

Fusion Bank

Fusion Bank Limited

REGULATORY DISCLOSURE STATEMENT

**For the quarter ended
30 September 2025**

(UNAUDITED)



FUSION BANK LIMITED

REGULATORY DISCLOSURE STATEMENT
For the quarter ended 30 September 2025

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FUSION BANK LIMITED

REGULATORY DISCLOSURE STATEMENT For the quarter ended 30 September 2025

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 (“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 September 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\$ 10,553,000 and HK\$ 6,621,000 respectively.

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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 September 2025	As at 30 June 2025	As at 31 March 2025	As at 31 December 2024	As at 30 September 2024
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	Regulatory capital (amount)					
1 & 1a	Common Equity Tier 1 (CET1)	1,381,631	1,443,130	1,477,562	729,652	806,446
2 & 2a	Tier 1	1,381,631	1,443,130	1,477,562	729,652	806,446
3 & 3a	Total capital	1,392,453	1,453,532	1,487,693	737,369	816,081
	RWA (amount)					
4	Total RWA	4,442,192	3,749,952	2,754,280	2,781,364	2,776,093
4a	Total RWA (pre-floor)	4,442,192	3,749,952	2,754,280	Not applicable	
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5 & 5a	CET1 ratio (%)	31.1%	38.5%	53.6%	26.2%	29.0%
5b	CET1 ratio (%) (pre-floor ratio)	31.1%	38.5%	53.6%	Not applicable	
6 & 6a	Tier 1 ratio (%)	31.1%	38.5%	53.6%	26.2%	29.0%
6b	Tier 1 ratio (%) (pre-floor ratio)	31.1%	38.5%	53.6%	Not applicable	
7 & 7a	Total capital ratio (%)	31.3%	38.8%	54.0%	26.5%	29.4%
7b	Total capital ratio (%) (pre-floor ratio)	31.3%	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%	0.4%	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%	2.9%	3.3%
12	CET1 available after meeting the AI's minimum capital requirements (%) ¹	23.3%	30.8%	46.0%	18.5%	21.4%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	14,167,803	12,005,059	9,470,418	8,032,479	7,490,103
13a	LR exposure measure based on mean values of gross assets of SFTs	14,167,803	12,005,059	9,470,418	Not applicable	
14, 14a & 14b	LR (%)	9.8%	12.0%	15.6%	9.1%	10.8%
14c & 14d	LR (%) based on mean values of gross assets of SFTs	9.8%	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	247.5%	273.5%	206.9%	181.9%	203.2%
	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				

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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) was 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).

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

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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".

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PILLAR 3 DISCLOSURE (CONTINUED)

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

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 September 2025	As at 30 June 2025	As at 30 September 2025
		HKD'000	HKD'000	HKD'000
1	Credit risk for non-securitization exposures	4,211,931	3,581,376	336,954
2	Of which STC approach	4,211,931	3,581,376	336,954
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	63,423	Not applicable	5,074
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	44,588	63,638	3,567
21	Of which STM approach	-	-	-
22	Of which IMA	-	-	-
22a	Of which SSTM approach	44,588	63,638	3,567
23	Capital charge for moving exposures between trading book and banking book	Not applicable		
24	Operational risk	122,250	104,938	9,780
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	4,442,192	3,749,952	355,375

Increase in total RWA (row 29) was primarily attributed to a rise in credit risk RWA (rows 1, 2), which was mainly driven by increase in marketable debt securities held and the growth in customer loans during the quarter.

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PILLAR 3 DISCLOSURE (CONTINUED)

c. Template LR2: Leverage Ratio

		(a)	(b)
		As at 30 September 2025	As at 30 June 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)	14,170,367	12,008,250
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	(17,821)	(15,048)
6	Less: Asset amounts deducted in determining Tier 1 capital	(15,680)	(17,324)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)	14,136,866	11,975,878
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	310,902	293,864
20	Less: Adjustments for conversion to credit equivalent amounts	(279,812)	(264,478)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	(153)	(205)
22	Off-balance sheet items (sum of rows 19 to 21)	30,937	29,181
Capital and total exposures			
23	Tier 1 capital	1,381,631	1,443,130
24	Total exposures (sum of rows 7, 13, 18 and 22)	14,167,803	12,005,059
Leverage ratio			
25 & 25a	Leverage ratio	9.8%	12.0%
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 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)	14,167,803	12,005,059
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)	9.8%	12.0%

For the key drivers of increase in on-balance sheet exposures (rows 1, 7) and increase in total exposures (rows 24, 30 & 30a), please refer to Template KM1 for details.

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Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
AI	Authorized Institution
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BI	Business Indicator
BSC	Basic
CAR	Capital Adequacy Ratio
CCP	Central Counterparty
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
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
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
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
the Bank	Fusion Bank Limited
the MA	Hong Kong Monetary Authority