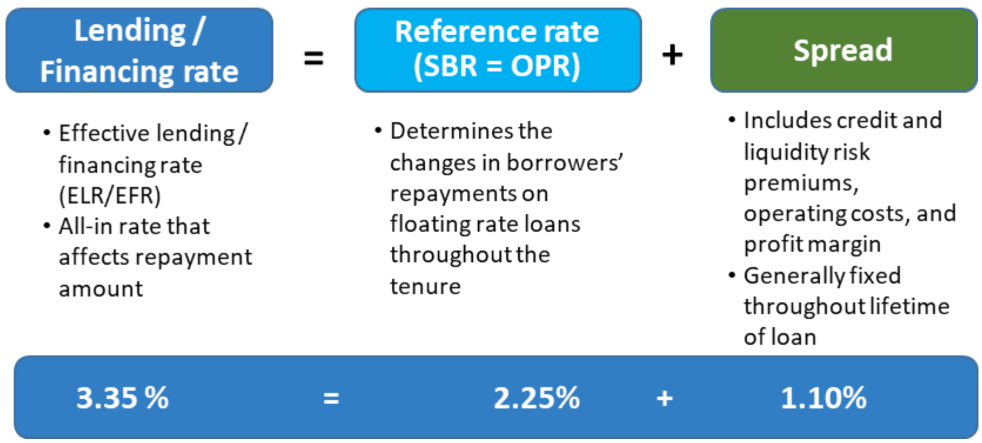
FREQUENTLY ASKED QUESTIONS (FAQs) ON REVISED REFERENCE RATE

<table>
<tr><th>Question 1 :</th><th>What is a Reference Rate?</th></tr>
<tr><td>Answer :</td><td>

Reference rates are interest/profit rate benchmarks that are used to determine the lending/financing rates over the tenure of floating-rate loans/financing facilities.

Lending/financing rate is determined by the Reference Rate and Spread (Lending/financing rate = Reference Rate + Spread).

Illustration:



*Notes:

Overnight Policy Rate (OPR) is 2.25% effective 8 July 2022 (Source of reference: BNM's Monetary Policy Statement)

SBR refers to "Standardised Base Rate".

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<tr><th>Question 2 :</th><th>What is the Standardised Base Rate (SBR)?</th></tr>
<tr><td>Answer :</td><td>The SBR is the reference rate that all banks will use starting from 1 August 2022 in the pricing of new retail floating-rate lending/financing, refinancing of existing retail lending/financing, and the renewal of revolving retail lending/financing from 1 August 2022. Retail lending/financing refers to lending/financing to individuals (not SMEs or businesses - except for Microplus customers), while 'floating-rate lending/financing' refers to lending/financing where the interest/profit rate can change during the lifetime of the lending/financing. The SBR is linked solely to the Overnight Policy Rate (OPR), as determined by the Monetary Policy Committee (MPC) of Bank Negara Malaysia.</td></tr>
<tr><th>Question 3 :</th><th>Why is the SBR being introduced?</th></tr>
<tr><td>Answer :</td><td>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 lending/financing across banks. This will help you make a more informed decision as you consider and decide on which bank to take new floating-rate lending/financing from.</td></tr>
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Question 4 : **How would lending/financing rates be affected by the revision to the Reference Rate Framework (RRF)?**

Answer :

For existing customers, the move to SBR does not affect lending/financing rates of existing retail floating-rate lending/financing.

For new customers, lending/financing rates for retail customers should be largely unaffected by the move to SBR.

However, as is the case now, customers' lending/financing rates and lending/financing payments may still be affected by other factors, such as customers' credit risk profile (e.g. payment track record).

Question 5 : **How should you compare lending/financing rates across banks?**

Answer :

	Interest / profit rate on loan / financing (Effective lending/financing rate)	=	SBR (current OPR = 2.25%)	+	Spread
Bank A	3.25%	=	SBR	+	1.00%
Bank B	3.75%	=	SBR	+	1.50%
	Straightforward comparison of ELR/EFR when making choices between loan products by different banks		No comparison needed as SBR is standardized across all banks		

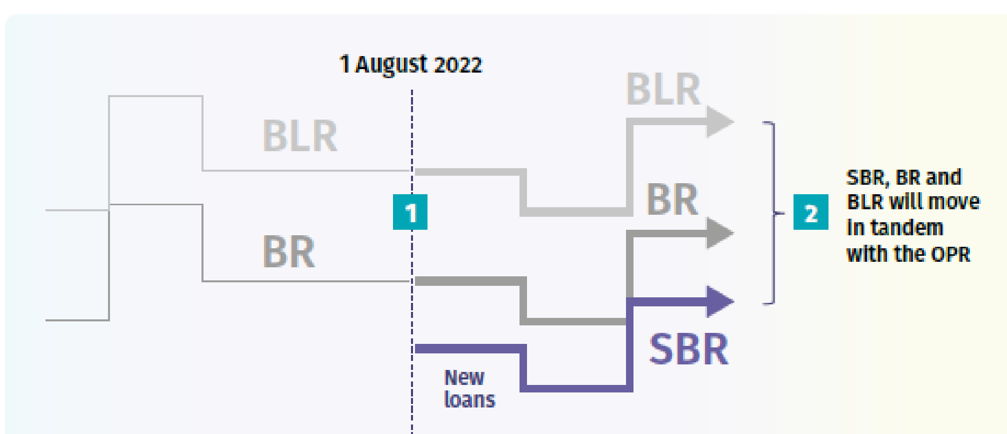
*Note: OPR is 2.25% effective 8 July 2022 (Source of reference: BNM's Monetary Policy Statement)

Question 6 : **What would happen to your BR and Base Lending/Financing Rate (BLR/BFR) based lending/financing facility from 1 August 2022?**

Answer :

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

For illustration purposes:



Question 7 :	**What should you do as a customer?**
Answer :	• Compare the Effective Lending/Financing Rates (ELR/EFR) or the Spread above the SBR quoted by different banks before taking new loans/financing. • Read the Product Disclosure Sheet (PDS). It provides key information on financial products offered by banks, including the ELR/EFR and total payment amount for the loans/financing you are considering. • Understand that your monthly payment amount will increase or decrease when there is a change in the OPR going forward. • Assess whether you can continue to afford the loans/financing repayments if the ELR/EFR increases in the future.
Question 8 :	**How does an OPR change affect the SBR?**
Answer :	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.
Question 9 :	**If the SBR can change, and that affects the profit rate on loans/financing, what about the spread above the SBR? Are banks allowed to change the spread during the loans/financing tenure?**
Answer :	Banks are not allowed to increase the Spread above the SBR during your loans/financing tenure unless there is a change in your credit risk profile (for example if you fail to pay your loans/financing repayments).
Question 10 :	**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?**
Answer :	• You are not being charged more just because the Spread is larger. This can be seen from the "Effective Lending/Financing Rate (ELR/EFR)", which is the interest/profit rate charged on the loans/financing. If the ELR/EFR is the same, you are not charged more. • However, as the SBR is linked solely to the OPR for all banks, individual banks will take into account their specific business or funding costs in the Spread instead, which are different across banks. • After you have entered into a loans/financing contract, banks are not allowed to increase the Spread during the tenure of the loans/financing, except when a customer's credit risk profile changes. In comparison, currently, a bank may change its Base Rate because of changes in its funding costs, and this is less transparent to customers.
Question 11 :	**If I have a BR or BLR/BFR- based loans/financing facility, would it be affected by a change in the SBR?**
Answer :	Yes. Both BR and BLR/BFR will move exactly in tandem with the SBR. This means that for any change to the SBR, following a change in the OPR, banks will adjust the BLR/BFR and BR by the same amount of change in the SBR.

Question 12 :	**How long does it take for banks to adjust the SBR, BR and BLR/BFR after a change in the OPR?**
Answer :	Bank Negara Malaysia requires banks to adjust the SBR, BR and BLR/BFR by the same amount as the OPR within 7 working days from the date of the OPR change.
Question 13 :	**Would my loans/financing instalment be affected when there is a change in the SBR, BR and BLR/BFR?**
Answer :	Yes. When the SBR, BR and BLR/BFR are reduced, banks will reduce your loans/financing instalment amount. Similarly, if they are increased, banks will increase your loans/financing instalment amount.
Question 14 :	**When my loans/financing instalment amount is revised, will the bank inform me?**
Answer :	Bank Negara Malaysia requires banks to inform customers on any revisions to their loans/financing instalment amount at least 7 calendar days before the new instalment amount is due for payment. Banks may communicate to customers via mail or electronic means (e.g. SMS, emails).
Question 15 :	**What happens if a customer cannot meet the higher loans/financing instalment amount when the SBR, BR or BLR/BFR are increased?**
Answer :	A customer who is facing financial difficulty in repaying the new, higher instalment amount can request to maintain the original instalment amount. The loans/financing account may be classified as ‘rescheduled and restructured’. The bank will inform the customer on such classification and its implications, including: • increase in the total cost of borrowing; • extension/addition to the loans/financing tenure; • when to repay the additional profit amount, if any. Customers may request to maintain their original instalment amount (via written letter to the Bank) provided that they provide adequate records of evidence on specific operational constraints that they face in paying the higher instalment amount subject to the Bank’s consideration.
Question 16 :	**Is there any difference whether I take a new loans/financing facility before or after 1 August 2022?**
Answer :	• Loans/financing facility taken before 1 August 2022 will still be priced against the BR (i.e. BR + Spread), while loans/financing taken from 1 August 2022 will be priced against the SBR (i.e. SBR + Spread). • Whether a loan/financing is priced against the BR or the SBR, the profit rate on a loan/financing facility (or ‘effective lending/financing rate’) will continue to be competitively determined and influenced by multiple factors, including a customer’s risk profile and banks’ business strategy. Whichever the case, both BR and SBR will move exactly in tandem with the OPR from 1 August 2022 (see question 11).

Question 17 :	**Why are banks allowed to continue offering floating-rate car loans/financing that are priced against the BLR/BFR, instead of SBR?**
Answer :	• Banks may use the BLR/BFR for floating-rate car loans/financing due to the requirements under the Hire Purchase Act 1967. If the Hire Purchase Act 1967 is revised in the future, banks will have to use the SBR as the reference rate for floating-rate car loans/financing. • Nevertheless, as the BLR/BFR will move exactly in tandem with the SBR, there will be no difference in the impact to customer's repayments whether the car loans/financing is quoted in BLR/BFR or SBR.
Question 18 :	**Where can I view the SBR, BR and BLR?**
Answer :	• Banks will publish their SBR, BR and BLR/BFR at all their branches and websites. For new customers, banks will disclose the SBR and the profit rate on a loans/financing (or 'Effective Lending/Financing Rate') in the product disclosure sheet of the loans/financing facility. • The historical series of the SBR, BR and BLR/BFR will also be available on banks' websites.
Question 19 :	**Where can customers make inquiries relating to the Reference Rate Framework or lodge a complaint regarding banks' practices?**
Answer :	Customers who have queries or complaints can contact: • BSN Contact Center at 1-300-88-1900/ +603-2613 1900 (Overseas) or e-mail customercare@bsn.com.my • BNMLINK at https://telelink.bnm.gov.my/ or 1-300-88-5465.