

# Fusion Bank

**Fusion Bank Limited**

**REGULATORY DISCLOSURE  
STATEMENT**

**For the six months ended  
30 June 2023**

**(UNAUDITED)**



# FUSION BANK LIMITED

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

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# **FUSION BANK LIMITED**

## **UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023**

### **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 (“the MA”).

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”) of the Banking Ordinance. In calculating the risk weighted assets, the Bank adopted the Standardized (Credit Risk) Approach (“STC approach”) and the Standardized (Market Risk) Approach (“STM approach”) for credit risk and market risk respectively. For operational risk, the capital requirement is calculated under the Basic Indicator Approach (“BI approach”) pursuant to Division 2 of Part 9 of the BCR.

#### **Basis of consolidation**

As of 30 June 2023, 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\$ 15,074,000 and HK\$ 7,650,000 respectively.

# FUSION BANK LIMITED

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

### 1. PILLAR 3 DISCLOSURE

The following templates for the Bank show the standard disclosure templates specified by the MA in relation to the Pillar 3 disclosure required under the BDR.

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 2023	As at 31 March 2023	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	594,165	468,033	578,195	575,756	699,051
2	Tier 1	594,165	468,033	578,195	575,756	699,051
3	Total capital	603,738	478,005	584,346	583,763	707,267
<b>RWA (amount)</b>						
4	Total RWA	1,616,759	1,596,775	1,653,475	1,043,969	1,142,892
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	36.8%	29.3%	35.0%	55.2%	61.2%
6	Tier 1 ratio (%)	36.8%	29.3%	35.0%	55.2%	61.2%
7	Total capital ratio (%)	37.3%	29.9%	35.3%	55.9%	61.9%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
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 (%)	29.3%	21.9%	27.3%	47.9%	53.9%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	3,462,747	3,110,304	4,345,298	4,050,241	4,148,574
14	LR (%)	17.2%	15.0%	13.3%	14.2%	16.9%
<b>Liquidity Maintenance Ratio (LMR)</b>						
17a	LMR (%) <sup>1</sup>	117.9%	111.5%	209.6%	186.6%	158.5%

**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.

**Note 2:** CET1 available after meeting the AI's minimum capital requirements is calculated as the CET1 ratio less the sum of the 4.5% minimum CET1 requirement under BCR s3B and other CET1 capital required to meet the 8% minimum total capital requirements.

Increase in CET1 ratio, Tier 1 ratio, Total capital ratio and LR was mainly due to capital injection during the quarter.

## **FUSION BANK LIMITED**

### **UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023**

#### **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 the BCR. The Bank uses the following approaches to calculate its capital charge for:

- (a) credit risk: STC approach
- (b) market risk: STM approach; and
- (c) operational risk: BI approach pursuant to Division 2 of Part 9 of the BCR.

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”.

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

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

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

		RWA		Minimum capital requirements
		As at 30 June 2023	As at 31 March 2023	As at 30 June 2023
		HKD'000	HKD'000	HKD'000
1	Credit risk for non-securitization exposures	1,572,134	1,539,725	125,771
2	Of which STC approach	1,572,134	1,539,725	125,771
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	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
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	7,775	45,275	622
21	Of which STM approach	7,775	45,275	622
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)	Not applicable	Not applicable	Not applicable
24	Operational risk	36,850	11,775	2,948
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	<b>Total</b>	<b>1,616,759</b>	<b>1,596,775</b>	<b>129,341</b>

Decrease in market risk RWA was mainly due to decrease in the net short position in Chinese Renminbi ("CNY").

Increase in operational risk RWA was mainly due to increase in gross income.

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

**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
	<b>CET1 capital: instruments and reserves</b>		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,200,001	(1)
2	Retained earnings	(1,575,004)	(2)
3	Disclosed reserves	-	
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	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	<b>CET1 capital before regulatory deductions</b>	624,997	
	<b>CET1 capital: regulatory deductions</b>		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	30,832	(3)
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	-	

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**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
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**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	<b>Total regulatory deductions to CET1 capital</b>	30,832	
29	<b>CET1 capital</b>	594,165	
	<b>AT1 capital: instruments</b>		
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	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	-	
	<b>AT1 capital: regulatory deductions</b>		
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	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	594,165	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
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	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	9,573	
51	<b>Tier 2 capital before regulatory deductions</b>	9,573	



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**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
	<b>Tier 2 capital: regulatory deductions</b>		
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 s2(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 s48(1)(g) of BCR	-	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
58	<b>Tier 2 capital (T2)</b>	9,573	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	603,738	
60	<b>Total RWA</b>	1,616,759	
	<b>Capital ratios (as a percentage of RWA)</b>		
61	<b>CET1 capital ratio</b>	36.75%	
62	<b>Tier 1 capital ratio</b>	36.75%	
63	<b>Total capital ratio</b>	37.34%	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	3.48%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.98%	
67	of which: higher loss absorbency requirement	0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	29.34%	
	<b>National minima (if different from Basel 3 minimum)</b>		
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
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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	-	

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**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

**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
	<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
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	-	
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

Increase in directly issued qualifying CET1 capital instruments was due to capital injection in the first half of the year. Decrease in retained earnings was due to losses incurred in the first half of the year. For the key drivers of significant changes in total RWA, please refer to Template OV1.

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**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
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**1. PILLAR 3 DISCLOSURE (CONTINUED)**

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

Notes to the Template

	Description	Hong Kong basis	Basel III basis
	<b>Other intangible assets (net of associated deferred tax liabilities)</b>	<b>30,832</b>	<b>30,832</b>
9	<p><u>Explanation</u></p> <p>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.</p>		
	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	<b>-</b>	<b>-</b>
10	<p><u>Explanation</u></p> <p>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.</p>		
	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	<b>-</b>	<b>-</b>
18	<p><u>Explanation</u></p> <p>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.</p>		
	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	<b>-</b>	<b>-</b>
39	<p><u>Explanation</u></p> <p>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.</p>		

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**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
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**1. PILLAR 3 DISCLOSURE (CONTINUED)**

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

Notes to the Template (continued)

	Description	Hong Kong basis	Basel III basis
	<b>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)</b>	-	-
54	<p><u>Explanation</u></p> <p>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.</p>		
<p>Remarks:</p> <p>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.</p>			

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**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

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

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

	(a)	(b)	(c)
	<b>Balance sheet as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Reference</b>
	As at 30 June 2023	As at 30 June 2023	
<b>Assets</b>			
Balances with central bank	63,650	63,650	
Placements with and advances to banks	1,452,948	1,448,037	
Investments in debt securities at amortised cost	894,999	894,999	
Loans and advances	934,904	934,904	
Right-of-use assets	18,140	17,195	
Property, plant and equipment	34,206	31,938	
Intangible assets	30,832	30,832	(3)
Other deposits and receivables	32,426	31,932	
Prepaid expenses	27,797	28,407	
Deferred tax assets	1,521	-	
Investment in subsidiary	-	11,685	
<b>Total assets</b>	<b>3,491,423</b>	<b>3,493,579</b>	
<b>Liabilities</b>			
Deposits from customers	2,729,078	2,729,078	
Deposits from a related party	16,305	16,305	
Accruals and other payables	104,256	103,391	
Lease liabilities	20,865	19,808	
<b>Total liabilities</b>	<b>2,870,504</b>	<b>2,868,582</b>	
<b>Shareholders' equity</b>			
Paid-in share capital	2,200,001	2,200,001	
Of which: amount eligible for CET1	2,200,001	2,200,001	(1)
Of which: amount eligible for AT1	-	-	
Accumulated losses	(1,578,114)	(1,575,004)	(2)
Accumulated other comprehensive income	(968)	-	
<b>Total shareholders' equity</b>	<b>620,919</b>	<b>624,997</b>	

As of 30 June 2023, decrease in total assets and total liabilities was mainly due to decrease in time deposits from customers, which led to decrease in investments in debt securities at amortised cost and balances with central bank. For other items:

- a) Drop in property, plant and equipment was due to depreciation;
- b) Drop in accruals and other payables was mainly due to settlement of accrued expenses;
- c) Increase in paid-in share capital was due to capital injection in the first half of the year;
- d) Increase in accumulated losses was due to losses incurred in the first half of the year.

# FUSION BANK LIMITED

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

### 1. PILLAR 3 DISCLOSURE (CONTINUED)

#### e. Table CCA: Main features of regulatory capital instruments<sup>1</sup>

		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
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules <sup>2</sup>	Not Applicable
5	Post-transitional Basel III rules <sup>3</sup>	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)	HKD2,200 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	1000 Shares 1 share: issued on 31 <sup>st</sup> Jul 2018 999 shares: issued on 1 <sup>st</sup> 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
	<i>Coupons / dividends</i>	
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

<sup>1</sup> 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>

<sup>2</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR

<sup>3</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

**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%	798,500		
2	Sum		798,500		
3	Total		814,988	0.98%	15,844

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 at 30 June 2023, 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 decrease in overall exposures.

**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	3,491,423
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	2,156
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	-
7	Other adjustments	(30,832)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>3,462,747</b>

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 are consolidated for accounting purposes but outside the scope of regulatory consolidation and regulatory deduction.

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

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

**h. Template LR2: Leverage Ratio**

		As at 30 June 2023	As at 31 March 2023
		HKD'000	HKD'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,507,078	3,152,842
2	Less: Asset amounts deducted in determining Tier 1 capital	(30,832)	(31,375)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	3,476,246	3,121,467
<b>Exposures arising from derivative contracts</b>			
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	<b>Total exposures arising from derivative contracts</b>	-	-
<b>Exposures arising from SFTs</b>			
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	<b>Total exposures arising from SFTs</b>	-	-
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	<b>Off-balance sheet items</b>	-	-
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	594,165	468,033
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	3,476,246	3,121,467
20b	<b>Adjustments for specific and collective provisions</b>	(13,499)	(11,163)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	3,462,747	3,110,304
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>17.2%</b>	<b>15.0%</b>

For the key drivers of increase in Leverage Ratio, please refer to Template KM1 for details.



**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION  
For the six months ended 30 June 2023**

**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.

An exposure is defined as defaulted if

1. loans are past due for more than 90 days; or
2. no payment of principal or interest of debt securities for more than 30 days when falling due; or
3. any evidence showing that it is credit-impaired and its future cash flows are adversely impacted.

		Gross carrying amounts of		Impairment allowances	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 2023		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
1	Loans	4,619	945,360	(13,399)	(3,926)	(9,473)	-	936,580
2	Debt securities	-	897,019	(26)	-	(26)	-	896,993
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	<b>Total</b>	<b>4,619</b>	<b>1,842,379</b>	<b>(13,425)</b>	<b>(3,926)</b>	<b>(9,499)</b>	<b>-</b>	<b>1,833,573</b>

**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 2023:

		(a)
		Amount
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	1,002
2	Loans and debt securities that have defaulted since the last reporting period	10,029
3	Returned to non-defaulted status	-
4	Amounts written off	(6,412)
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of the current reporting period</b>	<b>4,619</b>

Increase in loans and debt securities that have defaulted since the last reporting period was due to increase in defaulted loans, driven by deteriorating credit quality of loans and advances to customers.

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

**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 2023:

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	936,580	-	-	-	-
2	Debt securities	896,993	-	-	-	-
3	<b>Total</b>	1,833,573	-	-	-	-
4	Of which defaulted	693	-	-	-	-

Decrease in unsecured exposures was mainly due to the decrease in marketable debt securities held.

## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

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

##### 1. 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 2023:

HKD'000		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	422,595	-	422,595	-	19,399	5%
2	PSE exposures	87,373	-	87,373	-	17,475	20%
2a	Of which: domestic PSEs	87,373	-	87,373	-	17,475	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	1,911,325	-	1,911,325	-	720,272	38%
5	Securities firm exposures	-	-	-	-	-	0%
6	Corporate exposures	-	-	-	-	-	0%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	3	-	3	-	-	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	945,416	-	945,416	-	709,062	75%
11	Residential mortgage loans	-	-	-	-	-	0%
12	Other exposures which are not past due exposures	104,972	-	104,972	-	104,972	100%
13	Past due exposures	636	-	636	-	954	150%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	<b>Total</b>	<b>3,472,320</b>	<b>-</b>	<b>3,472,320</b>	<b>-</b>	<b>1,572,134</b>	<b>45%</b>

Decrease in on-balance sheet amount as at 30 June 2023 was mainly due to the decrease in sovereign and PSE exposures which was driven by the drop in customer deposits.

Decrease in other exposures was mainly due to the drop in fixed assets.

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**

**For the six months ended 30 June 2023**

**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		325,601	-	96,994	-	-	-	-	-	-	-	422,595
2	PSE exposures		-	-	87,373	-	-	-	-	-	-	-	87,373
2a	Of which: domestic PSEs		-	-	87,373	-	-	-	-	-	-	-	87,373
2b	Of which: foreign PSEs		-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures		-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures		-	-	784,636	-	1,126,689	-	-	-	-	-	1,911,325
5	Securities firm exposures		-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures		-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures		-	-	-	-	-	-	-	-	-	-	-
8	Cash items		3	-	-	-	-	-	-	-	-	-	3
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		-	-	-	-	-	945,416	-	-	-	-	945,416
11	Residential mortgage loans		-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures		-	-	-	-	-	-	104,972	-	-	-	104,972
13	Past due exposures		-	-	-	-	-	-	-	636	-	-	636
14	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>		<b>325,604</b>	<b>-</b>	<b>969,003</b>	<b>-</b>	<b>1,126,689</b>	<b>945,416</b>	<b>104,972</b>	<b>636</b>	<b>-</b>	<b>-</b>	<b>3,472,320</b>

Decrease in total credit risk exposures amount as at 30 June 2023 was mainly due to the decrease in sovereign and PSE exposures which was driven by the drop in customer deposits.

Decrease in other exposures was mainly due to the drop in fixed assets.

**FUSION BANK LIMITED**

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

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

**n. Counterparty Credit risk**

As of 30 June 2023, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

**o. Securitization exposures**

As of 30 June 2023, the Bank does not have any securitization exposures.

**p. Template MR1: Market risk under STM approach**

HKD'000		(a)
		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	7,775
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	<b>Total</b>	<b>7,775</b>

Decrease in foreign exchange exposures was mainly due to the decrease in the net short position in CNY.

## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

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

##### q. International Claims

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). Only major geographical segment constituting not less than 10% of the Bank's total international claims after taking into account any recognized risk transfer are disclosed.

	Banks HKD'000	Official Sector HKD'000	Non-bank private sector		Total HKD'000
			Non-bank financial institutions HKD'000	Non- financial private sector HKD'000	
June 30, 2023					
Developed Countries	317,346	-	-	-	317,346
Developing Asia and Pacific	965,998	97,141	-	1,591,493	2,654,632
of which: China	714,097	97,141	-	1,591,493	2,402,731

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

The Bank does not have off-balance sheet exposures as of 30 June 2023.

## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

##### s. Loans and advances to customers

##### I. Sector Information

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”.

	As of 30 June 2023	
	Gross loans and advances to customers HK\$'000	% of gross loans and advances covered by collateral or other security
<b>Loans and advances for use in Hong Kong</b>		
Individuals		
- Others	948,303	-

##### II. 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.

30 June 2023	Gross loans and advances to customers HKD'000	Impaired loans and advances to customers HKD'000	Overdue loans and advances to customers HKD'000	Specific provisions HKD'000	Collective provisions HKD'000
Hong Kong	948,303	(4,464)	(3,955)	(3,794)	(9,418)

##### III. Overdue loans

	As at 30 June 2023	
	Gross loans and advances to customers which have been overdue for HKD'000	% of total amount of loans and advances to customers
Overdue more than 3 months but not more than 6 months	3,955	0.42%

##### IV. Rescheduled loans

	As at 30 June 2023	
	Gross loans and advances to customers which have been rescheduled for HKD'000	% of total amount of loans and advances to customers
Rescheduled but not overdue	132	0.01%

## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

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

##### t. Loans and advances to banks

No loans and advances to banks has been overdue as of 30 June 2023. No rescheduled loans and advances to banks as of 30 June 2023.

##### u. Other Assets

	As at 30 June 2023 HKD'000
<u>Loan interest receivable</u>	
Overdue more than 3 months but not more than 6 months	153

	As at 30 June 2023 HKD'000
<u>Loan interest receivable</u>	
Rescheduled but not overdue	1

##### v. Repossessed Assets

No repossessed assets as of 30 June 2023.

##### w. Currency Risk

The Bank is exposed to foreign exchange risk, primarily United States dollar (“USD”) and CNY. The exposure is considered immaterial.

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
<b>As at 30 June 2023</b>		
Spot Assets	233,234	101,731
Spot Liabilities	(253,768)	(103,733)
Forward Purchases	1,077	-
Forward Sales	-	-
Net long/(short) position	(19,457)	(2,002)
Structural Positions	11,685	-

The Bank’s structural FX positions as of 30 Jun 2023 represents CNY investment in subsidiary.



## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

#### 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.

Type of counterparties	As of 30 June 2023		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	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	-	-	-
<b>Total</b>	<b>11,685</b>	<b>-</b>	<b>11,685</b>
Total assets after provision	3,497,555		
On-balance sheet exposures as percentage of total assets	0.33%		

##### y. Assets under security

The Bank does not have any secured liabilities and assets used as security as of 30 June 2023.

## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

#### Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
AI	Authorized Institution
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BI	Basic Indicator
BSC	Basic
CAR	Capital Adequacy Ratio
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CIS	Collective Investment Scheme
CNY	Chinese Renminbi
CRM	Credit Risk Mitigation
CUSIP	Committee on Uniform Securities Identification Procedures
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
DTA	Deferred Tax Asset
ECL	Expected Credit Loss
EL	Expected Loss
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Banks
HKD	Hong Kong Dollar
IAA	Internal Assessment Approach
IMM	Internal Models Method
IRB	Internal Ratings-Based
ISIN	International Securities Identification Number
JCCyB	Jurisdiction Countercyclical Capital Buffer
LAC	Loss-absorbing Capability
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look-through Approach
MBA	Mandate-Based Approach
MSR	Mortgage Servicing Right
OBS	Off-balance Sheet
PFE	Potential Future Exposure
PRC	People's Republic of China
PSE	Public Sector Entity

## FUSION BANK LIMITED

### UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION For the six months ended 30 June 2023

#### Glossary (continued)

<u>Abbreviations</u>	<u>Descriptions</u>
RW	Risk Weight
RWA	Risk Weighted Amount
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)
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Regulatory Capital
the Bank	Fusion Bank Limited
the MA	Hong Kong Monetary Authority
USD	United States Dollar