

# Frequently Asked Questions

## Question 1:

What is Monthly Reducing Rate (“MRR”)? How is interest accrued at MRR for Instalment Loan?

## Answer:

- Monthly Reducing Rate (“MRR”) is one of the common method that banks and financial institutions use to calculate the interest payable monthly for an instalment loan.
- MRR is applied to the outstanding loan principal and such principal will be continuously reduced as the monthly instalments (consisting of interest and principal) are repaid. Based on the MRR and reducing loan principal, the amount of interest in the monthly instalments is computed and decreases over the course of the loan period.

\*Our Company may quote equivalent Monthly Flat Rate in our marketing materials for easy reference. Any other kinds of interest rates may be used in subsequent quotes, offers and/ or loan agreements. Please refer to the terms and conditions as set out in the Loan Agreement of the specific product.

## Example

- For example, a customer borrows \$10,000 for a tenor of 12 months at the MRR of 2.96% and the monthly instalment is \$1,002.
- In the first month, interest is equal to the principal balance of \$10,000 multiplied by 2.96 percent, or \$296. In Month 1, the instalment payment of \$1,002 was allocated as: \$296 to interest and principal reduction of \$706.
- This means that at the beginning of Month 2, the loan balance equals \$10,000 minus the principal reduction of \$706, or \$9,294. Interest is computed based on \$9,294 multiplied by 2.96 percent, or \$275. The principal reduction this time is equal to the instalment payment of \$1,002 minus interest of \$275, or \$727. Continuing this exercise through Month 12 results in total principal reduction of \$10,000 and total interest of \$2,024, the sum of which happens to equal \$12,024. This figure, \$12,024, also is equal to the sum of the 12 monthly instalment payments of \$1,002.
- Interest in each instalment\* = Outstanding Loan Principal x MRR
  - Interest of the 1<sup>st</sup> instalment = \$10,000 x 2.96%  
= \$296
  - Interest of the 2<sup>nd</sup> instalment = (\$10,000 - \$706) x 2.96%  
= \$9,294 x 2.96%  
= \$275
  - Interest of the 3<sup>rd</sup> instalment = (\$10,000 - \$706 - \$727) x 2.96%  
= \$8,567 x 2.96%  
= \$254

\*rounded to the nearest HK dollar

- Detailed breakdown of the principal and interest in each monthly instalment is as follows:

Loan Amount : \$10,000  
 Interest Rate (per month) : 2.96% (MRR)  
 Tenor (months) : 12  
 Monthly Instalment : \$1,002

Instalment No.	Monthly Instalment	Interest	Principal	Outstanding Principal
1	1,002	296	706	9,294
2	1,002	275	727	8,567
3	1,002	254	748	7,819
4	1,002	231	771	7,048
5	1,002	209	793	6,255
6	1,002	185	817	5,438
7	1,002	161	841	4,597
8	1,002	136	866	3,731
9	1,002	110	892	2,839
10	1,002	84	918	1,921
11	1,002	57	945	976
12	1,002	26	976	0
Total	12,024	2,024	10,000	-

The above example is for reference only in case of normal repayment and does not apply to early settlement. The amounts are rounded to the nearest HK dollar.

## Question 2:

Do I save interest by making early settlement of personal instalment loan?

### Answer:

Any early settlement of the loan may be subject to (a) a rebate of future interest and charge (if applicable) that you would have otherwise paid if you had paid all of the instalments over the agreed period of loan; and (b) the “compensation” such as Early Settlement Charge and/or Commitment Fee charged by the Company for costs it incurs as a result of such act. Since these items are calculated on different bases as set out in the Personal Loan Agreement and/or Key Facts Statement (“KFS”), the rebate amount of future interest and charge may not necessarily be adequate to cover the compensation and hence the settlement figure may be greater than the total amount of remaining instalments and you may not be able to save money by making early settlement. For more details, please refer to the Personal Loan Agreement, KFS and/or check with our Company’s staff.

### Example

Loan Amount: \$10,000  
 Interest Rate (per month): 2.96% (MRR)  
 Tenor (months): 12  
 Monthly Instalment: \$1,002  
 Early Settlement Rate (per month): 2.96% (MRR)

Commitment Fee:

4% on Loan Amount (within the first 10 instalments)

Sample Repayment Schedule

Instalment No.	Monthly Instalment	Interest	Principal	Outstanding Principal	Commitment Fee
1	1,002	296	706	9,294	400
2	1,002	275	727	8,567	400
3	1,002	254	748	7,819	400
4	1,002	231	771	7,048	400
5	1,002	209	793	6,255	400
6	1,002	185	817	5,438	400
7	1,002	161	841	4,597	400
8	1,002	136	866	3,731	400
9	1,002	110	892	2,839	400
10	1,002	84	918	1,921	400
11	1,002	57	945	976	0
12	1,002	26	976	0	0
Total	12,024	2,024	10,000	-	-

	Scenario 1	Scenario 2
Assumptions	You early repay the loan after repaying 7 monthly instalments	You early repay the loan after repaying 8 monthly instalments
Early Settlement Commitment Fee	Commitment Fee = loan amount approved x 4% = \$10,000 x 4% = \$400	Commitment Fee = loan amount approved x 4% = \$10,000 x 4% = \$400
Interest Saved	Sum of Interest (8 <sup>th</sup> to 12 <sup>th</sup> instalment) = \$136+\$110+\$84+\$57+\$26 = \$413	Sum of Interest (9 <sup>th</sup> to 12 <sup>th</sup> instalment) = \$110+\$84+\$57+\$26 = \$277
Results	The early settlement commitment fee (HK\$400) is lower than the interests saved (HK\$413). In other words, you will save interest in making early repayment in this Scenario.	The early settlement commitment fee (HK\$400) is higher than the interests saved (HK\$277). In other words, you will not save interest in making early repayment in this Scenario.

The above example is for reference only in case of early settlement. The amounts are rounded to the nearest HK dollar.