

Consumer Guide on the Revised Reference Rate

What is a reference rate?

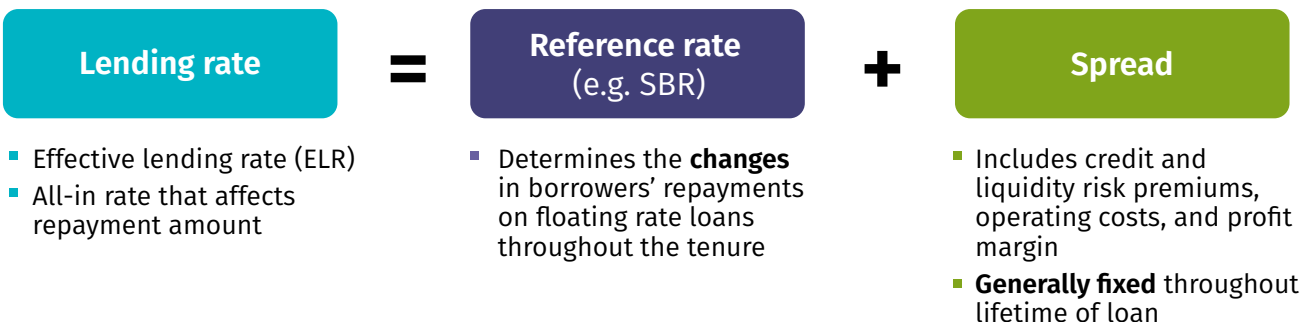
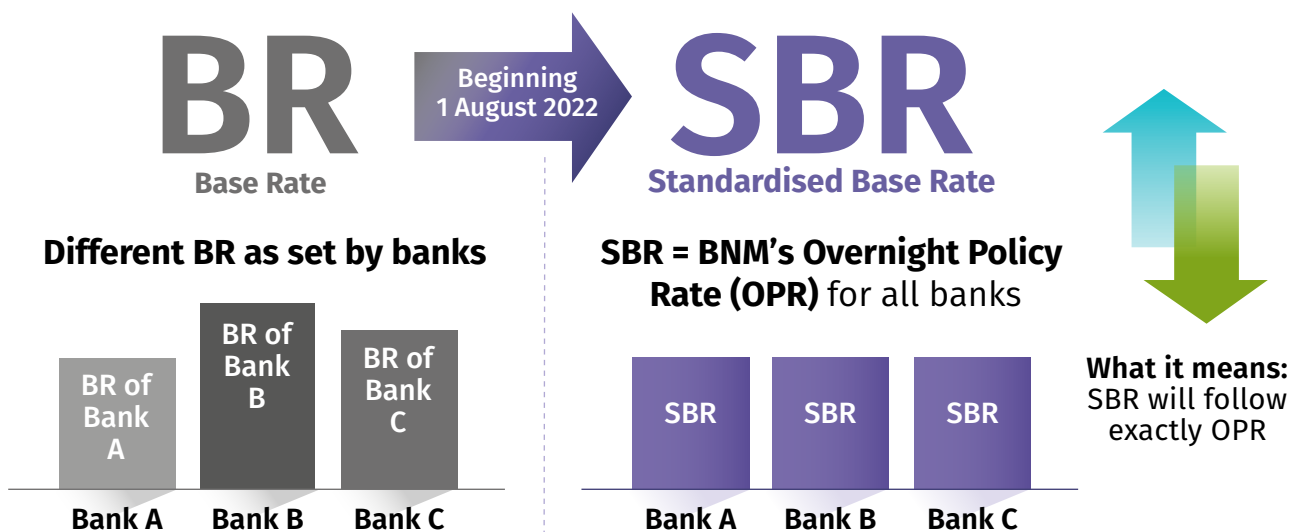


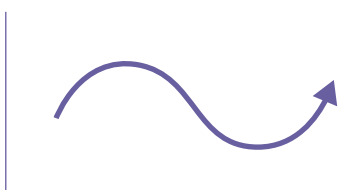
Illustration of how lending rates is quoted:



What is new?



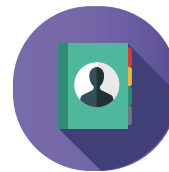
Which loans would the SBR apply to?



Examples:



Housing loans



Personal loans

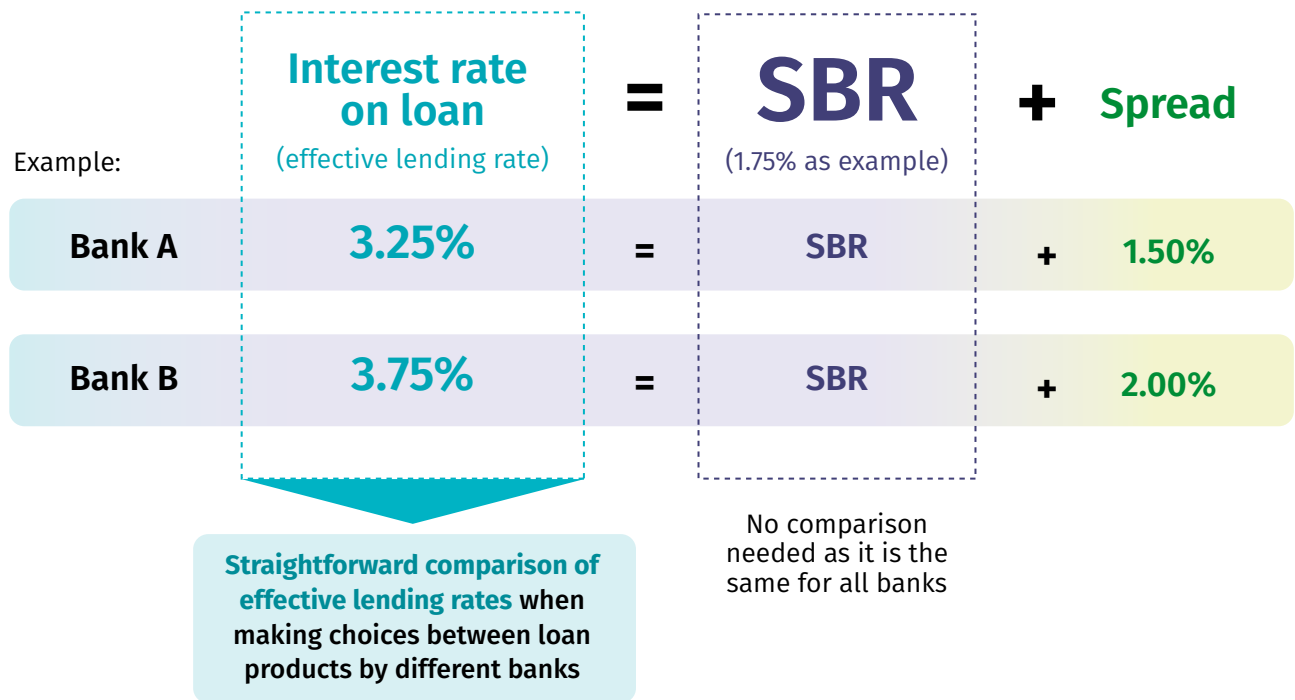
New floating-rate loans for individuals

How does the move to SBR benefit you?



- **Easier to understand** that repayment 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 repayments.
- No longer need to compare differences in computation of BRs across banks.

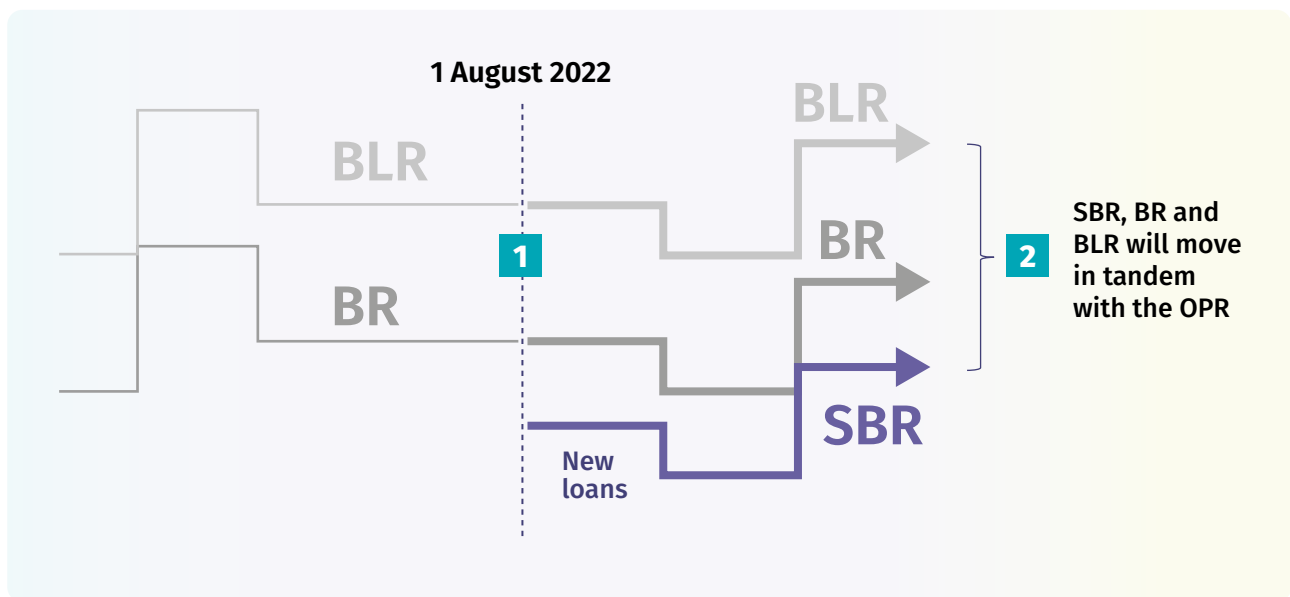
How should you compare lending rates across banks?



What would happen to your BR- and Base Lending Rate (BLR)-based loans from 1 August 2022?

- 1** BR- and BLR- based loans taken prior to 1 August 2022 will continue to be priced against the BR and BLR until the loan is fully repaid.
- 2** BR and BLR, 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 borrower?

- 1** **Compare** the effective lending rates (ELR) or the spread above the SBR quoted by different banks before taking a new loan.
- 2** **Read** the Product Disclosure Sheet (PDS). It provides key information on financial products offered by the bank, including on the ELR and total repayment amount for the loan you are considering.
- 3** **Understand** that your monthly repayment amount will increase or decrease when there is a change in the OPR going forward.
- 4** **Assess** whether you can continue to afford the loan repayments if the effective lending 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 loans, refinancing of existing retail loans, and the renewal of revolving retail loans from 1 August 2022. Retail loans refer to loans to individuals (not SMEs or businesses), while 'floating-rate loans' refer to loans where the interest rate can change during the lifetime of the loan. 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 loans 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 loan 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 interest rate on a loan, what about the spread above the SBR? Is the Bank allowed to change the spread during the loan tenure?

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

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 lending rate (ELR)", which is the interest rate charged on the loan. If the ELR is the same, you are not charged more.
- After you have entered into a loan contract, the spread will not increase during the tenure of the loan, except when a borrower's credit risk profile changes.

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

Yes. Both BR and BLR 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 BLR and BR by the same amount of change in the SBR.

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

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

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

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

9. What happens if a borrower cannot meet the higher loan instalment amount when the SBR, BR or BLR are increased?

A borrower who is facing financial difficulty in repaying the new, higher instalment amount can request to maintain the original instalment amount. The loan 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 borrower. The Bank will inform the borrower on such classification and its implications, including:

- increase in the total cost of borrowing;
- extension / addition to the loan tenure;
- when to repay the additional interest amount, if any.

10. Why is the Bank allowed to continue offering floating-rate car loans that are priced against the BLR, instead of SBR?

- The Bank uses the BLR for floating-rate car loans due to the requirements under the Hire Purchase Act 1967. If the Hire Purchase Act 1967 is revised in the future, the Bank will have to use the SBR as the reference rate for floating-rate car loans.
- Nevertheless, as the BLR will move exactly in tandem with the SBR, there will be no difference in the impact to customer's repayments whether the car loan is quoted in BLR or SBR.

11. Where can I view the SBR, BR and BLR?

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

12. 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.