

Example of Early Settlement Calculation of General Unsecured Loan

A 12-month loan of HK\$100,000 at a monthly flat rate of 0.35%

Average Monthly Interest = HK\$100,000 x 0.35% = HK\$350

Interest for the full term = HK\$350 x 12(instalments) = HK\$4,200

Monthly repayment amount = (HK\$100,000 + HK\$4,200) / 12(monthly payments) = HK\$8,684

Annualized Percentage Rate (APR)[#] = 9.99% (including 1% up-front handling fee)

There are 3 early settlement calculation methods* in total and the details are as follows:

* Assuming the early settlement will be made on the 6th monthly instalment due day

Method 1: the outstanding principal of the Loan and accrued interest up to the repayment date, both recalculated or calculated at the interest rate of monthly effective rate plus 0.875% of the Loan on a monthly basis

Method 2: a sum equivalent to 99% of the total outstanding monthly instalments of the Loan.

Method 3: the outstanding principal of the Loan and accrued interest at the monthly effective rate on a monthly basis plus an early repayment handling fee of HK\$1,500

The monthly effective rate can be solved by the following equation

Equation	$PV = \sum_{t=1}^n \frac{PMT}{(1+r)^t}$	PV = Loan Amount PMT = Monthly Instalment Amount t = No. of Instalment n = Loan Tenor r = Monthly Effective Rate
Example	$\$100,000 = \sum_{t=1}^{12} \frac{\$8,684}{(1+r)^t}$	By solving the equation, r = 0.6399022%

The early settlement amount based on the Method 1

Monthly Effective Rate = 0.6399022%

Monthly Effective Rate + 0.875% = 1.5149022%

Based on the recalculated monthly effective rate of 1.5149022%, the early settlement amounts are as follows:

Nth of Instalment	Monthly Instalment	Interest (based on Method 1)		Principal Repaid (based on Method 1)		Outstanding Principal (based on Method 1)		Early Settlement Amount with monthly instalment amount* (based on Method 1)	
0						HK\$	100,000.00		
1	HK\$ 8,684.00	$\$100,000 \times 1.5149022\% =$	HK\$ 1,514.90	$\$8,684 - \$1,514.90 =$	HK\$ 7,169.10	$\$100,000 - \$7,169.10 =$	HK\$ 92,830.90		
2	HK\$ 8,684.00	$\$92,830.90 \times 1.5149022\% =$	HK\$ 1,406.30	$\$8,684 - \$1,406.30 =$	HK\$ 7,277.70	$\$92,830.90 - \$7,277.70 =$	HK\$ 85,553.20		
6	HK\$ 8,684.00	$\$63,051.89 \times 1.5149022\% =$	HK\$ 955.17	$\$8,684 - \$955.17 =$	HK\$ 7,728.83	$\$63,051.89 - \$7,728.83 =$	HK\$ 55,323.06	$\$55,323.06 + \$8,684 =$	HK\$ 64,007.06

* As the early settlement is made on the 6th monthly instalment due day, the corresponding monthly instalment amount will be included in the early settlement amount.

Compare the early settlement amount based on the above three early settlement calculation method

Early settlement amount will be based on the comparison of the following:

- (i) First, compare the early settlement amount based on **Method 1** or **Method 2**, whichever is lower;
- (ii) Second, the early settlement amount in (i) will be compared against the early settlement amount based on **Method 3**, whichever is higher.

Nth of Instalment	Final Early Settlement Amount with monthly instalment amount*	Early Settlement Penalty (Early Settlement Amount - Monthly Instalment Amount - Outstanding Principal)	Total remaining interest if no early settlement takes place before the loan maturity (Sum up the interest amount in the remaining loan tenor)
1	HK\$ 102,139.90	HK\$ 1,500.00	HK\$ 3,568.10
2	HK\$ 94,237.20	HK\$ 1,692.87	HK\$ 2,979.67
3	HK\$ 86,058.44	HK\$ 1,661.49	HK\$ 2,443.05
4	HK\$ 77,697.44	HK\$ 1,500.00	HK\$ 1,958.56
5	HK\$ 69,445.46	HK\$ 1,500.00	HK\$ 1,526.54
6	HK\$ 61,140.68	HK\$ 1,500.00	HK\$ 1,147.32
7	HK\$ 52,782.75	HK\$ 1,500.00	HK\$ 821.25
8	HK\$ 44,371.34	HK\$ 1,500.00	HK\$ 548.66
9	HK\$ 35,906.11	HK\$ 1,500.00	HK\$ 329.89
10	HK\$ 27,386.70	HK\$ 1,500.00	HK\$ 165.30
11	HK\$ 18,812.78	HK\$ 1,500.00	HK\$ 55.22
12	HK\$ 10,184.00	HK\$ 1,500.00	HK\$ -

The interest expenses will be saved by making the early settlement during the period from 1st monthly instalment to 5th monthly instalment.

The annualized Percentage Rate ("APR") is calculated according to the standard of Hong Kong Association of Banks and rounded to 2 decimal places. An APR is a reference rate which includes the basic interest rates and other applicable fees and charges of the product expressed as an annualized rate.

* As the early settlement is made on each monthly instalment due day, the corresponding monthly instalment amount will be included in the early settlement amount.

The above example is for reference only.