Fusion Bank

Fusion Bank Limited

REGULATORY DISCLOSURE STATEMENT

For the six months ended 30 June 2025

(UNAUDITED)

FUSION BANK LIMITED

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For the six months ended 30 June 2025

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FUSION BANK LIMITED

REGULATORY DISCLOSURE STATEMENT
For the six months ended 30 June 2025

<u>Introduction</u>

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 ("RWA"), the Bank adopted the Standardized (Credit Risk) Approach ("STC approach") and the Simplified Standardized Approach ("SSTM approach") for credit risk and market risk respectively. For operational risk, the capital requirement is calculated under the Business Indicator Approach ("BI Approach") pursuant to Division 3 of Part 9 of the BCR.

Basis of consolidation

As at 30 June 2025, 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$ 9,166,000 and HK$ 5,189,000 respectively.

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

		(a)	(b)	(c)	(d)	(e)
		As at 30 June 2025	**As at 31 March 2025**	**As at 31 December 2024**	**As at 30 September 2024**	**As at 30 June 2024**
		HKD’000	HKD’000	HKD’000	HKD’000	HKD’000
	Regulatory capital (amount)					
1 & 1a	Common Equity Tier 1 (CET1)	1,443,130	1,477,562	729,652	806,446	862,448
2 & 2a	Tier 1	1,443,130	1,477,562	729,652	806,446	862,448
3 & 3a	Total capital	1,453,532	1,487,693	737,369	816,081	872,862
	RWA (amount)					
4	Total RWA	3,749,952	2,754,280	2,781,364	2,776,093	2,507,445
4a	Total RWA (pre-floor)	3,749,952	2,754,280	Not applicable		
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5 & 5a	CET1 ratio (%)	38.5%	53.6%	26.2%	29.0%	34.4%
5b	CET1 ratio (%) (pre-floor ratio)	38.5%	53.6%	Not applicable		
6 & 6a	Tier 1 ratio (%)	38.5%	53.6%	26.2%	29.0%	34.4%
6b	Tier 1 ratio (%) (pre-floor ratio)	38.5%	53.6%	Not applicable		
7 & 7a	Total capital ratio (%)	38.8%	54.0%	26.5%	29.4%	34.8%
7b	Total capital ratio (%) (pre-floor ratio)	38.8%	54.0%	Not applicable		
	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 (%)	0.4%	0.4%	0.4%	0.8%	0.8%
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 (%)	2.9%	2.9%	2.9%	3.3%	3.3%
12	CET1 available after meeting the AI’s minimum capital requirements (%)[1]	30.8%	46.0%	18.5%	21.4%	26.8%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	12,005,059	9,470,418	8,032,479	7,490,103	7,127,863
13a	LR exposure measure based on mean values of gross assets of SFTs	12,005,059	9,470,418	Not applicable		
14, 14a & 14b	LR (%)	12.0%	15.6%	9.1%	10.8%	12.1%
14c & 14d	LR (%) based on mean values of gross assets of SFTs	12.0%	15.6%	Not applicable		
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institutions only:					
15	Total high quality liquid assets (HQLA)	Not applicable				
16	Total net cash outflows	Not applicable				
17	LCR (%)	Not applicable				
	Applicable to category 2 institutions only:					
17a	LMR (%)[2]	273.5%	206.9%	181.9%	203.2%	216.2%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institutions only:					
18	Total available stable funding	Not applicable				
19	Total required stable funding	Not applicable				
20	NSFR (%)	Not applicable				
	Applicable to category 2A institutions only:					
20a	CFR (%)	Not applicable				

PILLAR 3 DISCLOSURE (CONTINUED)

a. Template KM1: Key Prudential Ratios (continued)

Note 1: 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.

Note 2: 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 LCR, NSFR, and CFR for its liquidity risk.

An increase in total RWA (rows 4 & 4a) and a drop in risk-based regulatory capital ratios (rows 5 & 5a, 5b, 6 & 6a, 6b, 7 & 7a,7b) and CET1 available after meeting the AI’s minimum capital requirements (%) (row 12), were driven by the growth in balance sheet, which has resulted from larger customer deposits. This also led to an increase in LR exposure (rows 13 & 13a) and a decrease in LR (%) (rows 14, 14a, & 14b, 14c & 14d).

Increase in LMR (%) (row 17a) was mainly due to the increase in liquifiable assets driven by increase in customer deposits during the quarter.

PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of risk-weighted assets

The CAR 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: SSTM approach; and
(c) operational risk: BI Approach pursuant to Division 3 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".

PILLAR 3 DISCLOSURE (CONTINUED)

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

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 June 2025	As at 31 March 2025	As at 30 June 2025
		HKD'000	HKD'000	HKD'000
1	Credit risk for non-securitization exposures	3,581,376	2,668,817	286,510
2	Of which STC approach	3,581,376	2,668,817	286,510
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
5a	Of which retail IRB approach	-	-	-
5b	Of which specific risk-weight approach	-	-	-
6	Counterparty credit 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	Not applicable		
12	Collective investment scheme ("CIS") exposures – look-through approach / third-party approach	Not applicable		
13	CIS exposures – mandate-based approach	Not applicable		
14	CIS exposures – fall-back approach	Not applicable		
14a	CIS exposures – combination of approaches	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	63,638	550	5,091
21	Of which STM approach	-	-	-
22	Of which IMA	-	-	-
22a	Of which SSTM approach	63,638	550	5,091
23	Capital charge for moving exposures between trading book and banking book	Not applicable		
24	Operational risk	104,938	84,913	8,395
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Output floor level applied	-	-	
27	Floor adjustment (before application of transitional cap)	-	-	
28	Floor adjustment (after application of transitional cap)	Not applicable		
28a	Deduction to RWA	-	-	-
28b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
28c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
29	**Total**	**3,749,952**	**2,754,280**	**299,996**

Increase in credit risk RWA (rows 1 & 2) was mainly driven by the growth in bank exposures during the quarter.

Increase in market risk RWA (rows 20 & 22a) was mainly due to an increase in investments in financial assets measured at fair value through profit or loss ("FVTPL") during the quarter.

FUSION BANK LIMITED

REGULATORY DISCLOSURE STATEMENT
For the six months ended 30 June 2025

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	3,600,001	(1)
2	Retained earnings	(2,174,210)	(2)
3	Disclosed reserves	34,663	
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**	1,460,454	
	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)	17,324	(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	-	
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**	17,324	
29	**CET1 capital**	1,443,130	

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
	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	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
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)**	1,443,130	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
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)	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	10,402	
51	**Tier 2 capital before regulatory deductions**	10,402	
	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 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 BCR §48(1)(g)	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	10,402	
59	**Total regulatory capital (TC = T1 + T2)**	1,453,532	
60	**Total RWA**	3,749,952	

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**
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	38.48%	
62	**Tier 1 capital ratio**	38.48%	
63	**Total capital ratio**	38.76%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	2.87%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.37%	
67	of which: higher loss absorbency requirement	0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	30.76%	
	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	-	
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	-	

a) Increase in capital (rows 1, 6, 29, 45, 59) and the capital ratios (rows 61, 62, 63, 68) were mainly due to capital injection during the first half of the year.

b) Decrease in retained earnings (row 2) was mainly due to the loss incurred in the first half of the year .

c) Increase in total RWA (row 60) was mainly attributed to a rise in credit risk RWA, please refer to Template CR4 for details.

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)**	**17,324**	**17,324**
	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.		
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)**	-	-
	Explanation For the purpose of determining the total amount of significant 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 19 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 19 (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.		

PILLAR 3 DISCLOSURE (CONTINUED)

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

Notes to the Template (continued)

	Description	Hong Kong basis	Basel III basis
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.		
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)**	-	-
	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 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.		

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.

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 2025 HKD'000	**Under regulatory scope of consolidation** As at 30 June 2025 HKD'000	**Cross reference to note 1(c) (CC1)**
Assets			
Balances with central bank	242,437	242,437	
Placements with and advances to banks	1,723,254	1,720,779	
Investments in debt securities at amortized cost	116,243	116,243	
Financial investments measured at fair value through other comprehensive income ("FVOCI")	8,033,501	8,033,501	
Financial assets measured at FVTPL	202,899	202,899	
Loans and advances	1,585,334	1,585,334	
Right-of-use assets	19,959	18,546	
Property, plant and equipment	19,160	16,534	
Intangible assets	17,324	17,324	(3)
Other deposits and receivables	11,793	11,691	
Prepaid expenses	16,543	16,229	
Deferred tax assets	1,097	-	
Investment in subsidiary	-	11,685	
Total assets	**11,989,544**	**11,993,202**	
Liabilities			
Deposits from customers	10,385,939	10,385,939	
Accruals and other payables	127,274	125,970	
Lease liabilities	22,307	20,839	
Total liabilities	**10,535,520**	**10,532,748**	
Equity			
Share capital	3,600,001	3,600,001	
Of which: amount eligible for CET1	3,600,001	3,600,001	(1)
Of which: amount eligible for AT1	-	-	
Accumulated losses	(2,179,832)	(2,174,210)	(2)
Reserves	33,855	34,663	
Total equity	**1,454,024**	**1,460,454**	

As at 30 June 2025, increase in total assets, total liabilities and total shareholder's equity was mainly driven by capital injection and increase in customer deposits.

The increment in funding led to increase in financial investments measured at FVOCI, financial assets measured at FVTPL and loans and advances, offset by the decrease in investments in debt securities at amortized cost and placements with and advances to banks.

On liabilities side, decrease in accruals and other payables was mainly due to settlement of debt securities purchase payables. Increase in accumulated losses was mainly due to losses incurred in the first half of the year.

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	Not Applicable
5	Basel III rules	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 recognized in regulatory capital (currency in millions, as of most recent reporting date)	HKD3,600million
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	Not applicable
37	If yes, specify non-compliant features	Not applicable

Increase in amount recognized in regulatory capital was due to capital injection during the first half of the year.

[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

PILLAR 3 DISCLOSURE (CONTINUED)

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

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect (%)**	**RWA used in computation of CCyB ratio**	**AI-specific CCyB ratio (%)**	**CCyB amount**
			HK$'000		HK$'000
1	Hong Kong, China	0.5%	1,060,814		
2	South Korea	1%	1,637		
3	Sum		1,062,451		
4	Total		1,446,667	0.37%	13,792

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.

Increase in RWA used in the computation of CCyB ratio mainly due to increase in general corporate exposures and retail 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	11,989,544
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	3,658
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves	Not applicable
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative contracts	-
9	Adjustment for SFTs (i.e. repos and similar secured lending)	-
10	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	29,386
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure	(205)
12	Other adjustments	(17,324)
13	**Leverage ratio exposure measure**	12,005,059

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.

Increase in total consolidated assets as per published financial statements and leverage ratio exposure measure was mainly due to the growth in balance sheet size which was driven by capital injection and increase in customer deposits.

PILLAR 3 DISCLOSURE (CONTINUED)

h. Template LR2: Leverage Ratio

		(a)	(b)
		As at 30 June 2025	**As at 31 March 2025**
		HKD'000	**HKD'000**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	12,008,250	9,475,525
2	Gross-up for derivative contracts collateral provided where deducted from balance sheet assets pursuant to the applicable accounting standard	-	-
3	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
4	Less: Adjustment for securities received under SFTs that are recognized as an asset	-	-
5	Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital	(15,048)	(12,597)
6	Less: Asset amounts deducted in determining Tier 1 capital	(17,324)	(19,001)
7	**Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)**	11,975,878	9,443,927
Exposures arising from derivative contracts			
8	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with all derivative contracts	-	-
10	Less: Exempted CCP leg of client-cleared trade exposures	-	-
11	Adjusted effective notional amount of written credit-related derivative contracts	-	-
12	Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts	-	-
13	**Total exposures arising from derivative contracts (sum of rows 8 to 12)**	-	-
Exposures arising from SFTs			
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total exposures arising from SFTs (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	293,864	266,528
20	Less: Adjustments for conversion to credit equivalent amounts	(264,478)	(239,875)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	(205)	(162)
22	**Off-balance sheet items (sum of rows 19 to 21)**	29,181	26,491
Capital and total exposures			
23	**Tier 1 capital**	1,443,130	1,477,562
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	12,005,059	9,470,418
Leverage ratio			
25 & 25a	**Leverage ratio**	**12.0%**	**15.6%**
26	**Minimum leverage ratio requirement**	**3%**	**3%**
27	**Applicable leverage buffers**	**Not applicable**	
Disclosure of mean values			
28	Mean value of gross assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross amount of SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30 & 30a	Total exposures based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	12,005,059	9,470,418
31 & 31a	Leverage ratio based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	12.0%	15.6%

For the key drivers of increase in on-balance sheet exposures (rows 1, 7), increase in total exposures (row 24) and decrease in Leverage Ratio (row 25 & 25a), please refer to Template KM1 for details.

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.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		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 (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
As at 30 June 2025		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
1	Loans	10,238	1,590,012	14,916	4,810	10,106	-	1,585,334
2	Debt securities	-	8,149,754	10	-	10	-	8,149,744
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	***Total***	10,238	9,739,766	14,926	4,810	10,116	-	9,735,078

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 2025:

		(a)
		Amount HKD'000
1	**Defaulted loans and debt securities at end of the previous reporting period**	3,721
2	Loans and debt securities that have defaulted since the last reporting period	12,240
3	Returned to non-defaulted status	-
4	Amounts written off	(5,661)
5	Other changes	(62)
6	**Defaulted loans and debt securities at end of the current reporting period**	10,238

k. Template CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized Credit Risk Mitigation ("CRM") as at 30 June 2025:

		(a)	(b)	(c)	(d)	(e)
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	786,596	798,738	-	672,523	-
2	Debt securities	7,526,052	623,692	-	623,692	-
3	**Total**	8,312,648	1,422,430	-	1,296,215	-
4	Of which defaulted	118	5,310	-	5,199	-

The increase in credit risk associated with loan exposures (rows 1a, b, d) and debt securities (rows 2a, b, d) is primarily attributable to the growth in loans to non-individual customers and marketable debt securities which are mainly issued by banks and other financial institutions.

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 recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 30 June 2025:

		(a)	(b)	(c)	(d)	(e)	(f)
	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	1,892,616	-	2,565,139	-	47,708	2%
2	Public sector entity exposures	249,700	-	249,700	-	49,940	20%
3	Multilateral development bank exposures	-	-	-	-	-	-
3a	Unspecified multilateral body exposures	-	-	-	-	-	-
4	Bank exposures	6,869,055	-	6,994,724	-	2,020,396	29%
4a	Qualifying non-bank financial institution exposures	-	-	-	-	-	-
5	Eligible covered bond exposures	-	-	-	-	-	-
6	General corporate exposures	1,612,869	-	1,152,235	-	791,085	69%
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	932,798	-	807,130	-	543,009	67%
6b	Specialized lending	-	-	-	-	-	-
7	Equity exposures	11,685	-	11,685	-	29,213	250%
7a	Significant capital investments in commercial entities	-	-	-	-	-	-
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	-	-	-	-	-	-
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	-	-	-	-	-	-
8	Retail exposures	1,087,664	293,437	755,305	29,344	588,487	75%
8a	Exposures arising from IPO financing	-	-	-	-	-	-

PILLAR 3 DISCLOSURE (CONTINUED)

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

		(a)	(b)	(c)	(d)	(e)	(f)
	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
9	Real estate exposures	-	-	-	-	-	-
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9g	Of which: land acquisition, development and construction exposures	-	-	-	-	-	-
10	Defaulted exposures	5,428	324	229	32	392	150%
11	Other exposures	54,155	-	54,155	-	54,155	100%
11a	Cash and gold	43	-	43	-	-	0%
11b	Items in the process of clearing or settlement	-	-	-	-	-	-
12	**Total**	***11,783,215***	***293,761***	***11,783,215***	***29,376***	***3,581,376***	***30%***

The sequence applied to both on-balance sheet and off-balance sheet exposures is: provisioning, credit risk mitigation measures, and CCFs.

The increase in credit risk exposures amount as at 30 June 2025 was mainly due to net effect of the following key drivers:

a) Decrease in sovereign exposures is mainly due to decrease in Exchange Fund Bills held;
b) Increase in bank and general corporate exposures is driven by increase in marketable debt securities held;
c) Increase in retail exposures is mainly due to increase in loans to non-individual customers categorized as small businesses under retail exposures.

PILLAR 3 DISCLOSURE (CONTINUED)

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

HKD'000

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereign exposures	2,326,601	238,538	-	-	-	-	2,565,139

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
2	Public sector entity exposures	-	249,700	-	-	-	-	249,700

		0%	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3	Multilateral development bank exposures	-		-	-	-	-	-	-

		20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3a	Unspecified multilateral body exposures	-	-	-	-	-	-	-

		20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4	Bank exposures	2,782,272	3,211,421	-	1,001,031	-	-	-	-	6,994,724

		20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4a	Qualifying non-bank financial institution exposures	-	-	-	-	-	-	-	-	-

		10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
5	Eligible covered bond exposures	-	-	-	-	-	-	-	-	-

		20%	30%	50%	65%	75%	85%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	General corporate exposures	81,499	-	195,048		708,306	142,342	25,040	-	-	1,152,235
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	81,499	-	70,057		655,574	-	-	-	-	807,130

PILLAR 3 DISCLOSURE (CONTINUED)

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

HKD'000

		20%	50%	75%	80%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6b	Specialized lending	-	-	-	-	-	-	-	-	-

		100%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7	Equity exposures		11,685	-	-	11,685

		250%	400%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
7a	Significant capital investments in commercial entities	-	-	-	-	-

		150%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	-	-	-	-	-

		150%	Other	Total credit exposure amount (post-CCF and post-CRM)
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	-	-	-

		45%	75%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
8	Retail exposures	-	784,649	-	-	784,649

		0%	Other	Total credit exposure amount (post-CCF and post-CRM)
8a	Exposures arising from IPO financing	-	-	-

PILLAR 3 DISCLOSURE (CONTINUED)

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

HKD'000

		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
9	Real estate exposures	-	-	-	-	-	-	-	-	-		-	-	-		-	-	-	-	-	-
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)		-	-	-		-	-	-	-		-	-				-			-	-
9b	Of which: no loan splitting applied		-	-	-		-	-	-	-		-	-				-			-	-
9c	Of which: loan splitting applied (secured)																				
9d	Of which: loan splitting applied (unsecured)																				
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)				-	-		-		-			-				-			-	-
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-		-		-		-	-			-	-		-			-	-	-
9g	Of which: no loan splitting applied	-	-		-		-		-	-			-	-		-			-	-	-
9h	Of which: loan splitting applied (secured)																				
9i	Of which: loan splitting applied (unsecured)																				
9j	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)											-			-			-		-	-
9k	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-		-		-		-				-	-		-			-	-	-
9l	Of which: no loan splitting applied	-	-		-		-		-				-	-		-			-	-	-
9m	Of which: loan splitting applied (secured)																				
9n	Of which: loan splitting applied (unsecured)																				
9o	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)																		-	-	-
9p	Of which: land acquisition, development and construction exposures															-			-	-	-

PILLAR 3 DISCLOSURE (CONTINUED)

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

HKD'000

		50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
10	Defaulted exposures		-	261	-	261

		100%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11	Other exposures	54,155	-	-	54,155

		0%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
11a	Cash and gold	43	-	-	43

		0%	20%	Other	Total credit exposure amount (post-CCF and post-CRM)
11b	Items in the process of clearing or settlement	-	-	-	-

PILLAR 3 DISCLOSURE (CONTINUED)

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

HKD'000

Exposure amounts and CCFs applied to off-balance sheet exposures, categorized based on risk bucket of converted exposures (STC version)

	Risk Weight*	(a)	(b)	(c)	(d)
		On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF*	Exposure (post-CCF and post-CRM)
1	Less than 40%	8,890,074	-	0.0	8,890,074
2	40-70%	1,196,079	-	0.0	1,196,079
3	75%	1,463,611	293,437	0.1	1,492,955
4	85%	142,342	-	0.0	142,342
5	90- 100%	79,195	-	0.0	79,195
6	105-130%	-	-	0.0	-
7	150%	229	324	0.1	261
8	250%	11,685	-	0.0	11,685
9	400%	-	-	0.0	-
10	1,250%	-	-	0.0	-
11	**Total exposures**	**11,783,215**	**293,761**	**0.1**	**11,812,591**

Points to note:
* Weighting is based on off-balance sheet exposure (pre-CCF).

The sequence applied to both on-balance sheet and off-balance sheet exposures is: provisioning, credit risk mitigation measures, and CCFs.

For the key drivers of increase in credit risk exposures amount, please refer to Template CR4 for details.

PILLAR 3 DISCLOSURE (CONTINUED)

n. Counterparty Credit risk

As at 30 June 2025, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

o. Securitization exposures

As at 30 June 2025, the Bank does not have any securitization exposures.

p. Template MR3: Market risk under SSTM approach

		(a)	(b)	(c)	(d)
			Options		
HKD'000		Outright products	Simplified approach	Delta-plus method	Other approach
1	Interest rate exposures (general and specific risk)	5,084	-	-	-
2	Equity exposures (general and specific risk)	-	-	-	-
3	Commodity exposures	-	-	-	-
4	Foreign exchange (including gold) exposures	7	-	-	-
5	Securitization exposures	-			
6	Total	5,091	-	-	-

q. Template ENC: Asset encumbrance

	(a)	(c)	(d)
HKD'000	Encumbered assets	Unencumbered assets	Total
Financial assets	-	10,327,544	10,327,544
Loans and advances	-	1,585,334	1,585,334
Non-financial assets	-	80,324	80,324
Total assets	-	**11,993,202**	**11,993,202**

For the key drivers of movements, please refer to Template CC2 for details.

PILLAR 3 DISCLOSURE (CONTINUED)

r. International Claims

International claims refer 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)29A and MA(BS)29B). Only major geographical segments constituting not less than 10% of the Bank's total international claims after taking into account any recognized risk transfer are disclosed.

			Non-bank private sector		
As at 30 June 2025	Banks HKD'000	Official Sector HKD'000	Non-bank financial institutions HKD'000	Non-financial private sector HKD'000	Total HKD'000
Developed Countries	2,385,778	-	-	-	2,385,778
Developing Asia and Pacific	3,831,474	238,538	29,287	2,616,372	6,715,671
of which: China	2,569,618	238,538	29,287	2,615,927	5,453,370

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

	As at 30 June 2025 HKD’000
Commitments that are unconditionally cancellable without prior notice	293,761
RWA	22,056

PILLAR 3 DISCLOSURE (CONTINUED)

t. 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 at 30 June 2025	Gross loans and advances to customers HKD'000	% of gross loans and advances to customers covered by collateral or other security
Industrial, commercial and financial		
Property development	2,832	90%
Wholesale and retail trade	434,861	67%
Manufacturing	151,096	60%
Transport and transport equipment	84,130	77%
Information technology	19,756	85%
Others	276,366	75%
Individuals		
Others	627,224	0%
Gross loans and advances for use in Hong Kong	1,596,265	42%

The analysis of impaired loans and advances, overdue loans and advances, specific provisions and collective provisions for industry sectors which constitute not less than 10% of the Bank's total amount of loans and advances to customers are disclosed.

As at 30 June 2025	Impaired loans and advances to customers HKD'000	Overdue loans and advances to customers HKD'000	Specific provisions HKD'000	Collective provisions HKD'000
Industrial, commercial and financial				
Wholesale and retail trade	2,960	2,960	627	753
Others	3,539	3,539	750	953
Individuals				
Others	3,416	1,446	3,301	7,756

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 segments constitute 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.

As at 30 June 2025	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	1,596,253	9,915	7,945	4,678	10,005

III. Overdue loans and advances to customers

As at 30 June 2025	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	7,945	0.50%

Of the total overdue loans and advances to customers, 82% are guaranteed under the SME Financing Guarantee Scheme administered by HKMC Insurance Limited. The remaining overdue loans and advances to customers are with no collateral or other credit risk mitigation measures in place.

PILLAR 3 DISCLOSURE (CONTINUED)

t. Loans and advances to customers (continued)

IV. Rescheduled loans and advances

The rescheduled loans and advances to customers (excluding those which have been overdue for over three months and reported in section III above) are disclosed as follows:

As at 30 June 2025	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	1,128	0.07%

u. Loans and advances to banks

No loans and advances to banks have been overdue or rescheduled as at 30 June 2025.

v. Other Assets

As at 30 June 2025	HKD'000
Loan interest receivable	
Overdue more than 3 months but not more than 6 months	309

w. Rescheduled Assets

As at 30 June 2025	HKD'000
Loan interest receivable	
Rescheduled but not overdue	7

x. Repossessed Assets

No repossessed assets as at 30 June 2025.

y. Currency Risk

The Bank is exposed to foreign exchange risk, primarily United States dollar ("USD") and Chinese Renminbi ("RMB"). The exposure is considered immaterial.

The Bank's exposure to foreign currency risk, expressed in Hong Kong dollar, was as follows:

As at 30 June 2025

	RMB HKD'000	USD HKD'000
Spot Assets	669,876	3,780,562
Spot Liabilities	(680,874)	(2,865,187)
Forward Purchases	-	39,642
Forward Sales	(767)	-
Net long/(short) position	(11,765)	955,017
Structural Positions	11,685	-

The Bank's structural FX positions as at 30 June 2025 represents investment in a subsidiary denominated in RMB.

PILLAR 3 DISCLOSURE (CONTINUED)

z. Mainland Activities

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

	As at 30 June 2025		
	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	305,207	-	305,207
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	561,097	-	561,097
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	236,546	-	236,546
Total	1,102,850	-	1,102,850
Total assets after provision	12,045,645		
On-balance sheet exposures as percentage of total assets	9.16%		

aa. Assets under security

The Bank does not have any secured liabilities and assets used as security as at 30 June 2025.

Glossary

Abbreviations	Descriptions
AI	Authorized Institution
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BI	Business 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
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
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
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMA	Internal Models Approach
IMM(CCR)	Internal Models (Counterparty Credit Risk)
IRB	Internal Ratings-Based
ISIN	International Securities Identification Number
JCCyB	Jurisdiction Countercyclical Capital Buffer
LAC	Loss-absorbing Capability
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
MSR	Mortgage Servicing Right
NSFR	Net Stable Funding Ratio

Glossary (continued)

Abbreviations	Descriptions
OBS	Off-balance Sheet
PFE	Potential Future Exposure
PRC	People's Republic of China
RMB	Chinese Renminbi
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)
SSTM	Simplified Standardized
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