Fusion Bank

Fusion Bank Limited

REGULATORY DISCLOSURE STATEMENT

30 June 2022

(UNAUDITED)

FUSION BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
For the six months ended 30 June 2022

CONTENTS	PAGE

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
For the six months ended 30 June 2022

Introduction

Purpose

The information contained in this document is for Fusion Bank Limited ("the Bank"), and prepared in accordance with the Banking (Disclosure) Rules ("BDR") and disclosure templates issued by the Hong Kong Monetary Authority ("HKMA").

This banking disclosure is governed by the Bank's disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the regulatory disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Bank's disclosure policy.

The numbers in this document are expressed in thousands of Hong Kong Dollars, unless otherwise stated.

Basis of preparation

The capital adequacy ratio ("CAR") was compiled in accordance with the Banking (Capital) Rules ("BCR") issued by the HKMA. In calculating the risk weighted assets, the Bank adopted the Standardized (Credit Risk) Approach and the Standardized (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the transitional arrangements to the Basic Indicator Approach communicated to HKMA pursuant to section 340 and 341 of the BCR.

Basis of consolidation

As of 30 June 2022, the Bank has a subsidiary that is included in the accounting scope of consolidation but not included in the regulatory scope of consolidation. Shenzhen Fusion Information Technology Services Co. Ltd., as the subsidiary that provides IT service to the Bank, has total assets and total equity of HK$ 13,354,000 and HK$ 6,974,000 respectively.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
For the six months ended 30 June 2022

1. PILLAR 3 DISCLOSURE

The following templates for the Bank show the standard disclosure templates specified by the HKMA in relation to the Pillar 3 disclosure required under the Banking (Disclosure) Rules.

Other Pillar 3 templates or tables not disclosed below either are not applicable to the Bank or have no reportable amount for the period.

a. Template KM1: Key prudential ratios

		As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	699,051	833,155	945,937	1,010,217	533,830
2	Tier 1	699,051	833,155	945,937	1,010,217	533,830
3	Total capital	707,267	838,144	947,888	1,010,349	534,383
	RWA (amount)					
4	Total RWA	1,177,492	1,016,915	1,159,456	710,696	419,467
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	59.4%	81.9%	81.6%	142.1%	127.3%
6	Tier 1 ratio (%)	59.4%	81.9%	81.6%	142.1%	127.3%
7	Total capital ratio (%)	60.1%	82.4%	81.8%	142.1%	127.4%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	1.0%	1.0%	1.0%	1.0%	1.0%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total AI-specific CET1 buffer requirements (%)	3.5%	3.5%	3.5%	3.5%	3.5%
12	CET1 available after meeting the AI's minimum capital requirements (%)	48.1%	70.4%	69.8%	130.2%	115.4%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	4,148,574	3,642,023	4,358,473	4,234,872	2,882,070
14	LR (%)	16.9%	22.9%	21.7%	23.9%	18.5%
	Liquidity Maintenance Ratio (LMR)					
17a	LMR (%)[1]	158.5%	228.5%	370.8%	303.9%	293.4%

Note 1: The LMR disclosed above represent the arithmetic mean of the average LMR of the 3 calendar months within each quarter respectively. The Bank is not required, under the Banking (Liquidity) Rules, to calculate Liquidity Coverage Ratio, Net Stable Funding Ratio, and Core Funding Ratio for its liquidity risk.

Decrease in CET1 ratio , Tier 1 ratio, Total Capital ratio and LR was mainly due to loss incurred during the quarter.
Decrease in LMR was due to decrease in investment in debt securities in the second quarter of 2022.

1. PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of risk-weighted assets ("RWA")

The capital adequacy ratios of the Bank were calculated in accordance with Banking (Capital) Rules of the Banking Ordinance. The Bank uses the following approaches to calculate its capital charge for:

(a) credit risk: Standardised (Credit Risk) Approach ("STC approach")
(b) market risk: Standardised (Market Risk) Approach ("STM approach"); and
(c) operational risk: Transitional arrangements to the Basic Indicator Approach ("BIA approach") pursuant to Section 340 and 341 of the Banking (Capital) Rules.

The disclosure on minimum capital requirement is made by multiplying the Bank's RWA derived from the relevant calculation approach by 8%, not the Bank's actual "regulatory capital".

1. PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of risk-weighted assets (Continued)

		RWA		Minimum capital requirements
		As at 30 June 2022	As at 31 March 2022	As at 30 June 2022
		HKD'000	HKD'000	HKD'000
1	Credit risk for non-securitization exposures	1,042,192	863,952	83,375
2	Of which STC approach	1,042,192	863,952	83,375
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA-CCR approach	-	-	-
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme (“CIS”) exposures – LTA	-	-	-
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	100,700	124,525	8,056
21	Of which STM approach	100,700	124,525	8,056
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	-	-	-
24	Operational risk	34,600	28,438	2,768
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	**Total**	**1,177,492**	**1,016,915**	**94,199**

Increase in total RWA was due to increase in Credit Risk RWA. This was driven by increase in bank exposures, as a result of increase in retail deposits which generating more funds available for investments.

1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template CC1: Composition of regulatory capital

		(a)	(b)
		Amount HKD'000	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,850,001	(2)
2	Retained earnings	(1,109,812)	(3)
3	Disclosed reserves	-	
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	740,189	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	41,138	(1)
10	Deferred tax assets (net of associated deferred tax liabilities)	-	
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	-	

1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount HKD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	41,138	
29	**CET1 capital**	699,051	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	699,051	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	8,216	
51	**Tier 2 capital before regulatory deductions**	8,216	

1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount HKD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	8,216	
59	**Total regulatory capital (TC = T1 + T2)**	707,267	
60	**Total RWA**	1,177,492	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	59.37%	
62	**Tier 1 capital ratio**	59.37%	
63	**Total capital ratio**	60.07%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	3.50%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	1%	
67	of which: higher loss absorbency requirement	0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	48.07%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	

1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount HKD'000	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

Decrease in retained earnings, CET 1 capital, regulatory capital were due to losses incurred in the first half of 2022. For the key drivers of significant changes in total RWA, please refer to Template OV1.

1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template CC1: Composition of regulatory capital (continued)

Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	**Other intangible assets (net of associated deferred tax liabilities)**	**41,138**	**41,138**
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	-	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template CC1: Composition of regulatory capital (continued)

Notes to the Template (continued)

<table>
<tr><th></th><th>Description</th><th>Hong Kong basis</th><th>Basel III basis</th></tr>
<tr><td rowspan="2">54</td><td>Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td colspan="4">Remarks:

The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</td></tr>
</table>

1. PILLAR 3 DISCLOSURE (CONTINUED)

d. Template CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements As at 30 June 2022	**Under regulatory scope of consolidation** As at 30 June 2022	**Reference**
Assets			
Cash and balances at central banks	499,699	499,699	
Placements with and advances to banks	2,016,869	2,014,442	
Investment assets at amortized cost	1,239,203	1,239,203	
Loans and advances to customers	262,668	262,668	
Right-of-use assets	28,172	27,133	
Property, plant and equipment	50,459	46,918	
Intangible assets	41,139	41,138	(1)
Prepayment and other assets	36,017	35,453	
Amount due from fellow subsidiaries	9,916	9,916	
Deferred tax assets	1,814	-	
Investment in subsidiary	-	11,685	
Total assets	**4,185,956**	**4,188,255**	
Liabilities			
Deposits from customers	3,280,195	3,280,195	
Deposits from fellow subsidiaries	15,741	15,741	
Accruals and other liabilities	125,733	124,512	
Lease liabilities	28,808	27,618	
Total liabilities	**3,450,477**	**3,448,066**	
Shareholders' equity			
Paid-in share capital	1,850,001	1,850,001	
Of which: amount eligible for CET1	1,850,001	1,850,001	(2)
Of which: amount eligible for AT1	-	-	
Retained earnings	(1,114,522)	(1,109,812)	(3)
Accumulated other comprehensive income	-	-	
Total shareholders' equity	**735,479**	**740,189**	

As of 30 June 2022, decrease in total assets and increase in total liabilities and equity were mainly driven by losses incurred in the first half of 2022.

1. PILLAR 3 DISCLOSURE (CONTINUED)

e. Table CCA: Main features of regulatory capital instruments[1]

		Quantitative / qualitative information
1	Issuer	Fusion Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules[2]	Not Applicable
5	Post-transitional Basel III rules[3]	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HKD1,850 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	1000 Shares 1 share: issued on 31st Jul 2018 999 shares: issued on 1st Aug 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

[1] Information relating to the disclosure of the full terms and conditions of the Bank's capital instruments can be viewed on the website: https://www.fusionbank.com/list.html?key=announcement

[2] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR

[3] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR

1. PILLAR 3 DISCLOSURE (CONTINUED)

f. Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong , China	1%	286,952		
2	Sum		286,952		
3	Total		286,952	1%	11,775

The geographical allocation of private sector credit exposures to the jurisdiction is determined based on the ultimate risk basis where the risk ultimately lies to the best of the knowledge and information obtained by the Bank.

As 30 June 2022, the jurisdictional CCyB of Hong Kong used in the calculation of CCyB requirement was 1%. Key drivers for the changes in RWA used in the computation of CCyB ratio was mainly due to increase in retail loans.

g. Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure

		(a)
	Item	**Value under the LR framework** (HKD'000 equivalent)
1	Total consolidated assets as per published financial statements	4,185,956
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	3,756
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	-
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(41,138)
8	**Leverage ratio exposure measure**	4,148,574

Difference between the total balance sheet assets as reported in published financial statements and on-balance sheet exposures as stated in LR2 were mainly due to investments in subsidiaries that is consolidated for accounting purposes but outside the scope of regulatory consolidation and regulatory deduction

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
For the six months ended 30 June 2022

1. PILLAR 3 DISCLOSURE (CONTINUED)

h. Template LR2: Leverage Ratio

		As at 30 June 2022	As at 31 March 2022
		HKD'000	HKD'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	4,198,240	3,692,538
2	Less: Asset amounts deducted in determining Tier 1 capital	(41,138)	(45,381)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	4,157,102	3,647,157
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	**Total exposures arising from derivative contracts**	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	**Off-balance sheet items**	-	-
Capital and total exposures			
20	**Tier 1 capital**	699,051	833,155
20a	**Total exposures before adjustments for specific and collective provisions**	4,157,102	3,647,157
20b	**Adjustments for specific and collective provisions**	(8,528)	(5,134)
21	**Total exposures after adjustments for specific and collective provisions**	4,148,574	3,642,023
Leverage ratio			
22	**Leverage ratio**	**16.9%**	**22.9%**

Decrease in Leverage Ratio can refer to Template KM1 for detail.

1. PILLAR 3 DISCLOSURE (CONTINUED)

i. Template CR1: Credit qualities of exposures

The table below provides an overview of the credit quality of on-and off-balance sheet exposures. Loans included loans and advances to customers and related accrued interest receivables.

		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
As at 30 June 2022		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
1	Loans	401	270,924	(8,160)	(313)	(7,847)	-	263,165
2	Debt securities	-	1,240,466	(117)	-	(117)	-	1,240,349
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	**Total**	**401**	**1,511,390**	**(8,277)**	**(313)**	**(7,964)**	**-**	**1,503,514**

j. Template CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as of 30 June 2022:

		(a)
		Amount
1	**Defaulted loans and debt securities at end of the previous reporting period**	-
2	Loans and debt securities that have defaulted since the last reporting period	662
3	Returned to non-defaulted status	(10)
4	Amounts written off	(266)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the current reporting period**	386

1. PILLAR 3 DISCLOSURE (CONTINUED)

k. Template CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognised Credit Risk Mitigation ("CRM") as of 30 June 2022:

	HKD'000	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	263,165	-	-	-	-
2	Debt securities	1,240,349	-	-	-	-
3	**Total**	1,503,514	-	-	-	-
4	Of which defaulted	401	-	-	-	-

Decrease in credit exposures was mainly driven by decrease in investments in EFBN and debt securities offset by the growth in retail loan portfolio.

1. PILLAR 3 DISCLOSURE (CONTINUED)

l. Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

The following table illustrates the effect of any recognised CRM (including recognised collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as of 30 June 2022:

	HKD'000	**Exposures pre-CCF and pre-CRM**		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	1,293,662	-	1,293,662	-	-	0%
2	PSE exposures	158,199	-	158,199	-	31,640	20%
2a	Of which: domestic PSEs	158,199	-	158,199	-	31,640	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	2,305,312	-	2,305,312	-	680,079	30%
5	Securities firm exposures	-	-	-	-	-	0%
6	Corporate exposures	-	-	-	-	-	0%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	-	-	-	-	-	0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10	Regulatory retail exposures	270,925	-	270,925	-	203,194	75%
11	Residential mortgage loans	-	-	-	-	-	0%
12	Other exposures which are not past due exposures	127,147	-	127,147	-	127,147	100%
13	Past due exposures	88	-	88	-	132	150%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	**Total**	**4,155,333**	**-**	**4,155,333**	**-**	**1,042,192**	**25%**

1. PILLAR 3 DISCLOSURE (CONTINUED)

m. Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

HKD'000

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	1,293,662	-	-	-	-	-	-	-	-	-	1,293,662
2	PSE exposures	-	-	158,199	-	-	-	-	-	-	-	158,199
2a	Of which: domestic PSEs	-	-	158,199	-	-	-	-	-	-	-	158,199
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	1,575,259	-	730,053	-	-	-	-	-	2,305,312
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	270,925	-	-	-	-	270,925
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	127,147	-	-	-	127,147
13	Past due exposures	-	-	-	-	-	-	-	88	-	-	88
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**1,293,662**	**-**	**1,733,458**	**-**	**730,053**	**270,925**	**127,147**	**88**	**-**	**-**	**4,155,333**

1. PILLAR 3 DISCLOSURE (CONTINUED)

n. Counterparty Credit risk

As of 30 June 2022, the Bank does not have counterparty default risk exposure and credit-related derivative contracts. (31 December 2021: Nil).

o. Securitization exposures

As of 30 June 2022 and 31 December 2021, the Bank does not have any securitization exposures.

p. Template MR1: Market risk under STM approach

		(a)
HKD'000		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	100,700
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**100,700**

Decrease in market risk RWA was mainly due to decrease in net CNY positions.

1. PILLAR 3 DISCLOSURE (CONTINUED)

q. International Claims

The following illustrates the major country or geographical segment breakdown of international claims by types of counterparties which the Bank is required to disclose, of which constitute not less than 10% of the Bank's total international claims after taking into account any recognized risk transfer. International claims refers to the sum of the cross-border claims in all currencies and local claims in foreign currencies determined in accordance with the calculation methodology specified in completion instructions for the Return of International Banking Statistics (MA(BS)21A) and MA(BS)21B).

			Non-bank private sector		
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
June 30, 2022	**HKD'000**	**HKD'000**	**HKD'000**	**HKD'000**	**HKD'000**
Developed Countries	-	-	-	-	-
Offshore Centres	1,104,165	1,293,662	-	466,044	2,863,871
of which: Hong Kong	1,104,165	1,293,662	-	466,044	2,863,871
Developing Asia and Pacific	736,178	-	-	1,124,925	1,861,103
of which: China	736,178	-	-	1,124,925	1,861,103

			Non-bank private sector		
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
December 31, 2021	**HKD'000**	**HKD'000**	**HKD'000**	**HKD'000**	**HKD'000**
Developed Countries	-	-	-	-	-
Offshore Centres	1,021,124	1,902,962	-	278,315	3,202,401
of which: Hong Kong	826,164	1,902,962	-	278,315	3,007,441
Developing Asia and Pacific	951,282	-	-	867,838	1,819,120
of which: China	951,282	-	-	867,838	1,819,120

1. PILLAR 3 DISCLOSURE (CONTINUED)

r. Loans and advances to customers

The analysis of gross loans and advances to customers by industry sectors are based on the categories and definitions stated in the MA(BS)2A "Quarterly Analysis of Loans and Advances and Provisions".

Sector classification	As at 30 June 2022	
	Gross loans and advances to customers	% of gross loans and advances covered by collateral or other security
Loans and advances for use in Hong Kong	**HKD'000**	
Individuals		
- Others	270,828	-
Total	270,828	-

As of 30 June 2022, HKD 386,000 of the Bank's retail loan was defaulted and overdue over 90 days (31 December 2021: Nil). HK$ 313,000 of specific provision was made as at 30 June 2022 (31 December 2021: nil). The collective provision provided as at 30 June 2022 was HK$ 7,847,000 (31 December 2021: HK$ 1,847,000).

Geographical Areas

Loans and Advances are exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the loans and advances are guaranteed by a party in a geographical area which is different from that of the counterparty. Only major geographical segment constitutes not less than 10% of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer are disclosed.

	Gross loans and advances to customers	Impaired loans and advances to customers	Overdue loans and advances to customers	Specific provisions	Collective provisions
30 June 2022	**HKD'000**	**HKD'000**	**HKD'000**	**HKD'000**	**HKD'000**
Hong Kong	270,828	(386)	(386)	(313)	(7,847)
31 December 2021					
Hong Kong	154,085	-	-	-	(1,847)

s. Off-balance Sheet Exposures (other than derivative transactions)

The Bank does not have off-balance sheet exposures as at 30 June 2022 (31 December 2021: nil).

t. Overdue and rescheduled assets

		As at 30 June 2022	
		Gross loans and advances to customers which have been overdue for HKD'000	% of total amount of loans and advances to customers
(i)	More than 3 months but not more than 6 months	386	0.14%
(i)	More than 6 months but not more than one year	-	-
(ii)	More than one year	-	-
Total		386	0.14%

1. PILLAR 3 DISCLOSURE (CONTINUED)

u. Other Assets

No other assets has been overdue as of 30 June 2022 and 31 December 2021.

v. Repossessed Assets

The Bank does not hold any repossessed assets as of 30 June 2022 and 31 December 2021.

w. Currency Risk

The Bank is exposed to foreign exchange risk, primarily United States dollar ("USD") and Chinese renminbi ("CNY").

The Bank's exposure to foreign currency risk at the end of the reporting period, expressed in Hong Kong dollar, was as follows:

CURRENCY RISK

	CNY HKD'000	USD HKD'000
As at 30 June 2022		
Spot Assets	664,638	38,427
Spot Liabilities	(575,618)	(30,661)
Forward Purchases	-	4,315
Forward Sales	-	-
Net long/(short) position	89,020	12,081
Structural Positions	11,685	-

	CNY HKD'000	USD HKD'000
As at 31 December 2021		
Spot Assets	679,108	233,270
Spot Liabilities	(564,884)	(227,625)
Forward Purchases	1,837	-
Forward Sales	-	-
Net long/(short) position	116,061	5,645
Structural Positions	11,685	-

1. PILLAR 3 DISCLOSURE (CONTINUED)

x. Mainland Activities

The following illustrates the disclosure the Bank is required to make under the prevailing Return of Mainland Activities (MA(BS)20) in respect of its Non-bank Mainland China exposures.

	As of 30 June 2022		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of counterparties	HKD'000	HKD'000	HKD'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	11,685	-	11,685
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	11,685	-	11,685
Total assets after provision	4,189,712		
On-balance sheet exposures as percentage of total assets	0.28%		

1. **PILLAR 3 DISCLOSURE (CONTINUED)**

x. **Mainland Activities (continued)**

	As of 31 December 2021		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of counterparties	HKD'000	HKD'000	HKD'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	11,685	-	11,685
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	11,685	-	11,685

y. **Assets under security**

The Bank does not have any secured liabilities and assets used as security as of 30 June 2022 and 31 December 2021.

Glossary

Abbreviations	Descriptions
AT1	Additional Tier 1
BSC	Basic Approach
CCR	Counterparty Credit Risk
CCF	Credit Conversion Factor
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
EFBN	Exchange Fund Bills and Notes
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IRB	Internal Ratings-Based
JCCyB	Jurisdiction Countercyclical Buffer
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look-through Approach
MBA	Mandate-Based Approach
NSFR	Net Stable Funding Ratio
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-Back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)