

Example of Early Settlement Calculation of Professional Loan

A 12-month loan of HK\$100,000 at interest rate of P + 2.5% = 7.75% per annum where P is the Prime Lending Rate.
(The Prime Lending Rate of our Company is currently 5.25% per annum)

Annualized Percentage Rate (APR)[#] = 8.03%

The monthly instalment amount 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	$\$100,000 = \sum_{t=1}^{12} \frac{PMT}{(1 + \frac{7.75\%}{12})^t}$	By solving the equation, PMT = \$8,687.29

Early settlement calculation*: Early repayment of the Loan is permissible subject to repayment of the outstanding principal of the Loan, expenses and money payable under the Loan as well as the interest that would otherwise have been payable on the next monthly repayment date plus an early repayment service charge equal to 3% on outstanding principal of the Loan.

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

Nth of Instalment	Monthly Instalment	Interest	Principal Repaid	Outstanding Principal	Early Repayment Handling Fee (Outstanding Principal x 3%)	Early Settlement Amount (Outstanding Principal + Early Repayment Handling Fee)	Early Settlement Amount with monthly instalment amount*
0				HK\$ 100,000.00			
1	HK\$ 8,687.29	\$100,000 x 7.75% / 12 = HK\$ 645.83	\$8,687.29 - \$645.83 = HK\$ 8,041.46	\$100,000 - \$8,041.46 = HK\$ 91,958.54			
2	HK\$ 8,687.29	\$91,958.54 x 7.75% / 12 = HK\$ 593.90	\$8,687.29 - \$593.90 = HK\$ 8,093.39	\$91,958.54 - \$8,093.39 = HK\$ 83,865.15			
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6	HK\$ 8,687.29	\$59,270.01 x 7.75% / 12 = HK\$ 382.79	\$8,687.29 - \$382.79 = HK\$ 8,304.50	\$59,270.01 - \$8,304.50 = HK\$ 50,965.50	\$59,270.01 x 3% = HK\$ 1,778.10	HK\$ 52,743.60	HK\$ 61,430.89

Compare the early settlement penalty amount and total interest of the remaining tenors

Nth of Instalment	Early Repayment Handling Fee	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\$ 3,000.00	HK\$ 3,601.62
2	HK\$ 2,758.76	HK\$ 3,007.72
3	HK\$ 2,515.95	HK\$ 2,466.09
4	HK\$ 2,271.58	HK\$ 1,977.07
5	HK\$ 2,025.64	HK\$ 1,541.00
6	HK\$ 1,778.10	HK\$ 1,158.21
7	HK\$ 1,528.97	HK\$ 829.06
8	HK\$ 1,278.22	HK\$ 553.89
9	HK\$ 1,025.86	HK\$ 333.04
10	HK\$ 771.86	HK\$ 166.88
11	HK\$ 516.23	HK\$ 55.75
12	HK\$ 258.95	HK\$ -

The interest expenses will be saved by making the early settlement during the period from 1st monthly instalment to 2nd 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.