

Consumer Guide on the Revised Reference Rate

What is a reference rate?

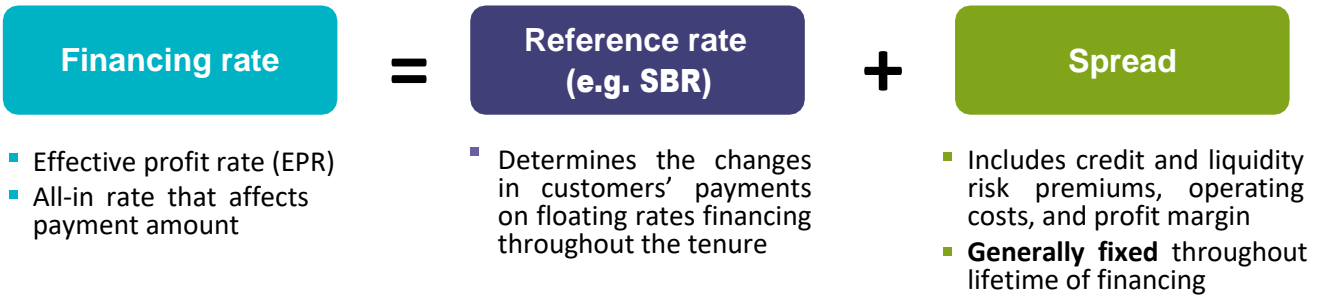
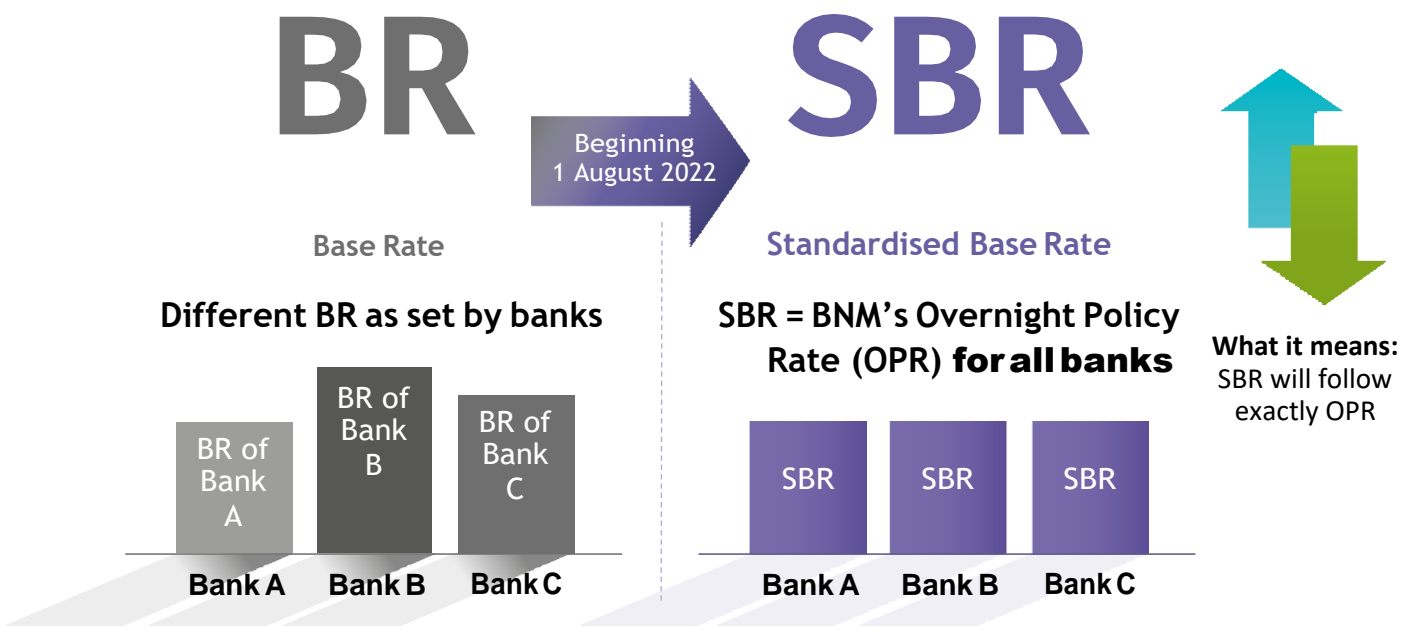


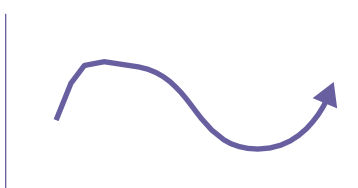
Illustration of financing rate is quoted:



What is new?



Which financing would the SBR apply to?

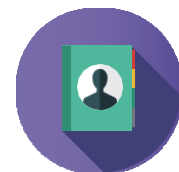


New floating-rate financing for individuals

Examples:



House financing



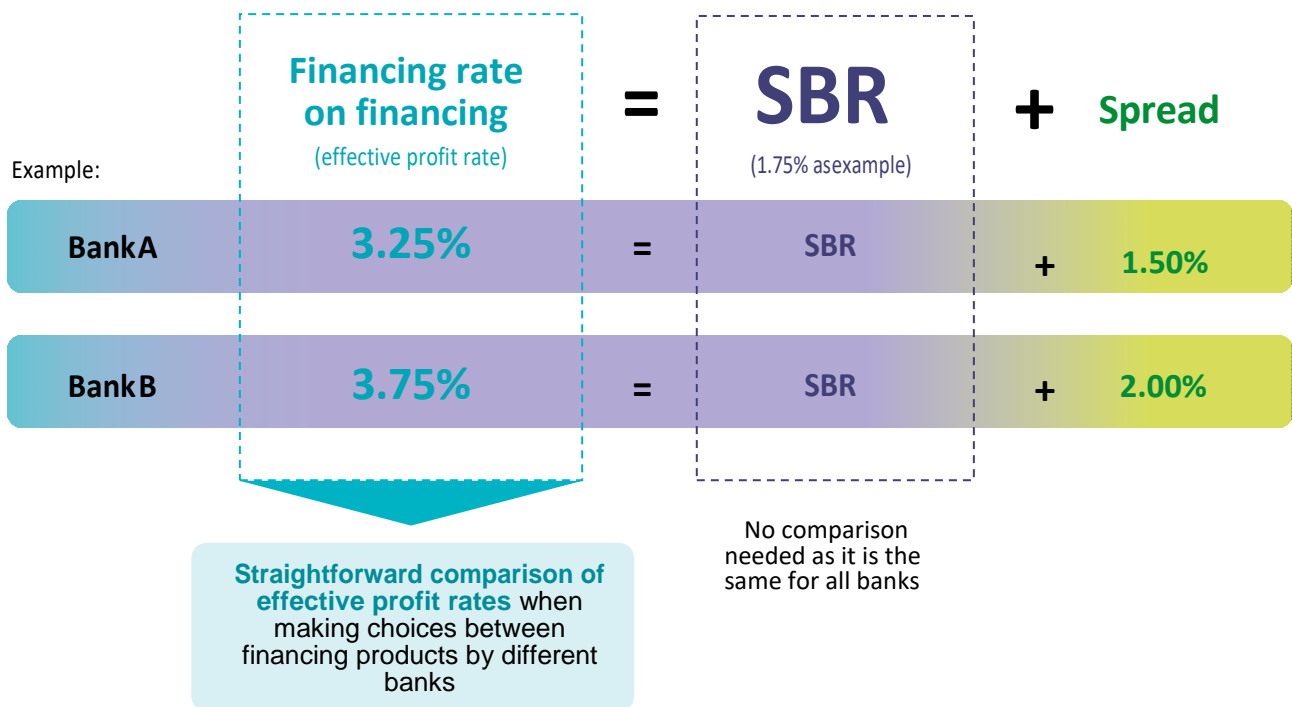
Personal financing

How does the move to SBR benefit you?



- **Easier to understand** that payment instalment will only change when there is a change in the OPR, unless there is an increase in your credit risk, for example, if you fail to make payments.
- No longer need to compare differences in computation of BRs across banks.

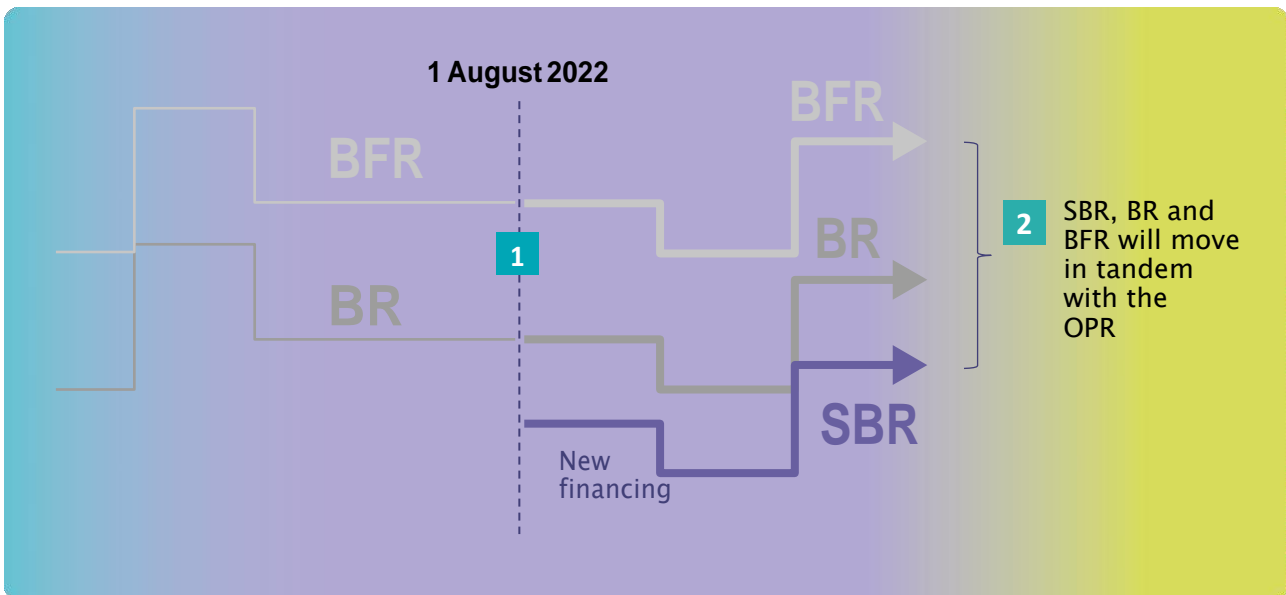
How should you compare financing rates across banks?



What would happen to your BR- and Base Financing Rate (BFR)-based financing from 1 August 2022?

- 1 BR- and BFR- based financing taken prior to 1 August 2022 will continue to be priced against the BR and BFR until the financing is fully paid.
- 2 BR and BFR, just like the SBR, will all move exactly in tandem with the OPR from 1 August 2022.

For illustration purposes:



What should you do as a customer?

- 1 **Compare** the effective profit rates (EPR) or the spread above the SBR quoted by different banks before taking a new financing.
- 2 **Read** the Product Disclosure Sheet (PDS). It provides key information on financial products offered by the Bank, including on the EPR and total payment amount for the financing you are considering.
- 3 **Understand** that your monthly payment amount will increase or decrease when there is a change in the OPR going forward.
- 4 **Assess** whether you can continue to afford the financing payments if the effective profit rate increases in the future.

Additional Frequently Asked Questions (FAQs) on the Revised Reference Rate

1. What is the Standardised Base Rate (SBR)?

The SBR is the reference rate that all banks will use starting from 1 August 2022 in the pricing of new retail floating-rate financing, refinancing of existing retail financing, and the renewal of revolving retail financing from 1 August 2022. Retail financing refer to financing to individuals (not SMEs or businesses), while 'floating-rate financing' refer to financing where the profit rate can change during the lifetime of the financing. The SBR is linked solely to the Overnight Policy Rate (OPR), as determined by the Monetary Policy Committee (MPC) of Bank Negara Malaysia.

2. Why is the SBR being introduced?

The SBR will be the same across all banks, unlike the Base Rate (BR) which is different for each bank. With the Base Rate, future changes to the BR can be driven by factors that vary across banks. The SBR makes it simple and easy for you to understand and compare financing across banks. This will help you in making a more informed decision as you consider and decide on which bank to take a new floating-rate financing from.

3. How does an OPR change affect the SBR?

When the OPR is revised, banks will adjust the SBR by the same amount as the change in the OPR. This applies to both upward and downward adjustments in the OPR.

4. If the SBR can change, and that affects the profit rate on a financing, what about the spread above the SBR? Is the Bank allowed to change the spread during the financing tenure?

The Bank is not allowed to increase the spread above the SBR during your financing tenure, unless there is a change in your credit risk profile (for example if you fail to pay your financing payments).

5. Why is the spread above the SBR larger than the spread above the BR? Am I being charged more given the larger spread above SBR?

- You are not being charged more just because the spread is larger. This can be seen from the "effective profit rate (EPR)", which is the profit rate charged on the financing. If the EPR is the same, you are not charged more.
- After you have entered into a financing contract, the spread will not increase during the tenure of the financing, except when a customer's credit risk profile changes.

6. If I have a BR- or BFR-based financing, would it be affected by a change in the SBR?

Yes. Both BR and BFR will move exactly in tandem with the SBR. This means that for any change to the SBR, following a change in the OPR, the Bank will adjust the BFR and BR by the same amount of change in the SBR.

7. Would my financing instalment be affected when there is a change in the SBR, BR and BFR?

Yes. When the SBR, BR and BFR are reduced, the Bank will reduce your financing instalment amount. Similarly, if they are increased, the Bank will increase your financing instalment amount.

8. When my financing instalment amount is revised, will the Bank inform me?

Yes. The Bank will inform customers on any revisions to their financing instalment amount at least 7 calendar days before the new instalment amount is due for payment.

9. What happens if a customer cannot meet the higher financing instalment amount when the SBR, BR or BFR are increased?

A customer who is facing financial difficulty in paying the new, higher instalment amount can request to maintain the original instalment amount. The financing account may be classified as 'rescheduled and restructured' due to significant increase in the credit risk or significant deterioration in the financial condition of the customer. The bank will inform the customer on such classification and its implications, including:

- increase in the total cost of financing;
- extension/addition to the financing tenure;
- when to pay the additional profit amount, if any.

10. Where can I view the SBR, BR and BFR?

- The Bank will publish the SBR, BR and BFR at all branches and websites. For new customers, the Bank will disclose the SBR and the profit rate on a financing (or 'effective profit rate') in the product disclosure sheet of the financing.
- The historical series of the SBR, BR and BFR will also be available on the Bank's websites.

11. Where can I get further information?

Customers who have any queries can contact the Bank's Customer Services Department at customerservice@publicbank.com.my or 1-800-22-5555.
