



FusionBank
富融銀行

Fusion Bank Limited

Regulatory Disclosure Statement

For the quarter ended

30 September 2020

FUSION BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
Quarter ended 30 September 2020

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FUSION BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

Quarter ended 30 September 2020

Introduction

Purpose

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

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

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

Basis of preparation

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

Basis of consolidation

As of 30 September 2020, the Bank does not have any subsidiaries subject to consolidation in the financial information in this Regulatory Disclosure Statement.

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1. PILLAR 3 DISCLOSURE

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

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

a. Template KM1: Key Prudential Ratios

		As at 30 September 2020	As at 30 June 2020	As at 31 March 2020	As at 31 December 2019	As at 30 September 2019
		HKD'000	HKD'000 ²	HKD'000 ²	HKD'000 ²	HKD'000 ²
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	630,436				
2	Tier 1	630,436				
3	Total capital	630,946				
	RWA (amount)					
4	Total RWA	500,780				
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	125.9%				
6	Tier 1 ratio (%)	125.9%				
7	Total capital ratio (%)	126.0%				
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%				
9	Countercyclical capital buffer requirement (%)	0.0%				
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%				
11	Total AI-specific CET1 buffer requirements (%)	2.5%				
12	CET1 available after meeting the AI's minimum capital requirements (%)	114.0%				
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	753,599				
14	LR (%)	83.7%				
	Liquidity Maintenance Ratio (LMR)					
17a	LMR (%) ¹	596.9%				

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: There is no comparative information available prior to 30 September 2020.

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1. PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of Risk-Weighted Assets (“RWA”)

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

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

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

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1. PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of Risk-Weighted Assets (Continued)

		RWA		Minimum capital requirements
		As at 30 September 2020	As at 30 June 2020	As at 30 September 2020
		HKD'000	HKD'000 ¹	HKD'000
1	Credit risk for non-securitization exposures	215,367		17,229
2	Of which STC approach	215,367		17,229
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	-		-
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	
13	CIS exposures – MBA		Not Applicable	
14	CIS exposures – FBA		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	6,350		508
21	Of which STM approach	6,350		508
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	
24	Operational risk	279,063		22,325
24a	Sovereign concentration risk	-		-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-		-
26	Capital floor adjustment	-		-
26a	Deduction to RWA	-		-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-		-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-		-
27	Total	500,780		40,062

Note 1: There is no comparative information available prior to 30 September 2020.

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1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template LR2: Leverage Ratio

		As at 30 September 2020	As at 30 June 2020
		HKD'000	HKD'000 ¹
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	766,050	
2	Less: Asset amounts deducted in determining Tier 1 capital	(11,941)	
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	754,109	
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	
5	Add-on amounts for PFE associated with all derivative contracts	-	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	
8	Less: Exempted CCP leg of client-cleared trade exposures	-	
9	Adjusted effective notional amount of written credit derivative contracts	-	
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	
11	Total exposures arising from derivative contracts	-	
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	
14	CCR exposure for SFT assets	-	
15	Agent transaction exposures	-	
16	Total exposures arising from SFTs	-	
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	
18	Less: Adjustments for conversion to credit equivalent amounts	-	
19	Off-balance sheet items	-	
Capital and total exposures			
20	Tier 1 capital	630,436	
20a	Total exposures before adjustments for specific and collective provisions	754,109	
20b	Adjustments for specific and collective provisions	(510)	
21	Total exposures after adjustments for specific and collective provisions	753,599	
Leverage ratio			
22	Leverage ratio	83.7%	

Note 1: There is no comparative information available prior to 30 September 2020.

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Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
BSC	Basic Approach
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
FBA	Fall-back Approach
G-SIB	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IRB	Internal Ratings-Based
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look-through Approach
MBA	Mandate-based Approach
NSFR	Net Stable Funding Ratio
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)