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TO THE MEDIA

SUBJECT: Press Release

Information for Citizens Regarding the Variable Interest Rate

Bearing in mind that most banks currently offer loan products with interest rates that are lower than those in the previous period, together with longer repayment periods and higher amounts of non-purpose loans, in order to better inform and protect users of financial services, we consider it useful to additionally draw attention to the types of interest rates in lending to citizens and the potential risks that they carry with them.

When it comes to interest rates with a variability clause, there is a risk of the interest rate increasing during the loan repayment period, i.e. when it comes to such loans, the interest rate changes and varies in accordance with changes in reference values (EURIBOR, the inflation rate and other values), so the loan user cannot know in advance the final amount of the payment to the bank for borrowed funds for the duration of the loan.

The banks' offers with an initially low contracted interest rate, which consists of the fixed part (margin) of the bank and the variable part that is most often EURIBOR – the European reference interest rate, which has been around zero (0) for a long time due to the ECB's interventionist measures, does not mean that there will be no increase in the reference value in some period, which will cause an increase in the interest rate on the loan and your annuity.

If you decide to „refinance“ a loan with a new loan, for a longer repayment period and with a lower, but variable interest rate, it is worth knowing that the interest rate amount can change during loan repayment, and the monthly annuity will accordingly also be higher than the initially contracted one, which may affect your financial situation. Also, by contracting a longer repayment period in order to decrease your annuity, the amount of interest paid to the bank increases, coupled with the interest rate being more likely to change (increase).

On the other hand, contracting a fixed interest rate implies the invariability of the interest rate for the entire duration of the repayment period, with the interest remaining the same regardless of market developments and reference values.

Ombudsman for the banking system of the FB&H