



BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND
HERZEGOVINA
BANKING AGENCY OF THE FEDERATION OF BOSNIA AND
HERZEGOVINA

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PRESS

SUBJECT: Public announcement for natural persons regarding the variable interest rate

Having in mind that the current offer with most banks include loan products with lower interest rates than those placed over the past period and having longer tenors and higher amounts for non-purpose loans , we have found it necessary to brought to your attention the interest rate types in retail lending in potential risks they include, all for purpose of your better information level and protection of financial service users.

With variable interest rates, there is a risk of their increase over the loan repayment period, meaning that the interest rate with such loans changes and varies with a change of reference values (EURIBOR, inflation rate and other values), so the loan user cannot know in advance the final amount he will pay to the bank for the borrowed funds over the loan term.

Banks' offers with initially agreed low interest rate consisting of a fixed portion (margin) of the bank and a variable portion that is most frequently EURIBOR – European reference interest rate (being app. at zero (0) for quite some time due to the ECB intervention measures), does not mean that reference value would not increase over some foreseeable period, thus causing a climb of interest rates on loans and thus also of your annuity.

If you decide to “refinance” your loan with a new loan with longer tenor and lower, but variable interest rate, you should know that the interest rate level may change over the loan repayment period. Therefore, your monthly annuity may be higher than the initially agreed one, which may impact your financial situation.

Also, by arranging longer tenor to reduce your annuity, you also increase interest level payable to the bank and also expose yourself to higher possibility of the interest rate change (increase). On the other hand, arranging a fixed interest rate entails non-variable rate for the entire loan term, thus being independent of market trends and reference values, leaving the interest unchanged.

Ombudsmen for the FB&H Banking System