

ILLUSTRATION OF THE EFFECTIVE INTEREST RATE METHOD

£ 10,000.00 Initial loan
 2.0107% Quarterly effective interest

Year	Quarter	Annual Interest Rate	Quarterly rate	Interest paid per yield curve, at each period end	Opening loan amount	Interest charged	Cash paid to bank / FRA counterparty	Closing loan amount
2000	1	6.00%	1.500%	£ 150.00	£ 10,000.00	£ 201.07	-£ 150.00	£ 10,051.07
	2	7.00%	1.750%	£ 175.00	£ 10,051.07	£ 202.10	-£ 175.00	£ 10,078.17
	3	8.00%	2.000%	£ 200.00	£ 10,078.17	£ 202.64	-£ 200.00	£ 10,080.82
	4	9.00%	2.250%	£ 225.00	£ 10,080.82	£ 202.70	-£ 225.00	£ 10,058.51
2001	1	9.50%	2.375%	£ 237.50	£ 10,058.51	£ 202.25	-£ 237.50	£ 10,023.26
	2	9.75%	2.438%	£ 243.75	£ 10,023.26	£ 201.54	-£ 243.75	£ 9,981.05
	3	9.75%	2.438%	£ 243.75	£ 9,981.05	£ 200.69	-£ 243.75	£ 9,938.00
	4	9.75%	2.438%	£ 243.75	£ 9,938.00	£ 199.83	-£ 243.75	£ 9,894.07
2002	1	9.50%	2.375%	£ 237.50	£ 9,894.07	£ 198.94	-£ 237.50	£ 9,855.52
	2	9.25%	2.313%	£ 231.25	£ 9,855.52	£ 198.17	-£ 231.25	£ 9,822.43
	3	9.00%	2.250%	£ 225.00	£ 9,822.43	£ 197.50	-£ 225.00	£ 9,794.94
	4	8.75%	2.188%	£ 218.75	£ 9,794.94	£ 196.95	-£ 218.75	£ 9,773.13
2003	1	8.50%	2.125%	£ 212.50	£ 9,773.13	£ 196.51	-£ 212.50	£ 9,757.15
	2	8.25%	2.063%	£ 206.25	£ 9,757.15	£ 196.19	-£ 206.25	£ 9,747.09
	3	8.00%	2.000%	£ 200.00	£ 9,747.09	£ 195.99	-£ 200.00	£ 9,743.07
	4	7.75%	1.938%	£ 193.75	£ 9,743.07	£ 195.91	-£ 193.75	£ 9,745.23
2004	1	7.50%	1.875%	£ 187.50	£ 9,745.23	£ 195.95	-£ 187.50	£ 9,753.68
	2	7.25%	1.813%	£ 181.25	£ 9,753.68	£ 196.12	-£ 181.25	£ 9,768.55
	3	7.00%	1.750%	£ 175.00	£ 9,768.55	£ 196.42	-£ 175.00	£ 9,789.97
	4	6.75%	1.688%	£ 168.75	£ 9,789.97	£ 196.85	-£ 168.75	£ 9,818.07
2005	1	6.50%	1.625%	£ 162.50	£ 9,818.07	£ 197.41	-£ 162.50	£ 9,852.98
	2	6.25%	1.563%	£ 156.25	£ 9,852.98	£ 198.12	-£ 156.25	£ 9,894.85
	3	6.00%	1.500%	£ 150.00	£ 9,894.85	£ 198.96	-£ 150.00	£ 9,943.81
	4	5.75%	1.438%	£ 143.75	£ 9,943.81	£ 199.94	-£ 143.75	£ 10,000.00
<u>£ 4,768.75</u>					<u>£ 4,768.75 -£ 4,768.75</u>			

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