial transactions. For example, IBORs have been used as the basis for calculating certain interest rates when lending to individuals or corporate customers.

Banks and other organisations also use benchmark rates to value financial assets on their balance sheet.

How are IBORs calculated?

IBORs represent an average of the rates at which selected banks estimated they could borrow money from other banks.

Why are benchmark rates important?



Benchmark rates, such as IBORs, are widely embedded in our economy, and are used in commonly held and simple products such as loans, overdrafts and deposits.

They are also used in more complex products such as securities and derivatives.

Not all of our products reference IBORs and not every customer will be affected by these changes.

They are widely used in our economy

Banks use IBORs to calculate interest rates when they are lending to individuals or business customers.

IBORs are also used to monitor effects of monetary policy decisions, for example, the European Central Bank and other Central Banks observe impacts of any changes on market rates.

Transition from IBORs to alternative reference rates

As IBORs are very widely used in financial markets, they have been subject to increasing regulation and review.

Regulators and market participants are seeking to reform IBORs and in some cases, to replace them with Risk Free Rates (RFRs).

IBORs are based on forward-looking estimates of how much it costs for a bank to borrow money from other banks in the interbank lending market. The activity in this market has been declining markedly over time.

Risk Free Rates (RFRs), are being introduced because they are based on transactions which have already taken place in active markets, making them more accurate and robust.

Examples of RFRs are SONIA, which replaces GBP LIBOR, and SOFR, which replaces USD LIBOR.

Changes are being made to benchmark rates

Sales of new GBP LIBOR cash facilities and derivatives maturing after 31 December 2021 ceased on 31 March 2021

Sales of new USD LIBOR cash facilities and derivatives ceased after 31 December 2021

Banks worldwide engaged with customers over the course of 2021 in relation to moving cash facilities and derivatives to the new RFRs

GBP LIBOR was phased out as a representative rate on 31 December 2021, and therefore it is not available as a basis for pricing facilities/derivatives. A non-representative "synthetic" form of LIBOR can be used on a temporary basis for existing UK law governed contracts (other than cleared derivatives) which have not yet been switched to a replacement rate. This "synthetic" form of LIBOR is only being published on a temporary basis.

Risk Free Rates are overnight interest rates based on transactions which have already taken place and are not a 'like for like' replacement for IBORs

What alternative reference rates replace LIBOR?

	Replacement	Timeline	What this means
GBP	Transition to SONIA (Sterling Overnight Index Average)	In line with regulatory guidance, no new Sterling LIBOR based cash products sold after 31 March 2021. Sterling LIBOR ceased to be published on a representative basis (as detailed on page 9) after 31 December 2021	SONIA derived products are not a precise like for like replacement for LIBOR derived products and are therefore not a direct substitute *. This has resulted in changes to contracts and supporting systems. * See table on page 8
USD	Transition to Secured Overnight Financing Rate (SOFR)	1-week and 2-month USD LIBOR tenors have not been published since 31 December 2021; All other tenors will cease to be published or will become non-representative after 30 June 2023	Changes are being made to supporting systems and contracts may need to be amended
CHF	Transition to Swiss Average Rate Overnight (SARON)	In line with regulatory guidance, no new CHF LIBOR based cash products have been sold since 31 December 2021. CHF LIBOR ceased being published on 31 December 2021	Changes have been made to contracts and supporting systems
JPY	Transition to Tokyo Overnight Average Rate (TONA)	In line with regulatory guidance, no new JPY LIBOR based cash products have been sold since 31 December 2021. JPY LIBOR ceased being published as a representative rate on 31 December 2021	Changes have been made to contracts and supporting systems
EURO LIBOR	Transition to €STR (Euro Short Term Rate)	Euro LIBOR ceased being published on 31 December 2021	AIB does not offer EURO LIBOR facilities

There are also IBOR rates in other currencies, some of which have been reformed rather than replaced. We continue to monitor regulatory updates in relation to EURIBOR.

Recent guidance from regulators on LIBOR

The Working Group on Sterling Risk Free Rates, the Bank of England and the Financial Conduct Authority and other relevant regulators have regularly published guidance on the cessation of LIBOR products.

- Regulators advised that no new GBP LIBOR based cash products, such as loans, maturing after 31 December 2021, were to be entered into after 31 March 2021
- Alternative Reference Rates for certain LIBORs were in place by 31 December 2021, when banks were no longer compelled to submit quotes for the relevant tenors of LIBOR. A "tenor" is a period of time in respect of which the rate is calculated e.g. one week, one month, three months
- The replacement rate for existing Sterling LIBOR based facilities is compounded SONIA. On 31 December 2021 certain key tenors and currencies of LIBOR ceased to be published. 1, 3 and 6 month GBP and Yen LIBOR will be available for a limited period using a new, unrepresentative methodology, for use in legacy UK law contracts that have not yet transitioned to an appropriate replacement rate
- The deadline for replacing the USD LIBOR rate in existing facilities has been extended to June 2023. Sales of new USD LIBOR facilities ceased on 31 December 2021. Products are being developed and we are using compounded SOFR for new facilities
- The replacement rate for existing CHF LIBOR based facilities is compounded SARON
- The replacement rate for existing JPY LIBOR based facilities is compounded TONA

LIBOR	Tenor	Cessation/ Non-representative date
GBP	ALL	31 December 2021
USD	1-week, 2-month	31 December 2021
	Overnight 1-month, 3-month, 6-month, 12-month	30 June 2023
JPY	ALL	31 December 2021
CHF	ALL	31 December 2021
EURO LIBOR	ALL	31 December 2021

How will this guidance affect customers?

- Allied Irish Bank (GB) has not been actively selling GBP LIBOR since 30 September 2020
- Allied Irish Bank (GB) has not been actively selling products based on USD LIBOR since 31 December 2021
- Allied Irish Bank (GB)'s new RFR products are not on a precise 'like for like' basis with those currently in place. See page 8 for more information
- Existing Sterling LIBOR, JPY LIBOR, CHF LIBOR and one week USD LIBOR contracts have been reviewed and amended. Other USD LIBOR contracts may need to be amended in the future depending on their final maturity date
- We will communicate with customers where changes to products and/or documents are required

Key differences between IBORs and RFRs

IBORs	RFRs
Based on estimates	Based on actual transactions
Term rates published for 7 tenors (e.g. 1, 3, 6 months)	Overnight
Forward-looking	Backward-looking
Published in advance	When compounded in arrears, determined closer to the end of the interest reference period
Includes bank credit risk and term liquidity premium	A 'Credit Adjustment Spread' (see page 12 and 15) will be added to reflect bank credit risk and term liquidity premium

- The key difference between IBORs (where they are calculated on a representative basis) and RFRs is the way in which the benchmark rates are calculated. IBORs are forward-looking interest rates with a number of different tenors published daily (e.g. overnight, 1 week, 1/3/6/9 months), and are based on an average interest-rate calculated from submissions from a panel of banks in the Wholesale Market. We address the methodology for "synthetic" LIBOR on page 10.

- RFRs are overnight risk free rates and are based on actual transaction data. They reflect the average cost that banks pay to borrow overnight from each other and from other institutional investors. RFRs that are compounded in arrears will be compounded over an observation period which will be calculated from day minus five (five working days prior to the first day of the interest period) to five days before the end of the interest period.

- In practice, this means that customers using RFRs compounded in arrears won't know the interest rate applicable to their loan until close to the end of the interest period. Customers can generally monitor RFR rates throughout the calculation period on the regulatory authority or benchmark provider website which will help them to judge what their interest rate is likely to be.

- Term structures, (e.g. 3 or 6 months) which were widely available for the various IBORs, are being published for certain tenors of RFRs to facilitate specific types of transactions and the various working groups are still reviewing options for term rates. The UK authorities and the Sterling Working Group on Risk-Free Reference Rates have made clear they expect the use of Term SONIA to be relatively limited.

- Customers who are looking for certainty around cash flows and repayment amounts, may find that a loan with a fixed repayment schedule or a fixed rate loan may be more appropriate for their needs. This will be dependent on product suitability for customer needs and may be subject to credit approval.

How has LIBOR been calculated as a representative rate

LIBOR has been calculated primarily based on forward looking estimates from panel banks of rates representing the underlying market i.e. representative rates. Certain tenors of USD LIBOR are still available on this basis until the end of June 2023 and certain tenors of Sterling and JPY LIBOR are being published on a "synthetic" or "unrepresentative" basis for use in relation to certain existing 1/3/6 month LIBOR contracts until the end of 2022. The UK regulator has the option to extend this availability period. However, it has stressed that contracts should be transitioned to a permanent replacement rate as soon as possible.

As the LIBOR rate is forward-looking, it is known at the outset of the interest period, and all of the elements of the 'all-in' customer rate, remain static for the interest rate period. As a result, the components of the interest rate, together with the amount of interest can be calculated using the formula below and advised to customers at the start of any lending period.

LIBOR is calculated as follows: P x T x R:

P = Principal (Nominal amount of the loan)
T = Time (Number of days in the interest period)
R = Rate (the all-in rate applicable to the interest rate period which includes any margin)

For Example

If you borrow £1m for a period of 90 days based on LIBOR, you would know at the start of the loan that the cost of the interest for the period would be: £1m X 90 days X (LIBOR plus margin)

Synthetic LIBOR and Statutory Replacement Rates

Sterling

The United Kingdom Financial Conduct Authority (the "FCA") confirmed that in order to avoid disruption to legacy contracts, a synthetic non-representative version of LIBOR, with a different calculation methodology, is available from the beginning of 2022 in a limited number of tenors (1 month, 3 month and 6 month) and in sterling and yen only. All legacy contracts other than cleared derivatives are permitted to use the synthetic versions of LIBOR. Synthetic LIBOR is published on the same screen page and at the same time as LIBOR, and is intended to operate smoothly without any legal or administrative disruption to contacts. All other tenors of Sterling LIBOR have ceased to be available from 1 January 2022.

Synthetic LIBOR is being published until the end of 2022 and whilst the FCA has the discretion to extend the availability period, it has emphasised that remaining contracts on a Sterling LIBOR rate should be transitioned to an alternative replacement rate as soon as possible.

There can be no certainty that sterling synthetic LIBOR will be available beyond the end of 2022.

The FCA has been very clear that **Synthetic LIBOR is not a representative rate and that it is not intended to be relied upon for extended periods. It is being made available on a time-limited basis in order to allow market participants more time to transition away from LIBOR. We therefore continue to encourage customers to transition away from LIBOR to a permanent replacement rate**. (The FCA has highlighted that compounded risk-free rates have the most robust underlying markets, and as the new market standard for most products, they will benefit from the greatest liquidity in hedging products.)

USD

In relation to USD LIBOR, the state of New York has enacted legislation to provide for a recommended form of benchmark replacement rate for USD LIBOR in circumstances where a replacement rate has not been agreed between the parties. A federal law to the same effect is also in the process of being introduced. It will not be possible to use this statutory form of replacement rate for contracts which not governed by US state law.

CHF

The EU has enacted legislation to designate compounded SARON (calculated over the previous one month/ three month period plus a fixed credit adjustment spread) as the statutory replacement rate for CHF LIBOR contracts as and from 1 January 2022 in circumstances where a replacement rate has not been agreed between the bank and the borrower. The Swiss Stock Exchange is not publishing CHF LIBOR on a synthetic/ non-representative basis.

JPY

The FCA has authorised the publication of a “synthetic” LIBOR rate for application to existing JPY LIBOR contracts. The synthetic LIBOR rate is calculated using term TONA plus a credit adjustment spread.

How is Synthetic LIBOR calculated?

The sterling synthetic LIBOR tenors are published by ICE Benchmark Administration (IBA) and are calculated as the sum of a term SONIA reference rate plus a fixed spread adjustment. The FCA has chosen this calculation method “to provide a reasonable and fair approximation” of what LIBOR might have been in the future if it was not ceasing.

Term SONIA is forward-looking and is based on the market expectation of the SONIA interest rate for a given period, rather than the actual observed SONIA rates. This means it can be higher or lower than the actual SONIA rates for the relevant interest period. You could therefore pay more or less with synthetic LIBOR then would have been the case had you completed active transition.

What will this mean for affected contracts?

For customers who have not already completed active transition (i.e. agreed to amend your product documentation), any products that currently reference 1, 3 or 6 month sterling LIBOR will automatically move to synthetic LIBOR with effect from the first interest period commencing in 2022.

Synthetic LIBOR will apply to all references to 1, 3 or 6 month sterling LIBOR in a contract, not just interest rate calculations.

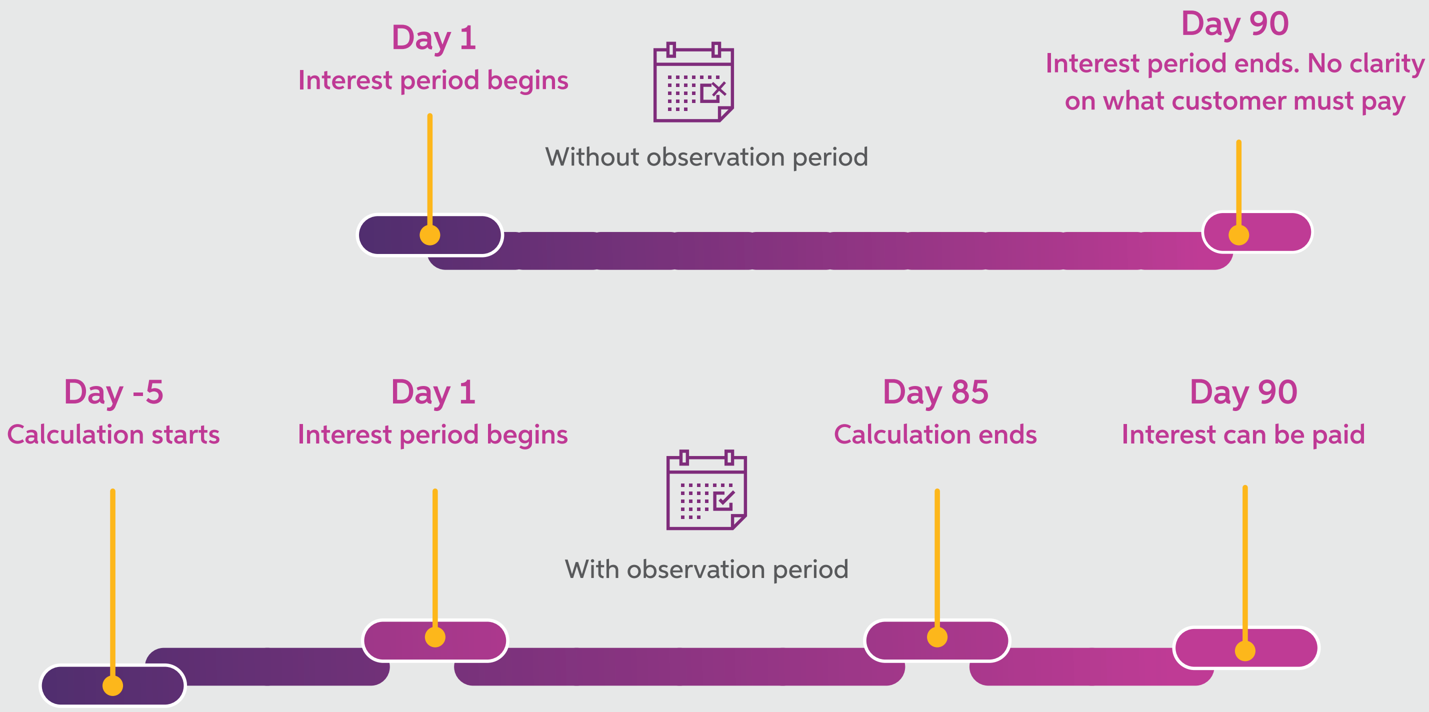
How do we calculate compounded RFRs?

As TONA, SONIA, SOFR and SARON are compounded daily in arrears over the interest period, **pre-notification of the interest rate at the start of the interest period is not possible.** It changes on a daily basis during the interest period of the loan. **This is a key difference between IBORs and RFRs.**

Previously, in advance of booking or drawing down a loan in LIBOR, we were able to provide customers with an indicative rate. Subsequently, following booking/drawdown, we advised customers of the actual interest rate. We will not be able to provide an indicative rate for RFR's in the same way we previously did for LIBORs, however, customers can view the RFR pricing and trends (albeit 5 days in arrears) as published on the relevant regulatory authority and / or benchmark provider website from the relevant regulatory authority's published index. We have set out how Allied Irish Bank (GB) calculates compounded RFRs. This may differ from the approach of other financial institutions. Where you have linked products, you should carefully consider the impact of any such difference.

In order to help customers to better understand and manage their loan, RFR's will be calculated on an **observation period basis.** This means that the interest rate will be calculated from day minus 5 (5 working days prior to the first day of the interest period) to day 85 for a 90 day interest period, rather than from day 1 to day 90 of the 90 day interest period. **This will not affect the date that interest will be charged to your account.** Whilst the example below is for a 90 day interest period, the same principles will be used for all other loan tenors.

See illustration below for a 90 day loan with and without observation period



Calculating Interest using the Compounded SONIA/SARON/SOFR/ TONA rate where a LIBOR rate previously applied to the facility

The formula for calculating interest is **P** x **T** x **R** where;

P = Principal (The nominal amount of the loan)

T = Time (The number of days in the interest period ÷ 365 days for SONIA and 360 days for SOFR and SARON)

R = Rate (the "all-in" rate applicable to the interest rate period using the Compounded SONIA/ SARON/ SOFR Rate (as applicable) plus a Credit Adjustment Spread, plus the margin)

How Compounded Risk Free Rates are calculated

$$\text{Compounded risk free rate (RFR) for a given currency} = \left(\frac{\text{Currency Index 2}}{\text{Currency Index 1}} - 1\right) \times \left(\frac{\text{Currency Base Days}}{\text{No of Days in the Observation Period}}\right)$$

Where:

Currency Index 1 = the index value effective on the start date of the Reference period

Currency Index 2 = the index value effective on the end date of the Reference period

Reference Period = the period to which the RFR rate is applied (also known as the interest period)

The Observation Period = the period over which the overnight RFR's were observed (5 Banking Days prior to the interest period)

Currency base days = the number of days in the year for interest calculation purposes for a given currency

You can find out more about SONIA on the Bank of England website, which also features an Interactive Statistical Database of historical data https://www.bankofengland.co.uk/markets/sonia-benchmark

You can find out more about SOFR on the Federal Reserve website https://www.newyorkfed.org/

You can find our more about SARON on the Swiss Stock Exchange website https://six-group.com

You can find out more about TONA on the Bank of Japan's website: www.boj.or.jp.

The above links will take you to non-AIB sites.

Please note that the Bank is not responsible for the accuracy or content of these websites. The Bank does not accept any liability for any loss or damage suffered as a result of its use.

Observation Shift Methodology:

The Bank applies a lookback period with observation shift methodology when using the above formulae for calculating the compounded rate. This means that the applicable RFR rate for each day during an interest period is weighted against the number of days in the Observation Period (as defined below).

In order for the Compounded RFR Rate to be determined five Banking Days before the end of the interest period, the applicable index value for the start date of the interest period will be the index value published five Banking Days prior to the start date and the index value for the end date of the interest period will be the index value published five Banking Days prior to the end date of the interest period.

In respect of any Saturday, Sunday and/or bank holiday which falls during the Observation Period, the index value applicable for that day shall be the index value fixed on the preceding Banking Day.

Definitions:

For the purposes of this Guide:

'Banking Day' means, as appropriate, a day:

- (other than a Saturday or a Sunday) on which banks are open for general business in London (for Sterling); or
- (other than a Saturday or a Sunday) on which banks are open for the settlement of payments and foreign exchange transactions in Zurich (for Swiss Franc); or
- (other than a Saturday or Sunday) or a day on which the Securities Industry and Financial Markets Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US Government securities (for US Dollar).

'Compounded SONIA/ SARON/ SOFR/ TONA Rate' means the percentage rate per annum determined by the Bank to be such rate in accordance with the methodology set out in this guide or as may be otherwise notified to the Borrower in writing from time to time provided that any replacement methodology selected by the Bank (acting reasonably) and notified to the Borrower shall be a methodology which is:

(i) formally designated, nominated or recommended by any relevant administrator or relevant nominating body; or

(ii) in the opinion of the Bank, generally accepted in the international or any relevant domestic loan markets as an appropriate methodology for the calculation of the relevant compounded rate.

'Non-representative' means that the rate is no longer representative of the underlying market and economic reality it is intended to measure.

'Observation Period' means, in relation to an interest period, the period from and including the date that is 5 Banking Days prior to the first day of the relevant interest period and ending on but excluding the date that is 5 Banking Days prior to the last day of that interest period.

Interest Rate Floor

Where a loan is transitioned from a LIBOR rate to a replacement risk free rate, the applicable interest rate floor will be equivalent to the interest rate floor which applies to your current LIBOR loan.

An interest rate floor is a rate below which the relevant component(s) of the interest rate calculation cannot fall.

For new loans, the interest rate floor will be specied in your loan contract.

Worked example of calculation of Compounded SONIA where a LIBOR rate previously applied to the facility

If you borrow £1m for a period of 92 days based on SONIA, you will not know at the start of the loan what the interest will be. However, at the end of the interest period, you would calculate the interest using the following formula:

£1m X 92 X (0.0955% + credit adjustment spread + margin)

Transaction value dates	SONIA Compounded Index
Mon 16/03/20	101.26652989
Tue 16/06/20	101.29089967
92 day period	

Compounded Rate (using the index)

$$= \left(\frac{\text{SONIA Index End Date}}{\text{SONIA Index Start Date}} - 1 \right) \times \frac{365}{92}$$

$$= \left(\frac{101.29089967}{101.26652989} - 1 \right) \times \frac{365}{92}$$

$$= \mathbf{0.0955\%}$$

Worked example of calculation of Compounded SOFR where a LIBOR rate previously applied to the facility

If you borrow $1m for a period of 92 days based on SOFR, you will not know at the start of the loan what the interest would be. However, at the end of the interest period, you would calculate the interest using the following formula:

$1m X 92 X (0.1259% + credit adjustment spread + margin)

Transaction value dates	SOFR Compounded Index
Mon 16/03/20	1.04110703
Tue 16/06/20	1.04144196
92 day period	

Compounded Rate (using the index)

$$= \left(\frac{\text{SOFR Index End Date}}{\text{SOFR Index Start Date}} - 1 \right) \times \frac{360}{92}$$

$$= \left(\frac{1.04144196}{1.04110703} - 1 \right) \times \frac{360}{92}$$

$$= \mathbf{0.1259\%}$$

Compounded SARON and compounded TONA are calculated on the same basis as compounded SOFR and compounded SONIA, subject to the relevant day count convention being applied in each case.

Credit Adjustment Spread for Risk Free Rates where a LIBOR rate previously applied to the facility

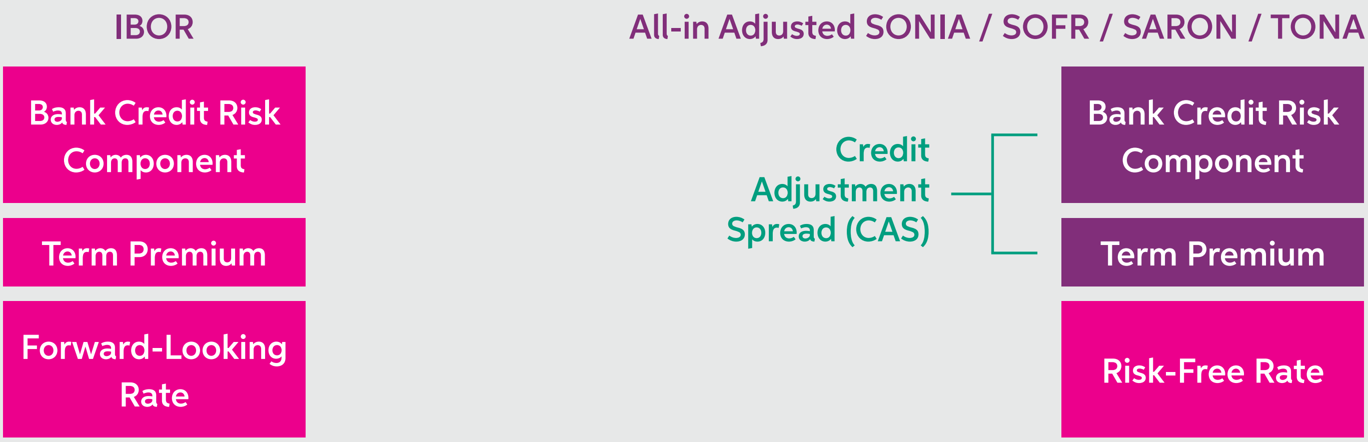
What is a Credit Adjustment Spread?

A Credit Adjustment Spread is intended to be a measure of bank credit risk and term liquidity premium. These elements were already built into LIBOR rates as they have been based on estimates of forward-looking transactions. As RFRs are based on daily transactions that have already happened, the risk of lending is lower and these elements are not reflected in the RFR. To ensure a fair conversion of existing LIBOR contracts to an RFR, a Credit Adjustment Spread is required to account for this difference between IBORs and RFRs. The Credit Adjustment Spread is included in the “all in rate” to ensure bank credit risk and the term liquidity premium is still taken into account.

For the avoidance of doubt, the Credit Adjustment Spread (as defined above) is intended to be a measure of bank credit risk and term liquidity premium. This applies to SONIA, SOFR, SARON and TONA.

Credit Adjustment Spread means, in respect of an interest period, the credit adjustment spread value which is the percentage rate per annum applicable to that interest period as determined by the Bank at the start of that interest period using the median of the differences between GBP/CHF/USD/JPY LIBOR (as applicable) for the relevant interest period tenor and SONIA/SARON/SOFR/TONA (as applicable) compounded over the corresponding period, fixed in line with the recommendations of the International Swaps and Derivatives Association (”ISDA”) and as published as a fixed value alongside the corresponding interest period tenor on the Bank’s website at the following address: aib.ie/fxcentre/cas (the "Website").

In the case of SOFR, the Credit Adjustment Spread values which are published on the bank’s website are currently reduced from five decimal places to four decimal places.



What is the CAS methodology that Allied Irish Bank (GB) intends to use?

Different methodologies are available in the market to calculate the applicable credit adjustment spread (CAS) and over time, new methods may be adopted in particular markets. At present, there are two emerging approaches, which we describe below.

1. The 5-year historical median approach (5YHM CAS): A 5YHM CAS is equal to the median of the historical difference over a five-year lookback period, between LIBOR for a given interest period and the relevant RFR compounded in arrears over the same interest period.

2. The 'market forward' approach (market forward CAS): Forward rates reflect the market's expectation of what interest rates will be over time. A CAS calculated on a market forward basis, constitutes the difference between the market's expectations for LIBOR and the replacement RFR, for a given interest period, for the maturity of the loan in question. The market forward CAS will depend on the interest period / tenor, the maturity date, the repayment profile of the loan and the market rates at the time it is calculated. Unlike the 5YHM CAS, the market forward CAS is based on live market rates and may fluctuate up and down, and may result in CAS values that are higher or lower than the corresponding 5YHM method.

The CAS is determined for each currency and tenor in the loan. A CAS value can be calculated at the date of the amendment of the loan, or when the switch to a RFR from LIBOR occurs (if later).

For legacy loans transitioning to RFRs, Allied Irish Bank (GB) proposes to use the 5YHM CAS. Regardless of the switch date from LIBOR to the relevant RFR rate, the 5YHM CAS used by Allied Irish Bank (GB) will reflect the relevant five-year period prior to 5 March, 2021, the date of the FCA's announcement on cessation or non-representativeness of various currencies and tenors of LIBOR, including sterling LIBOR. This is the same methodology used by the International Swaps and Derivatives Association (ISDA).

For most interest period tenors, the CAS values are published as a fixed spread per currency / interest period on Allied Irish Bank (GB)'s website at the following address: aibgb.co.uk/fxcentre/cas (the "Website"). In respect of any Interest Period tenor for which a corresponding credit adjustment spread value is not published on the Website, Allied Irish Bank (GB) will use the linear interpolation of the fixed credit adjustment spread values corresponding to the next shortest and the next longest Interest Period tenors which are published on the Website. In the case of SOFR, the credit adjustment values will be truncated (i.e. shortened) to four decimal places.

You should be aware that where the 5YHM CAS is used in legacy loan transactions, and the switch to the relevant RFR became effective in advance of the relevant LIBOR being deemed to be an unrepresentative rate, the historical median will not necessarily reflect economic differences between LIBOR and the relevant RFR from the amendment date until the date on which LIBOR was deemed to be an unrepresentative rate, and so would not necessarily align with market values at the time of any transition from LIBOR to the relevant RFR. The CAS methodology and timing of transition may have an economic impact. In addition, where a loan with a linked derivative product is being transitioned away from LIBOR, you should consider whether the CAS calculation methodology and switch dates were/are consistent and the impact of any mismatch.

How will these changes affect customer contracts?

We have engaged, and will continue to communicate, with customers where changes to documents are required.

If you are affected by these changes, your Relationship Manager will already have been/or will be in touch to discuss what this means for you.

Scenario	Outcome
Existing LIBOR contracts redeemed in full by 31 December 2021	No action needed
Existing LIBOR contracts (including 1 week and 2 month USD LIBOR) which expire after 31 December 2021	Contracts to be amended Expect to hear from your Relationship Manager
Existing USD LIBOR contracts (other than 1 week and 2 month) due to expire after 31 December 2021 but before 30 June 2023	Contracts to be amended prior to 30 June 2023 Expect to hear from your Relationship Manager

We may need to make further changes to contracts as the financial markets and the regulators establish market conventions in relation to RFRs.

Enhanced focus by regulators on the move away from LIBOR

2020

The Sterling RFR Working Group issued updated priorities and objectives (Jan 2020)

The default basis for all new GBP interest rate swaps from 2 March 2020 is based on SONIA (the new risk free rate)

By the end of Q3 2020, lenders were required to be able to offer non-LIBOR linked products to their customers

2021

On 5 March 2021, the FCA announced the dates on which particular tenors and currencies of LIBOR would cease or would no longer be representative of the underlying market and economic reality that they were intended to measure

On 26 March 2021, the FCA and PRA issued a "Dear CEO" letter to firms reminding them that all legacy sterling LIBOR contracts should, wherever possible, have been amended by end Q3 2021 to include at least a contractually robust fall-back that takes effect upon an appropriate event, or, preferably, an agreed conversion to a robust alternative reference rate

Bank of England set objective to establish a clear framework to manage transition of legacy LIBOR products, to significantly reduce the stock of GBP LIBOR referencing contracts by Q1 2021

- No new GBP LIBOR based cash products, such as loans, maturing after 31 December 2021, were to be entered into after 31 March 2021
- Regulators recommend that new USD, CHF and JPY loans should not reference LIBOR after 31 December 2021

31 Dec 2021 Transition period ended for GBP, CHF, JPY and some USD tenors

- ✓ Synthetic form of Sterling LIBOR and JPY LIBOR introduced on a temporary basis for contracts governed by the laws of England, Wales, Scotland and Northern Ireland
- ✓ Statutory replacement rate introduced for CHF LIBOR in the form of SARON compounded over the previous one month/ three month period

June 2023

USD LIBOR (other than 1 month and 2 month tenors) available on a representative basis until the end of June 2023

What did we do to get ready for the changes?

On this page we have set out what Allied Irish Bank (GB) did to get ready for IBOR transition. We will continue to monitor and respond to how the industry evolves and regulatory guidance is provided, to help customers with a smooth and effective transition.

1

Investigated & Prepared

Reviewed industry developments and contributed to industry debate to support measures which we considered to be appropriate. Prepared robust plans for the transition.

2

Kept You Updated

Shared updates and guidance on a regular basis.

3

Amended Contracts

Communicated with you if your contract needed to change. We will be in contact with customers in relation to any USD LIBOR contracts that need to be amended.

4

Backing Our Customers

Supported customers as they adjusted to the changes. We will continue to support our customers through the IBOR transition journey.

Frequently Asked Questions (FAQs)

What is a Benchmark Rate?

Benchmark Rates are used in financial transactions throughout our economy, for example, to calculate interest rates for loans.

What are IBORs?

Interbank Offered Rates represent an estimate of how much it would cost a bank to borrow money from other banks. IBORs are published in several currencies and for a variety of interest periods.

What is LIBOR?

The London Interbank Offered Rate. This is calculated from estimates submitted by a selection of banks in London.

What are Alternative Reference Rates (ARRs)?

They are benchmark rates which are being developed as an alternative to IBORs.

Why are IBORs being replaced?

IBORs are based on forward looking estimates of how much it costs for a bank to borrow money from other banks in the interbank lending market. The activity in this market has been declining gradually. ARRs, such as Risk Free Rates, are being introduced because they are based on transactions which have already taken place in markets which are very active, making them more accurate and robust.

What are Risk Free Rates?

Risk Free Rates are a type of ARR. They are overnight rates, based on transactions which have already taken place.

How are Risk Free Rates different to IBORs?

Risk Free Rates are based on information from transactions which have already taken place. They will be less reliant on the judgement of banks, and therefore called “Risk Free”.

When do the changes to IBORs come into effect?

ARRs for certain IBORs need to be in place by 31 December 2021 and we are working with customers to ensure these changes are made before this date. No set timeline yet for replacing EURIBOR with €STR.

What is SONIA?

The Sterling Overnight Index Average which is the new Risk Free Rate for Sterling transactions.

What is SOFR?

The Secured Overnight Financing Rate which is the new Risk Free Rate for US Dollar transactions

Frequently Asked Questions (FAQs)

What is SARON?

The Swiss Average Rate Overnight which is the new Risk Free Rate for Swiss Franc transactions.

What is €STR?

The Euro Short Term Rate which is a new Risk Free Rate for Euro transactions.

What is TONA?

The Tokyo Overnight Average is the new Risk Free Rate for Japanese Yen transactions.

What is EURIBOR and how is it changing?

The Euro Interbank Offered Rate. EURIBOR has been reformed to meet the requirements of the EU Benchmarks Regulation, to include in its calculation, information based on transactions that have already taken place.

Are all Banks impacted?

All banks which offer products based on IBOR rates are impacted.

What did we do to get ready for these changes?

We are complying with regulatory guidance and putting a strategy in place. We will provide customers with further information as things progress and share updates and guidance on a regular basis.

What if I am unsure about these changes?

Regulators have instigated the move from IBORs to Risk Free Rates because they believe it is best for customers. RFRs are calculated based on real transactions, are more transparent and have proved more stable over time. All banks engaged with customers in relation to moving to alternative replacement rates to the new Risk Free Rates over the course of 2021 and will continue to engage with customers in relation to IBOR transition as needed.

Should you wish to discuss the impact of IBOR transition on any of the products you hold with us, please contact us as outlined below.

If you are in any doubt as to the impact of these reforms, you are encouraged to seek independent advice (legal, financial, tax, accounting or otherwise), from your own professional advisors, based on your own particular circumstances.

What are the next steps?

We will either have been in contact with you already with regard to switching the LIBOR rate which applies to your existing contract to a replacement rate and/ or to confirm that the rate has been switched and/ or we will be in contact with you regarding switching the rate.

How is IBOR transition being guided by regulators?

The purpose of the transition to ARRs is to more accurately reflect current interbank market activities. As a consequence, several industry bodies and both private and public sector working groups have been established in various countries to choose suitable ARRs and to provide guidance to banks to help them with the transition.

Frequently Asked Questions (FAQs)

How is IBOR transition being guided by regulators?

The purpose of the transition to ARRs is to more accurately reflect current interbank market activities. As a consequence, several industry bodies and both private and public sector working groups have been established in various countries to choose suitable ARRs and to provide guidance to banks to help them with the transition.

Have these changes only affected GBP LIBOR products?

No. While GBP LIBOR, which seeks to measure lending in sterling on the London interbank market, is a widely recognised benchmark rate, IBORs are used to measure interbank lending in lots of other currencies, for example US Dollar.

What official guidance is being given to banks in relation to when Sterling LIBOR can no longer be used for new facilities?

The Sterling Risk Free Rates Working Group (RFRWG) set an objective for banks and other financial providers that no new GBP LIBOR based cash products, such as loans, maturing after 31 December 2021, were to be entered into after 31 March 2021.

How are contracts being changed to incorporate RFRs?

This will depend on the kind of product you hold with us and the terms of your contract and whether a replacement rate/ synthetic LIBOR rate automatically applies to your contract. You should review your documents carefully and seek independent advice (legal, financial, tax, accounting or otherwise), from your own professional advisors, based on your own particular circumstances. The amendment process may be different for each product type.

If you are affected we will either have already been in contact you or we will be in contact with you.

How do I know if these changes will affect me?

These changes affect customers with products where the applicable reference rate is solely comprised of LIBOR. If changes to documentation are required, your Relationship Manager will be in touch.

Will there be any changes to the terms of my current documentation?

Depending on the expiry date of your current facility we may have engaged with you in relation to changing your documentation to bring it into line with the new benchmark. If you are affected, your Relationship Manager may already have been in contact with you or they will be in touch.

What options are available for customers who are transitioning away from LIBOR?

The default option will be Risk Free Rates, but there may be alternative options depending on your circumstances. If you would like to discuss these, please contact your Relationship Manager.

Will the new calculation affect my interest payment date?

No, this will remain as previously agreed. But there may be alternative options depending on your circumstances. If you would like to discuss these, please contact your Relationship Manager.

Frequently Asked Questions (FAQs)

What if I don't want to amend my product?

If you do not amend your facility, your facility agreement may contain fallback wording that could apply to amend the rate once LIBOR has ceased or has become non-representative. You should give careful consideration, including with your independent advisers (legal, financial, accounting or otherwise), as to whether any such fallback rate would be appropriate for you in light of your own circumstances. In particular, you should be aware that, if LIBOR is replaced with a fallback rate, the rate you pay may be subject to change, depending on market conditions and, if applicable, the cost of each lender's own credit.

What is the current status of legislative proposals in relation to IBOR transition?

Legislation is being considered, or has already been enacted in various jurisdictions which might allow regulatory authorities to designate 'statutory successors' for certain IBORs and/or amend how certain IBORs are calculated, and/or create certain 'synthetic' IBOR rates.

Can I still move away from LIBOR to an alternative rate?

Yes. If you want to complete active transition by amending your product, please contact your relationship manager as soon as possible. We will make every effort to assist you in completing this process at the earliest opportunity, however at this stage we cannot give you assurances that we will be able to complete transition prior to the first interest rollover on your facility in 2022.

What about hedged products?

You may also need to consider if you have linked products where one product is in scope for synthetic LIBOR and the other isn't, for example where a loan uses synthetic LIBOR, whilst the derivative uses the ISDA IBOR Fallback rate. A risk of mismatches in loans and hedging products could impact the effectiveness of your hedging strategy.

Can other GBP tenors use synthetic LIBOR?

No, synthetic LIBOR is only being made available in 1, 3 or 6 month tenors. Other GBP or JPY tenors have ceased to be available, and fallback provisions to calculate a rate may apply under the terms of any relevant contract. See the "Transition Guide" for further information.

Can USD contracts use synthetic LIBOR?

No, the synthetic LIBOR rates being published by ICE relate to a limited selection of GBP and JPY LIBOR tenors only. A limited number of USD LIBOR tenors will continue on a representative "panel bank" basis until the end of June 2023, but other USD LIBOR tenors ceased on 31 December 2021. See the "Transition Guide" for further information.

Frequently Asked Questions (FAQs)

Questions?

If you have any questions about this communication, please contact your relationship manager. Please also refer to the FCA's guidance which is available at:

https://www.fca.org.uk/news/press-releases/further-arrangements-orderly-wind-down-libor-end-2021

Where can I go for more information?

IBOR.QUERY@aib.ie or your Relationship Manager.

In addition the following websites may be useful:

UK

https://www.bankofengland.co.uk/

Europe

https://www.ecb.europa.eu/home/html/index.en.html

US

https://www.newyorkfed.org/

Switzerland

https://snb.ch

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Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This guide is not a commitment or firm offer and does not oblige us to enter into such a commitment, nor are we acting as a fiduciary to you.

Any transaction which you may enter into with AIB Group (UK) p.l.c. will be on the basis that you have made your own independent evaluations, without reliance on AIB Group (UK) p.l.c., and based on your own knowledge and experience and any professional advice which you may have sought in relation to all aspects of the transaction including, without limitation, legal, accounting and/or tax advice.

Recipients of this guide should be aware of statements made by the Financial Conduct Authority and other international regulators, that LIBOR will cease to be published between now and the end of 2021. We encourage you to understand how the provisions of your product(s) with AIB Group (UK) p.l.c. and any linked products will operate should LIBOR or other applicable benchmarks be discontinued, have their use restricted, if any published benchmark rate ceases to be in customary market usage, or if there are changes to the way in which the benchmark is calculated, and bear in mind that amendments to your contract and any contract for linked products may be required in the future.

AIB Group (UK) plc cannot give any assurances that LIBOR or any other benchmarks will continue to be published or give any assurances as to the likely impact (including on the value, price or performance of your product), costs or expenses associated with any resulting transition. If you are in any doubt as to the impact of these reforms, you are encouraged to seek independent advice (legal, financial, tax, accounting or otherwise), from your own professional advisors, based on your own particular circumstances.

In no event will AIB Group (UK) p.l.c. be liable to you or any third party for any loss or damage including without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising whether in contract, tort (including negligence), breach of statutory duty, or otherwise, arising out of, or in connection with, your use of (or failure to use) any information provided in this document.

We encourage you to keep up to date with the latest regulatory and industry developments in relation to IBOR transition and to consider its impact on your business. You should consider, and continue to keep under review, the potential impact of IBOR transition on any existing product you have with AIB Group (UK) p.l.c., any new product you enter into with AIB Group (UK) p.l.c., and any other products you hold.

AIBGB/IBOR Transition Guide 03/22