

# **Advance Finance Public Company Limited**

Financial statements for the year ended  
31 December 2020  
and  
Independent Auditor's Report



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## Independent Auditor's Report

### To the Shareholders of Advance Finance Public Company Limited

#### *Opinion*

I have audited the financial statements of Advance Finance Public Company Limited (the “Company”), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the regulations of the Bank of Thailand.

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made. ✎



### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs and the regulations of the Bank of Thailand, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. #



I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

*Thitima P.*

(Thitima Pongchaiyong)  
Certified Public Accountant  
Registration No. 10728

KPMG Phoomchai Audit Ltd.  
Bangkok  
19 February 2021

# Advance Finance Public Company Limited

## Statement of financial position

Assets	Note	31 December	
		2020	2019
		(in Baht)	
Cash		-	30,000
Intercompany and money market items, net	9	2,660,831,687	2,983,612,012
Financial assets measured at fair value through profit or loss	10	352,478,910	-
Investments, net	11	4,472,723,690	42,650,000
Loans to customers and accrued interest receivables, net	12, 15	4,303,301,530	4,787,064,394
Properties for sale, net	16	286,050,348	169,135,280
Leasehold improvement and equipment, net	17	9,600,204	14,501,601
Right-of-use assets, net	30	9,512,818	-
Intangible assets, net	18, 29	12,059,591	29,912,505
Deferred tax assets	38	6,172,435	9,841,798
Receivable from Legal Execution Department		34,030,850	19,932,050
Other assets	19	20,072,406	6,673,617
<b>Total assets</b>		<b>12,166,834,469</b>	<b>8,063,353,257</b>




บริษัทเงินทุน แอ็ดวานซ์ จำกัด (มหาชน)  
Advance Finance Public Company Limited



The accompanying notes form an integral part of the financial statements.

# Advance Finance Public Company Limited

## Statement of financial position

Liabilities and equity	Note	31 December	
		2020	2019
		<i>(in Baht)</i>	
<b>Liabilities</b>			
Deposits	20, 29	5,549,225,666	5,735,861,808
Intercompany and money market items	21	4,977,418,976	730,137,449
Accrued interest payable	29	29,922,397	13,705,989
Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency payable		7,982,337	9,984,346
Provisions	22	19,891,072	21,636,477
Other liabilities	23	28,605,168	10,243,734
<b>Total liabilities</b>		<b>10,613,045,616</b>	<b>6,521,569,803</b>
<b>Equity</b>			
Share capital			
Authorised share capital (1,250,000,000 ordinary shares, par value at Baht 1 per share)		1,250,000,000	1,250,000,000
Issued and paid-up share capital (1,250,000,000 ordinary shares, par value at Baht 1 per share)		1,250,000,000	1,250,000,000
Other reserves		6,027,973	504,977
Retained earnings			
Appropriated			
Legal reserve	26	30,020,568	28,093,568
Unappropriated		267,740,312	263,184,909
<b>Total equity</b>		<b>1,553,788,853</b>	<b>1,541,783,454</b>
<b>Total liabilities and equity</b>		<b>12,166,834,469</b>	<b>8,063,353,257</b>

The accompanying notes form an integral part of the financial statements.

**Advance Finance Public Company Limited**  
**Statements of profit or loss and other comprehensive income**

	Note	Year ended 31 December	
		2020	2019
		<i>(in Baht)</i>	
Interest income	29, 32	406,771,594	335,957,035
Interest expense	29, 33	111,476,407	131,621,166
<b>Net interest income</b>		<b>295,295,187</b>	<b>204,335,869</b>
Fees and service income	34	1,905,185	19,177,243
<b>Net fees and service income</b>		<b>1,905,185</b>	<b>19,177,243</b>
Net loss on financial instruments measured at fair value through profit or loss	35	(19,842,120)	-
Net (loss) gain on investments	36	(1,174,301)	3,858,340
Dividend income		11,596,587	7,361,219
Other operating income		3,801,213	777,142
<b>Total operating income</b>		<b>291,581,751</b>	<b>235,509,813</b>
Other operating expenses			
Employee expenses	29	82,183,567	105,209,013
Directors' remuneration	29	4,398,021	3,952,156
Premises and equipment expenses		20,457,948	21,199,806
Taxes and duties		12,791,632	12,859,720
Loss on disposal of properties for sale		967,227	4,624,943
Others		40,208,310	22,381,414
<b>Total other operating expenses</b>		<b>161,006,705</b>	<b>170,227,052</b>
Expected credit loss <i>(2019: Bad debt, doubtful accounts and loss on impairment)</i>	37	82,160,983	10,067,086
<b>Profit from operating before income tax expense</b>		<b>48,414,063</b>	<b>55,215,675</b>
Tax expense	38	9,885,452	10,492,581
<b>Net profit</b>		<b>38,528,611</b>	<b>44,723,094</b>

The accompanying notes form an integral part of the financial statements.

**Advance Finance Public Company Limited**  
**Statements of profit or loss and other comprehensive income**

	Note	Year ended 31 December	
		2020	2019
		<i>(in Baht)</i>	
<b>Other comprehensive income (loss)</b>			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains on investments in debt instruments at fair value through other comprehensive income		7,534,966	-
Gains on remeasuring available-for-sale investments	11.2	-	7,140,955
Income tax relating to components of other comprehensive income (loss) will be reclassified subsequently to profit or loss	38	<u>(1,506,993)</u>	<u>(1,428,191)</u>
		<u><b>6,027,973</b></u>	<u><b>5,712,764</b></u>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains (losses) on defined benefit plans	22	4,939,338	(4,578,172)
Income tax relating to components of other comprehensive income (loss) will not be reclassified subsequently to profit or loss	38	<u>(987,868)</u>	<u>915,635</u>
		<u><b>3,951,470</b></u>	<u><b>(3,662,537)</b></u>
<b>Total other comprehensive income, net of income tax</b>		<u><b>9,979,443</b></u>	<u><b>2,050,227</b></u>
<b>Total comprehensive income</b>		<u><u><b>48,508,054</b></u></u>	<u><u><b>46,773,321</b></u></u>
<b>Basic earnings per share</b>	39	<u><u><b>0.03</b></u></u>	<u><u><b>0.04</b></u></u>

The accompanying notes form an integral part of the financial statements.



## Advance Finance Public Company Limited

### Statement of changes in equity

		Other reserves	Retained earnings			
		(Losses) gains on measurement of available-for-sale investments	Legal reserve <i>(in Baht)</i>	Unappropriated	Total	
	<i>Note</i>	Issued and paid-up share capital				
<b>Year ended 31 December 2019</b>						
<b>Balance at 1 January 2019</b>		<b>1,250,000,000</b>	<b>(5,207,787)</b>	<b>25,856,568</b>	<b>249,361,352</b>	<b>1,520,010,133</b>
Dividend paid	27	-	-	-	(25,000,000)	(25,000,000)
Net profit		-	-	-	44,723,094	44,723,094
Other comprehensive income (loss)		-	5,712,764	-	(3,662,537)	2,050,227
<b>Total comprehensive income</b>		<b>-</b>	<b>5,712,764</b>	<b>-</b>	<b>41,060,557</b>	<b>46,773,321</b>
Transfer to legal reserve		-	-	2,237,000	(2,237,000)	-
<b>Balance at 31 December 2019</b>		<b>1,250,000,000</b>	<b>504,977</b>	<b>28,093,568</b>	<b>263,184,909</b>	<b>1,541,783,454</b>

The accompanying notes form an integral part of the financial statements.

## Advance Finance Public Company Limited

### Statement of changes in equity

	Note	Other reserves			Retained earnings		Total
		Issued and paid-up share capital	Gains (losses) on measurement of available-for-sale investments	Gains on investments in debt instruments at fair value through other comprehensive income	Legal reserve	Unappropriated	
<i>(in Baht)</i>							
<b>Year ended 31 December 2020</b>							
Balance at 31 December 2019 - as reported		1,250,000,000	504,977	-	28,093,568	263,184,909	1,541,783,454
Impact of changes in accounting policies	3	-	(504,977)	-	-	(11,178,040)	(11,683,017)
<b>Balance at 1 January 2020 restated</b>		<b>1,250,000,000</b>	<b>-</b>	<b>-</b>	<b>28,093,568</b>	<b>252,006,869</b>	<b>1,530,100,437</b>
Dividend paid	27	-	-	-	-	(25,000,000)	(25,000,000)
Net profit		-	-	-	-	38,528,611	38,528,611
Other comprehensive income		-	-	6,027,973	-	3,951,470	9,979,443
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>6,027,973</b>	<b>-</b>	<b>42,480,081</b>	<b>48,508,054</b>
Transfer to retained earnings		-	-	-	-	180,362	180,362
Transfer to legal reserve		-	-	-	1,927,000	(1,927,000)	-
<b>Balance at 31 December 2020</b>		<b>1,250,000,000</b>	<b>-</b>	<b>6,027,973</b>	<b>30,020,568</b>	<b>267,740,312</b>	<b>1,553,788,853</b>

The accompanying notes form an integral part of the financial statements.

# Advance Finance Public Company Limited

## Statement of cash flows

		Year ended 31 December	
	Note	2020	2019
		(in Baht)	
<b>Cash flows from operating activities</b>			
Profit from operating before income tax expense		48,414,063	55,215,675
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>			
Depreciation and amortisation	17, 18, 30	10,669,326	8,725,117
Expected credit loss (2019: Bad debt, doubtful accounts and loss on impairment)	37	82,160,983	28,078,713
Net loss on financial instruments	35	19,842,120	-
Net loss (gain) on investments	36	1,174,301	(3,858,340)
Loss on disposal of properties for sale		967,227	4,624,943
Gain on disposal of equipment		(2,279,957)	(741,254)
Loss on write-off of intangible assets	18	23,499,230	-
Employee benefit expense	22	3,318,560	9,330,754
Net interest income		(295,295,187)	(204,335,869)
Dividend income		(11,596,587)	(7,361,219)
Proceeds from interest		269,021,314	340,591,507
Interest paid		(97,168,663)	(141,379,369)
Proceeds from dividend		11,596,587	7,361,219
Income tax paid		(12,054,789)	(15,835,521)
Profit from operating before changes in operating assets and liabilities		52,268,528	80,416,356
<i>(Increase) decrease in operating assets</i>			
Intercompany and money market items		322,625,330	(2,160,410,283)
Loans to customers		520,451,398	419,105,063
Properties for sale		(117,882,295)	(86,866,767)
Receivable from Legal Execution Department		(14,098,800)	(11,364,600)
Other assets		(1,069,303)	1,996,540
<i>Increase (decrease) in operating liabilities</i>			
Deposits		(186,636,142)	359,853,660
Intercompany and money market items		4,247,281,527	544,900,113
Provisions for employee benefits	22	(1,181,110)	(17,569,742)
Other liabilities		8,804,560	(2,838,445)
<b>Net cash from (used in) operating activities</b>		<b>4,830,563,693</b>	<b>(872,778,105)</b>

The accompanying notes form an integral part of the financial statements.

# Advance Finance Public Company Limited

## Statement of cash flows

	Note	Year ended 31 December	
		2020	2019
		<i>(in Baht)</i>	
<b><i>Cash flows from investing activities</i></b>			
Acquisition of equity instruments		(467,395,136)	(1,281,518,779)
Proceeds from sale of equity instruments		137,904,468	1,532,245,907
Acquisition of debt instruments		(5,705,964,712)	(9,747,000,000)
Proceeds from redemption of debt instruments		1,239,045,264	10,400,059,533
Proceeds from reduction of shares in general investment		-	3,000,000
Acquisition of equipment		(128,628)	(7,759,315)
Proceeds from sale of equipment		2,280,000	742,991
Acquisition of intangible assets	18	<u>(7,819,356)</u>	<u>(1,966,364)</u>
<b>Net cash (used in) from investing activities</b>		<b><u>(4,802,078,100)</u></b>	<b><u>897,803,973</u></b>
<b><i>Cash flows from financing activities</i></b>			
Payment of lease liabilities	30	(3,515,593)	-
Dividend paid	27	<u>(25,000,000)</u>	<u>(25,000,000)</u>
<b>Net cash used in financing activities</b>		<b><u>(28,515,593)</u></b>	<b><u>(25,000,000)</u></b>
<b>Net (decrease) increase in cash</b>		<b>(30,000)</b>	<b>25,868</b>
Cash at 1 January		<u>30,000</u>	<u>4,132</u>
<b>Cash at 31 December</b>		<b><u>-</u></b>	<b><u>30,000</u></b>

The accompanying notes form an integral part of the financial statements.

# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

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# Advance Finance Public Company Limited

## Notes to the financial statements

### For the year ended 31 December 2020

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 19 February 2021.

## 1 General information

Advance Finance Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 87/2, 40<sup>th</sup> Floor, CRC Tower, All Seasons Place, Wireless Road, Lumpini, Pathumwan, Bangkok.

The Company registered as a public company limited in accordance with the Public Company Limited Act B.E. 2535 on 26 May 2004 and had been approved by the Ministry of Finance on 20 December 1974. The Company engages in finance business in accordance with the Financial Institutions Business Act B.E. 2551.

The Company’s major shareholders as at 31 December 2020 were The Brooker Group Public Company Limited (10% shareholding), which was incorporated in Thailand, Miss Kantima Pornsriniyom (10% shareholding), Mr. Amorn Saphaweekul (10% shareholding) and Mr. Somphote Ahunai (10% shareholding).

## 2 Basis of preparation of the financial statements

### 2.1 Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”), guidelines promulgated by the Federation of Accounting Professions and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 22/2561 dated 31 October 2018, regarding to *The preparation and announcement of the financial statements of a finance company and a credit foncier company* and other supplementary BoT notifications and BoT circular letter number Tor Por Tor For Nor Sor (23) Wor 276/2563 dated 28 February 2020, regarding to *The relief programs for customers affected by Thai economic situations* and BoT circular letter number Tor Por Tor For Nor Sor (01) Wor 380/2563 dated 26 March 2020, regarding to *The additional relief measures for the customers during COVID-19 pandemic situations*.

New and revised TFRS are effective for annual accounting periods beginning on or after 1 January 2020. The initial application of these new and revised TFRS have resulted in changes in certain of the Company’s accounting policies.

The Company has initially applied TFRS - Financial instruments standards which comprise TFRS 9 *Financial Instruments* and relevant standards and interpretations and TFRS 16 *Leases* and disclosed impact from changes to significant accounting policies in note 3.

In addition, the Company has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. The Company has assessed the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

**Advance Finance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**2.2 Functional and presentation currency**

The financial statements are presented in Thai Baht, which is the Company's functional currency.

**2.3 Use of judgments and estimates**

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

*Judgments*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 4.2.1.2	Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding.
Note 4.22	Leases: <ul style="list-style-type: none"><li>- whether an arrangement contains a lease;</li><li>- whether the Company is reasonably certain to exercise extension options or the Company exercise termination options;</li><li>- whether the Company has transferred substantially all the risks and rewards incidental to the ownership of the assets to lessees.</li></ul>
Note 4.2.1.5 and Note 15	Determining the criteria for assessing if there has been a significant increase in credit risk since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL.

*Assumptions and estimation uncertainties*

Information about assumption and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 4.22	Determining the incremental borrowing rate to measure lease liabilities
Note 15	Impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information
Note 22	Measurement of defined benefit obligations: key actuarial assumptions
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**Advance Finance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**3 Changes in accounting policies**

From 1 January 2020, the Company has initially applied TFRS - Financial Instruments standards and TFRS 16.

	<i>Note</i>	Retained earnings <i>(in Baht)</i>	Other reserves
At 31 December 2019 - as reported		263,184,909	504,977
<i>Increase (decrease) due to:</i>			
Adoption of TFRS - Financial instruments standards			
Classification of financial instruments	3.1.1	631,221	(631,221)
Impairment losses on financial assets and financial liabilities	3.1.2	(11,809,261)	-
Related tax		-	126,244
<b>At 1 January 2020 - restated</b>		<b><u>252,006,869</u></b>	<b><u>-</u></b>

**3.1 TFRS - Financial instruments standards**

The Company has adopted TFRS - Financial Instruments standards by adjusting the cumulative effect to retained earnings and other reserves on 1 January 2020. Therefore, the Company did not adjust the information presented for 2019. The disclosure requirements of TFRS for financial instruments have not generally been applied to comparative information.

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities. The details of accounting policies are disclosed in note 4.2. The impact from adoption of TFRS - Financial instruments standards are as follows:

**3.1.1 Classification and measurement of financial assets and financial liabilities**

TFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification is based on the cash flow characteristics of the financial asset and the business model in which they are managed. However, the Company may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL. TFRS 9 eliminates the previous classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105.

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method. Previously, the Company recognised interest income and interest expenses at the rate specified in the contract.



# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

The following table shows classification of financial assets and financial liabilities under TAS 105 and TFRS 9.

	<b>Classification under TAS 105 at 31 December 2019</b>	<b>Classification under TFRS 9 at 1 January 2020</b>
<b><i>Financial assets</i></b>		
Cash	Amortised cost	Amortised cost
Intercompany and money market items, net	Amortised cost	Amortised cost
Financial assets measured at fair value through profit or loss	-	Fair value through profit or loss
Investments, net		
Available-for-sale equity instruments	Available-for-sale	Fair value through profit or loss
Non-marketable equity instruments	Cost	Fair value through other comprehensive income
Loans to customers and accrued interest receivables, net	Amortised cost	Amortised cost
<b><i>Financial liabilities</i></b>		
Deposits	Amortised cost	Amortised cost
Intercompany and money market items	Amortised cost	Amortised cost
Accrued interest payable	Amortised cost	Amortised cost

### 3.1.2 Impairment

TFRS 9 introduces lifetime expected credit loss (ECL) model whereas previously the Company estimates allowance for doubtful account by analysing payment histories, future expectation of customer payment and compliance with the minimum requirement of BoT regulation. TFRS 9 requires considerable judgment about how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. The new impairment model applies to financial assets at amortised cost; lease receivables and debt instruments measured at FVOCI, except for investments in equity instruments.

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Impact from changes in accounting policies to the Company's financial statements as at 1 January 2020 were as follows.

	At 31 December 2019 as reported	IFRS - Financial instruments standards		TFRS 16 Leases	At 1 January 2020 as restated
		New classification of financial instruments	Impairment losses on financial assets (in Baht)		
<b>Assets</b>					
Cash	30,000	-	-	-	30,000
Intercompany and money market items	2,983,612,012	-	-	-	2,983,612,012
Financial assets measured at fair value through profit or loss	-	40,150,000	-	-	40,150,000
Investments, net					
Available-for-sale equity instruments	40,150,000	(40,150,000)	-	-	-
Non-marketable equity instruments	2,500,000	-	-	-	2,500,000
Loans to customers and accrued interest receivables, net	4,787,064,394	-	(8,697,234)	-	4,778,367,160
Properties for sale, net	169,135,280	-	-	-	169,135,280
Leasehold improvement and equipment, net	14,501,601	-	-	-	14,501,601
Right-of-use assets, net	-	-	-	4,088,252	4,088,252
Intangible assets, net	29,912,505	-	-	-	29,912,505
Deferred tax assets	9,841,798	126,244	-	-	9,968,042
Receivable from Legal Execution Department	19,932,050	-	-	-	19,932,050
Other assets	6,673,617	-	-	-	6,673,617
<b>Total assets</b>	<b>8,063,353,257</b>	<b>126,244</b>	<b>(8,697,234)</b>	<b>4,088,252</b>	<b>8,058,870,519</b>
<b>Liabilities</b>					
Deposits	5,735,861,808	-	-	-	5,735,861,808
Intercompany and money market items	730,137,449	-	-	-	730,137,449
Accrued interest payable	13,705,989	-	-	-	13,705,989
Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency Payable	9,984,346	-	-	-	9,984,346
Provisions	21,636,477	-	3,112,027	-	24,748,504
Other liabilities	10,243,734	-	-	4,088,252	14,331,986
<b>Total liabilities</b>	<b>6,521,569,803</b>	<b>-</b>	<b>3,112,027</b>	<b>4,088,252</b>	<b>6,528,770,082</b>
<b>Equity</b>					
Issued and paid-up share capital	1,250,000,000	-	-	-	1,250,000,000
Other reserves	504,977	(504,977)	-	-	-
Retained earnings - legal reserve	28,093,568	-	-	-	28,093,568
Retained earnings - unappropriated	263,184,909	631,221	(11,809,261)	-	252,006,869
<b>Total equity</b>	<b>1,541,783,454</b>	<b>126,244</b>	<b>(11,809,261)</b>	<b>-</b>	<b>1,530,100,437</b>
<b>Total liabilities and equity</b>	<b>8,063,353,257</b>	<b>126,244</b>	<b>(8,697,234)</b>	<b>4,088,252</b>	<b>8,058,870,519</b>

# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

### 3.2 TFRS 16 Leases

From 1 January 2020, the Company has initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 *Leases* and TFRIC 4 *Determining whether an arrangement contains a lease* using the modified retrospective approach.

Previously, the Company, as a lessee, recognised payments made under operating leases in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Company assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Company allocates the consideration in the contract based on stand-alone selling price. As at 1 January 2020, the Company recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Company recognised depreciation of right-of-use assets and interest expense on lease liabilities.

#### *Impact from the adoption of TFRS 16*

	<i>(in Baht)</i>
<b>At 1 January 2020</b>	
Increase in right-of-use assets	4,088,252
Increase in lease liabilities	4,088,252

#### *Measurement of lease liability*

Operating lease commitment as disclosed at 31 December 2019	9,699,456
Less service agreements	(5,758,210)
Less VAT on lease agreements	(54,600)
Additional lease liabilities at 1 January 2020	340,000
Total undiscounted lease liabilities at 1 January 2020	4,226,646
Less deferred interest expense	(138,394)
<b>Lease liabilities recognised at 1 January 2020</b>	<b>4,088,252</b>

Weighted-average incremental borrowing rate ( <i>% per annum</i> )	2.67 - 7.00
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## 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3.

### 4.1 Cash

Cash comprises cash in hand.

### 4.2 Financial instruments

#### *4.2.1 Accounting policies applicable from 1 January 2020*

##### *4.2.1.1 Recognition and initial measurement*

The Company initially recognises loans to customers and deposits when they are originated. All other financial instruments are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets or financial liabilities that are not measured at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issuance.

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*4.2.1.2 Classification and subsequent measurement*

*Financial assets - classification*

On initial recognition, a financial asset is classified as measured at: amortised cost (AMC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified prospectively from the reclassification date.

A financial asset is measured at AMC if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets - business model assessment*

The Company makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

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## Notes to the financial statements

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- how investment managers are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets - assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment,

'Principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Company considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

*Financial assets - subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gain and loss, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, and impairment are recognised in profit or loss. Other net gain and loss are recognised in OCI. On derecognition, gain and loss accumulated in OCI are reclassified to profit or loss.

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Equity investments at  
FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gain and loss are recognised in OCI and are never reclassified to profit or loss.

*Financial liabilities - classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gain and loss, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*4.2.1.3 Derecognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of investments in equity instruments designated at FVOCI is not recognised in profit or loss on derecognition of such instruments. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

*4.2.1.4 Modifications of financial assets and financial liabilities*

*Financial assets*

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

*Financial liabilities*

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. The consideration paid includes any non-cash assets transferred and new liabilities assumed.

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If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

*4.2.1.5 Impairment of financial assets*

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables; and
- loan commitments issued

No impairment loss is recognised on investments in equity instruments.

*Measurement of ECL*

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset or undrawn commitment. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that are expected to be received over the contractual life of the instrument.

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information. This includes forward-looking information.

Estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD).

Forward-looking macro-economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they have been identified to influence credit risk, such as GDP growth rates, interest rates and housing price indices. These assumptions are determined using all reasonable and supportable information, which includes both available internal and external information and are consistent with those used for financial and capital planning.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Company is exposed to credit risk, except in the case of certain revolving facilities for which a behavioral life is estimated.

The estimation of expected cash shortfalls on collateralised financial instruments reflects the expected amount and timing of cash flows from foreclosure of the collateral less the costs of obtaining and selling the collateral, regardless of whether the foreclosure is deemed probable or not.



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Cash shortfalls are discounted using the initial effective interest rate of these financial instruments.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

In order to assess the expected credit loss, models are developed based on historical repayment, default information and other information indicating default risk behavior.

In case that the models cannot capture the risk, the management overlay principle, covering industry, model and other risks, will be applied.

*Staging*

For ECL recognition, financial assets are classified in any of the below 3 stages at each reporting date. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

*Stage 1: Financial assets that have not had a significant increase in credit risk*

Financial assets that have not had a significant increase in credit risk (SICR) since initial recognition (i.e. no stage 2 or 3 triggers apply) or debt instruments that are considered to have low credit risk at each reporting date. The provision for ECL is 12-month ECL. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

*Stage 2: Financial assets have a SICR*

When financial assets have a SICR since initial recognition, expected credit losses are recognised for possible default events over the lifetime of the financial assets. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Financial assets can be transferred to stage 1 in case they have proven that their ability to repay are back to normal.

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*Stage 3: Financial assets that are credit-impaired*

Financial assets that are credit-impaired or in default represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the customers are unlikely to repay on the occurrence of one or more observable events that have a negative impact on the estimated future cash flows of the financial assets.

Expected credit losses of credit-impaired financial assets are determined based on the difference between the present value of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate, discounted with the financial assets' original effective interest rate, and the gross carrying amount of the financial assets prior to any credit impairments.

Financial assets that are credit-impaired require a lifetime provision.

*Improvement in credit risk*

A period may elapse from the point at which instruments enter stage 2 or stage 3 and are reclassified back to stage 1.

For financial assets that are credit-impaired (stage 3), and have not been subject to modification, a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, these factors must be resolved or operating results must be met by the conditions set by the Company before loans are reclassified to stage 1.

*Presentation of allowance for ECL in the statement of financial position*

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the other reserves.

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*Write-offs of credit-impaired instruments and reversal of impairment*

To the extent a financial instrument is considered irrecoverable, the applicable portion of the gross carrying amount is written off against the related loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the expected credit loss in profit or loss.

If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised, such as an improvement in the debtor's credit rating, the previously recognised credit impairment loss is reversed by adjusting the expected credit loss account. The amount of the reversal is recognised in profit or loss.

**4.2.2 Accounting policies applicable before 1 January 2020**

**4.2.2.1 Investments**

*Investments in other debt and equity securities*

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses on monetary items, are recognised directly in equity. Impairment losses are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of financial instruments for available-for-sale is determined as the quoted bid price at the reporting date.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

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*Impairment*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale investments has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

*Reversal of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For availablefor-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

*4.2.2.2 Loans to customers*

Loans to customers are stated exclusive of accrued interest receivables.

*4.2.2.3 Allowance for doubtful accounts*

The Company provides allowance for doubtful account in accordance with the BoT's notifications based on an evaluation of the current status of each customer, taking into consideration the recovery risk and the value of collateral.

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Minimum requirement of allowance for doubtful accounts is determined based on the BoT's notification dated 10 June 2016, "*Classification and allowance criteria of the financial institution*". The Company classified their loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowance for doubtful accounts is based on the BoT's minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts will be set at 100 percent for the difference between the outstanding book value of the debt and the present value of future cash flows expected to be received or the expected proceeds from the disposal of collateral in accordance with the BoT's regulations. The discount interest rate and the period of collateral disposal are set with reference to BoT's notifications.

In addition, the Company set up allowance for doubtful accounts in regard to Possible Impaired Loan. The allowance is based on a rate of 1.2% of performing loans, except in case where analysis of historic payment patterns indicates a different rate for particular categories of customer.

Any additional allowance for doubtful accounts is charged to bad debt and doubtful accounts in profit or loss.

The Company writes-off bad debts against the allowance for doubtful accounts for the uncollectible amounts.

Bad debt recovery is recognised as income and presented net of bad debt and doubtful accounts in profit or loss.

#### 4.2.2.4 *Troubled debt restructuring*

The Company records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard No. 104 (revised 2016) *Accounting for Troubled Debt Restructuring*. If an repayment of debt is received through the transfer of property, financial instruments, or equity in the debtor is received as a result of a debt to equity swap, the Company records the assets received at their fair value net of estimated disposal expenses not exceeding the carrying value of debt and unearned interest to which the Company is legally entitled. Losses arising from differences between the carrying value of debt and the fair value of the assets are recorded in profit or loss, taking into account existing allowance for doubtful accounts.

Where restructuring a loan involves modification of its terms, the Company will record the loss arising from the calculation of the present value of the future cash flows expected to be received from those customers by using the Minimum Loan Rate (MLR) at the time of restructuring in discounting. The difference between the present value of the future cash flows expected to be received and the outstanding balances of loans is recorded as a loss from restructuring in profit or loss.

Losses from troubled debt restructuring arising from reductions of principal and accrued interest of overdue debt amount and the various methods of debt restructuring as modification of its terms, transfer of assets etc. are recognised as expense in profit or loss.

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**4.3 *Securities purchased under resale agreements/Securities sold under repurchase agreements***

The Company enters into agreements to purchase securities or to sell securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of “Intercompany and money market items, net (assets)” in the statement of financial position, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of “Intercompany and money market items (liabilities)” in the statement of financial position, at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The difference between the purchase and sale considerations is recognised as interest income or expenses, as the case may be, over the transaction periods.

**4.4 *Properties for sale***

Properties for sale are measured at the lower of fair value at the acquisition date or the amount of the legal claim on the related debt, including interest receivables. The fair value is estimated by using the latest appraisal value after deduction of estimated disposal expenses. The assets bought from Legal Execution Department’s public auction are recognised at purchase price plus transfer costs, less expected direct selling expenses.

Loss on impairment is charged to profit or loss. Gain or loss on disposal of properties for sale are recognised as other operating income or expense upon disposal.

**4.5 *Leasehold improvement and equipment***

*Recognition and measurement*

*Owned assets*

Leasehold improvement and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold improvement and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold improvement and equipment.

Any gains and losses on disposal of items of leasehold improvement and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold improvement and equipment, and are recognised in profit or loss.

*Subsequent costs*

The cost of replacing a part of an item of leasehold improvement and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold improvement and equipment are recognised in profit or loss as incurred.

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## Notes to the financial statements

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### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of leasehold improvement and equipment. The estimated useful lives are as follows:

Leasehold improvement	5 years
Computer and equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

No depreciation is provided on assets under installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **4.6 Intangible assets**

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for software licenses in the current year and comparative year are 5 years.

No amortisation is provided on assets under installation.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **4.7 Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

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*Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

Impairment losses recognised in prior year in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**4.8 Employee benefits**

*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

*Defined benefit plans*

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Company determines the interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Termination benefits*

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.



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### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **4.9 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **4.10 Fair value measurement**

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

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If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**4.11 Interest**

**4.11.1 Accounting policies applicable from 1 January 2020**

***Effective interest rate***

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the AMC of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit loss.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The gross carrying amount of a financial asset is the AMC of a financial asset before adjusting for any expected credit loss allowance.

***Calculation of interest income and expense***

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial asset that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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**4.11.2 Accounting policies applicable before 1 January 2020**

*Interest income and discount income from loans to customers*

Interest income on loans is recognised over term of the loans based on the amount of principal outstanding. Interest and discount income on loans are generally recognised on an accrual basis. In accordance with the BoT's regulations, interest in arrears for more than 3 months, regardless of whether the loans are covered by collateral, are not accrued but is instead recognised as income on a cash basis.

The Company has reversed accrued interest income on loans which have been recognised as income, for interest in arrears more than 3 months, in accordance with the BoT's regulations.

*Interest income and dividend income on investments*

Interest income on investment is recognised on an accrual basis. Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established.

**4.12 Fees and service income**

**4.12.1 Accounting policies applicable from 1 January 2020**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and service income are recognised when a customer obtains control of the services in an amount that reflects the consideration to which the Company expects to be entitled to. In addition, judgment is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time.

**4.12.2 Accounting policies applicable before 1 January 2020**

Other fee and service income are recognised when a customer obtains control of the services in an amount that reflects the consideration to which the Company expects to be entitled to. In addition, judgment is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time.

**4.13 Dividend income**

Dividend income is recognised in profit or loss on the date the Company's right to receive income is established.

**4.14 Net loss on financial instruments measured at FVTPL**

Net loss on financial instruments comprises gains less losses related to trading, fair value measurement or transfer of financial assets measured at FVTPL.

**4.15 Contributions to Deposit Protection Agency and Financial Institutions Development Fund**

Contributions to the Deposit Protection Agency and Financial Institutions Development Fund are recorded as expenses on an accrual basis.

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**4.16 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**4.17 Loan commitments**

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

**4.18 Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**4.19 Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding.

**4.20 Related parties**

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Company; a person or entity that are under common control or under the same significant influence as the Company; or the Company has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

**4.21 Segment reporting**

Segment results that are reported to the Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**4.22 Leases**

**4.22.1 Accounting policies applicable from 1 January 2020**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company incremental borrowing rate. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under a residual value guarantee.

The lease payment is measured at AMC using the effective interest method. The lease liability is remeasured when there is a change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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**4.22.2 Accounting policies applicable before 1 January 2020**

Assets held under other leases were classified as operating leases and lease payments are recognised in profit or loss on a straight-line basis over the term of the lease.

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

**5 Impact of COVID-19 Outbreak**

As a result of the COVID-19 having a widespread impact on all business sectors and customer segments across Thailand, BoT has issued a series of measures, covering payment moratoriums, government guarantees as well as a loan payment holiday to get bank help affected borrowers and industries that are encountering short-term cash flow problems to resume repayment ability at the end. In relation to financial reporting, key concerns are on the application of forward-looking information and pro-cyclicality effect from applying TFRS 9 ECL provisioning concept.

Under the COVID-19 related circular, the BoT announced to support financial institution to proactively reschedule and restructure with the affected borrowers (both pre-emptive and trouble debt restructuring). Furthermore, BoT announced relief measures for financial institutions to classify loan's staging between 1 January 2020 to 31 December 2021 as follows:

- Non-NPL customer as of 1 January 2020 can be classified as performing or stage 1 immediately if the Company believes that such customer can perform according to the restructuring plans.
- NPL customers as of 1 January 2019 can be classified as performing, or stage 1, immediately if they can adhere to repayment schedule specified in the restructuring plans for 3 consecutive months or 3 consecutive periods, whichever is longer.

**6 Financial risk management**

*Risk management framework*

Risk Management is an important basis for financial institution business. The purpose of risk management is to enable the Company to manage and maintain risk management at the target and acceptable level in accordance with the rules of the BoT and corporate governance.

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Oversight Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

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Risk Oversight Committee is in-charge of managing overall risks of the Company by planning, reviewing and monitoring risk management strategies to maintain a balance between risks and return. Principally, the Company's risk management strategies consist of (1) risk identification, (2) risk assessment, (3) risk monitoring, (4) risk control in order to manage risks at a proper level in accordance with good governance. Other consolidating committees, e.g. Asset and Liability Management Committee (ALCO), Credit Committee, Debt Restructuring Committee and Operational Risk Working Group were also formed to be responsible for each specific risk to ensure the Company's risk management efficiency.

**6.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally granting loans.

*Credit policies/Framework*

Under credit risk management policies and framework, the Company monitors and controls credit risk by implementing appropriate risk analysis processes for credit transaction according to types of credit. Credit Risk Management Department under Credit Risk Group which is an independent department is responsible to identify and assess risk relating to aforementioned credit transaction. The Company sets up Credit Committee, an authority assigned for credit decision, credit limit approval or contractual obligation and appropriate return and interest rate. The Credit Committee also control the credit risk by diversifying such risk to each corporate and retail customer under the specified risk ceiling and monitor credit quality of loans to be in accordance with the Company's policies.

For the "loans" item shown in the statement of financial position, the Company's maximum credit loss is the carrying amount of net loans after deduction of applicable allowance for losses without considering the value of collateral. In addition, credit risk may arise from off-financial reporting items relating to other guarantees.

*Credit approval process*

In the credit approval process, the Company prudently focuses on the customer's ability to repay by considering loan objectives and stipulate to obtain sufficient and appropriate collateral as a means of mitigating the risk of financial losses from failure to meet the contractual obligations. The Company also has processes for regularly reviewing customers' credit including credit quality control to minimise non-performing loan. For non-performing loans (NPL), the Company has closely and continuously monitored, resolved and/or restructured them to retain maximum benefits for the Company.

*Credit review process*

The Company has established Credit Review unit, an independent unit from Lending department, Debt Restructuring unit and Appraisal department, where the responsibility is to perform individual credit reviews to ensure that the credit process approval, credit monitoring, debt restructuring and classification and provision process are effectively conducted in accordance with policies and procedures, and in compliance with the regulatory requirements.

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**6.1.1 Exposure to credit risk**

The following table provides information about the exposure to credit risk and expected credit loss for loans to customers without taking into account of any collateral held or other credit enhancements.

	Stage 1	Stage 2	2020 Stage 3 (in Baht)	Total
<b>Loans to customers</b>				
Gross carrying amount				
Stage 1	2,711,212,485	-	-	2,711,212,485
Stage 2	-	411,323,913	-	411,323,913
Stage 3	-	-	1,394,338,886	1,394,338,886
Less allowance for expected credit loss	<u>(28,071,192)</u>	<u>(11,387,579)</u>	<u>(174,114,983)</u>	<u>(213,573,754)</u>
<b>Carrying amount</b>	<b><u>2,683,141,293</u></b>	<b><u>399,936,334</u></b>	<b><u>1,220,223,903</u></b>	<b><u>4,303,301,530</u></b>

Exposure to credit risk of investments in debt instruments measured at FVOCI as at 31 December 2020. The analysis has been based on Fitch Ratings (Thailand) Limited and Tris Rating Co., Ltd. which provide same credit rating.

	Stage 1	Stage 2	2020 Stage 3 (in Baht)	Total
<b>Government bonds</b>				
Rated BBB+	4,057,002,067	-	-	4,057,002,067
<b>Corporate bonds</b>				
Rated AA- to AA+	81,394,902	-	-	81,394,902
Rated A- to A+	334,326,721	-	-	334,326,721

**6.1.2 Collateral held and other credit enhancements**

Beside from consideration of ability to repay, the Company also focus on types and value of collateral pledged a guarantee for the loans to alleviate loss to the Company in the case of default. Movable or immovable collaterals' appraisal value are reviewed in accordance with the Company's policies and requirement by the Bank of Thailand. Type of collaterals consist of deposits, marketable equity instruments, immovable property, vehicles, machines and etc. The Company sets a frequency for reviewing the value of each type of collateral by using independent appraisers who are qualified as professionals and have appropriate experience and approved by the Securities and Exchange Commission to be an appraiser. The appraisal report contains a clear and sufficient information and analysis for the price determination of the Asset Appraisal Committee of the Company.



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The following table sets out the principal types of collateral held against different types of financial assets as at 31 December 2020.

Type of credit exposure	Note	2020 (in Baht)	Type of collateral held
<b>Credit risk exposure of on-financial reporting items</b>			
Loans to customers and accrued interest receivables	12		
- Loans to retail customers		315,104,881	Land, land and buildings, residential property and certificates of deposit
- Loans to corporate customers		4,192,237,693	Land, land and buildings, residential property, shares, machines, vehicles and certificates of deposit
- Hire-purchase loans		9,532,710	Vehicles
Investments in debt instruments	11	4,472,723,690	None
<b>Credit risk exposure of off-financial reporting items</b>			
Other contingencies	28		
- Other guarantee		53,619,752	Land, land and buildings, machines and certificates of deposit
- Committed line		192,206,305	Land, land and buildings and machines

### *Residential mortgage lending*

The following tables stratify credit exposures from mortgage lending to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of loan to customers to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of collateral is based on the most recent appraisals.

	2020 (in Baht)
<b>LTV ratio</b>	
<i>Stage 1 and stage 2</i>	
Less than 50%	61,184,629
51-70%	158,872,111
More than 70%	45,984,947
<b>Total</b>	<b>266,041,687</b>
<b>Credit-impaired loans</b>	
Less than 50%	2,600,188
51-70%	14,467,908
More than 70%	20,995,008
<b>Total</b>	<b>38,063,104</b>

### *Loans to corporate customers and hire-purchase loans*

The Company mainly focus on consideration of the ability to repay for corporate customers and hire-purchase loans to be in accordance with loan objectives and obtain sufficient collateral or other securities, where appropriate. To reduce potential credit risks, the pledged collaterals may be borrower's own asset, related individual of borrower's asset or related company of borrower's asset. Collaterals pledged for corporate lending and hire-purchase loans for which loans are provided comprise of both movable and immovable property. The Company sets a frequency for reviewing the value of each type of collateral. For machines and vehicles, the collateral value is monthly adjusted with depreciation.

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The following table sets out the carrying amount of loans to corporate customers and hire-purchase loans and the value of pledged collaterals.

	2020	
	Carrying amount	Collateral*
	(in Baht)	
Stage 1 and Stage 2	2,817,449,637	2,808,021,986
Stage 3	1,191,019,302	1,357,875,680

\* The value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

### 6.1.3 Information related to ECL

#### *Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience which are segmented by customer group as follows:

#### **Corporate customers and hire-purchase loans**

- Debt repayment status and debt covenants
- Data obtained during credit review process including audited financial statements, estimated operational performance and business trend, significant operational financial data such as gross profit margin, financial leverage ratios, ability to repay, debt covenants and any amendment in management structure.
- Data from credit reference agencies, news, press articles and changes in external credit ratings

#### **Retail customers**

- Debt repayment status
- Indicators on observed liquidity issues which may affect income and ability to repay
- Frequency of amendment to repayment conditions which indicates the lessen of ability to repay

#### *Default*

In assessing whether a borrower is in default, the Company considers the following indicators:

#### Quantitative indicators

- the borrower has an overdue of principal and/or interest more than 90 days or 3 months past due in an earlier of on any material credit obligation or on the date of call by the Company, including the borrower's credit facility is cancelled or is at maturity date and the borrower fails to repay principal and/or interest more than 90 days or 3 month from an earlier of the date of credit facility cancellation or at the maturity date.

#### Qualitative indicators

- the collateral tends to be unable to enforce for entire claim or the claiming right is lower than the existing debt burden.
- the borrower is in the process of debt rehabilitation process.
- the borrower has misuse of loans or under cease of its operation.
- the borrower intentionally delays debt repayment or contractual obligations.
- the borrower is not cooperative and cannot be contacted without a valid reason.

# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

### *Credit risk grade*

In determining credit risk grade, the Company considers both quantitative and qualitative indicators of each individual borrower based on available information about the borrower and debt repayment status monitoring. The Company classified credit risk in 3 stages based on changes in credit risk since initial recognition.

### *Concentrations of credit risk*

The Company monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans to customers, investments in debt instruments and loan commitments is shown as below.

	Loans to customers	2020 Investments in debt instruments (in Baht)	Loan commitments
Gross carrying amount	4,516,875,284	-	-
Investments in debt instruments	-	4,472,723,690	-
Loan commitments	-	-	192,206,305

### *Concentration by sector*

#### **Corporate**

Manufacturing and commerce	887,711,448	-	31,000,004
Property development and construction	2,612,119,166	-	161,206,301
Infrastructure and services	692,407,079	217,790,141	-

#### **Retail**

Housing loans	304,104,791	-	-
Secured personal loans	11,000,090	-	-
Hire-purchase loans	9,532,710	-	-
Government	-	4,057,002,067	-
Financial institutions	-	197,931,482	-

## **6.2 Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its obligations as and when they fall due as a result of an inability to liquidate assets into cash in time or is unable to raise funds necessary for its operations, causing damage to the Company.

The Company closely monitors and manages its liquidity to meet the market condition by monitoring its investment diversification and customers' deposit behavior to conform to the lending maturity profile by using Liquidity Gap Analysis and Liquidity Stress Test, and also setting limits for Liquidity Risk Tolerance. The Company mainly invests its excess liquidity in highly liquid assets in order to prepare for customers' deposit withdrawal in both normal and crisis situations.

**Advance Finance Public Company Limited**  
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The following tables set out significant cash flows by the remaining contractual maturities at the reporting date:

	2020						Non-Performing Loans	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No maturity		
<i>Financial assets</i>								
Intercompany and money market items*	220,859,132	2,440,000,000	-	-	-	-	-	2,660,859,132
Financial assets measured at FVTPL	-	-	-	-	-	352,478,910	-	352,478,910
Investments, net	-	-	-	229,060,386	4,243,663,304	-	-	4,472,723,690
Loans to customers	-	97,931,003	1,032,425,411	1,587,275,978	374,130,892	-	1,299,591,509	4,391,354,793
Accrued interest receivables and undue interest receivables	-	31,085,142	-	-	-	-	94,435,349	125,520,491
<b>Total</b>	<b>220,859,132</b>	<b>2,569,016,145</b>	<b>1,032,425,411</b>	<b>1,816,336,364</b>	<b>4,617,794,196</b>	<b>352,478,910</b>	<b>1,394,026,858</b>	<b>12,002,937,016</b>
<i>Financial liabilities</i>								
Deposits	-	935,134,705	4,224,818,242	389,272,719	-	-	-	5,549,225,666
Intercompany and money market items	-	4,189,868,976	476,250,000	311,300,000	-	-	-	4,977,418,976
<b>Total</b>	<b>-</b>	<b>5,125,003,681</b>	<b>4,701,068,242</b>	<b>700,572,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,526,644,642</b>
* Before deducting allowance for expected credit loss amounting to Baht 27,445								
	2019						Non- accrual	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No maturity		
<i>Financial assets</i>								
Intercompany and money market items	111,612,012	2,872,000,000	-	-	-	-	-	2,983,612,012
Investments, net	-	137,425,824	-	-	-	42,650,000	-	42,650,000
Loans to customers	-	2,013,632	929,045,586	1,997,995,915	407,433,055	-	1,445,856,523	4,917,756,903
Accrued interest receivables	-	3,011,439,456	929,045,586	1,997,995,915	407,433,055	-	1,445,856,523	7,946,032,547
<b>Total</b>	<b>111,612,012</b>	<b>3,011,439,456</b>	<b>929,045,586</b>	<b>1,997,995,915</b>	<b>407,433,055</b>	<b>42,650,000</b>	<b>1,445,856,523</b>	<b>7,946,032,547</b>
<i>Financial liabilities</i>								
Deposits	-	2,939,599,178	2,312,150,931	484,111,699	-	-	-	5,735,861,808
Intercompany and money market items	-	422,700,000	79,300,000	228,137,449	-	-	-	730,137,449
<b>Total</b>	<b>-</b>	<b>3,362,299,178</b>	<b>2,391,450,931</b>	<b>712,249,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,465,999,257</b>

**Advance Finance Public Company Limited**  
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**6.3 Market risk**

The Company is exposed to normal business risks from changes in market interest rates, equity price and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivatives for speculative or trading purposes.

**6.3.1 Interest rate risk**

Interest rate risk is the risk from future movements in market interest rates that will affect the results of the Company's operation and its cash flows.

The Company has managed interest rate risk which results from a change in interest rate of assets and liabilities that may affect the Company's net interest income by using an Interest Rate Gap Model to ensure that any possible effects are at the acceptable level in accordance with the interest rate risk management policy of the Company.

Exposure to interest rate risk were as follows:

	2020			Total
	Variable interest rate	Fixed interest rate	Non-interest bearing	
	(in Baht)			
<b>Financial assets</b>				
Intercompany and money market items*	7,849,126	2,440,000,000	213,010,006	2,660,859,132
Financial assets measured at FVTPL	-	-	352,478,910	352,478,910
Investments, net	-	4,472,723,690	-	4,472,723,690
Loans to customers	4,380,090,482	11,264,311	-	4,391,354,793
<b>Total</b>	<b>4,387,939,608</b>	<b>6,923,988,001</b>	<b>565,488,916</b>	<b>11,877,416,525</b>
<b>Financial liabilities</b>				
Deposits	-	5,549,225,666	-	5,549,225,666
Intercompany and money market items	-	4,977,418,976	-	4,977,418,976
<b>Total</b>	<b>-</b>	<b>10,526,644,642</b>	<b>-</b>	<b>10,526,644,642</b>

\* Before deducting allowance for expected credit loss amounting to Baht 27,445

	2019			Total
	Variable interest rate	Fixed interest rate	Non-interest bearing	
	(in Baht)			
<b>Financial assets</b>				
Intercompany and money market items	50,340,607	2,872,000,000	61,271,405	2,983,612,012
Investments, net	-	-	42,650,000	42,650,000
Loans to customers*	3,470,882,084	1,018,296	-	3,471,900,380
<b>Total</b>	<b>3,521,222,691</b>	<b>2,873,018,296</b>	<b>103,921,405</b>	<b>6,498,162,392</b>
<b>Financial liabilities</b>				
Deposits	-	5,735,861,808	-	5,735,861,808
Intercompany and money market items	-	730,137,449	-	730,137,449
<b>Total</b>	<b>-</b>	<b>6,465,999,257</b>	<b>-</b>	<b>6,465,999,257</b>

\* Excluding non-accrual loans

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The following tables set out the interest repricing periods:

	0 - 3 months	3 - 12 months	1 - 5 years	2020 Over 5 years (in Baht)	Non-Performing Loans	Non-interest bearing	Total
<b>Financial assets</b>							
Intercompany and money market items*	2,447,849,126	-	-	-	-	213,010,006	2,660,859,132
Financial assets measured at FVTPL	-	-	-	-	-	352,478,910	352,478,910
Investments, net	-	-	229,060,386	4,243,663,304	-	-	4,472,723,690
Loans to customers	3,080,760,528	1,387,645	8,778,904	836,207	1,299,591,509	-	4,391,354,793
Accrued interest receivables	-	-	-	-	-	125,520,491	125,520,491
<b>Total</b>	<b>5,528,609,654</b>	<b>1,387,645</b>	<b>237,839,290</b>	<b>4,244,499,511</b>	<b>1,299,591,509</b>	<b>691,009,407</b>	<b>12,002,937,016</b>
<b>Financial liabilities</b>							
Deposits	935,134,705	4,224,818,242	389,272,719	-	-	-	5,549,225,666
Intercompany and money market items	4,189,868,976	476,250,000	311,300,000	-	-	-	4,977,418,976
<b>Total</b>	<b>5,125,003,681</b>	<b>4,701,068,242</b>	<b>700,572,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,526,644,642</b>

\* Before deducting allowance for expected credit loss amounting to Baht 27,445

	0 - 3 months	3 - 12 months	1 - 5 years	2019 Over 5 years (in Baht)	Non-interest bearing	Non-accrual	Total
<b>Financial assets</b>							
Intercompany and money market items	2,922,340,607	-	-	-	61,271,405	-	2,983,612,012
Investments, net	-	-	-	-	42,650,000	-	42,650,000
Loans to customers	3,471,080,063	615,821	204,496	-	-	1,445,856,523	4,917,756,903
Accrued interest receivables	-	-	-	-	2,013,632	-	2,013,632
<b>Total</b>	<b>6,393,420,670</b>	<b>615,821</b>	<b>204,496</b>	<b>-</b>	<b>105,935,037</b>	<b>1,445,856,523</b>	<b>7,946,032,547</b>
<b>Financial liabilities</b>							
Deposits	2,939,599,178	2,312,150,931	484,111,699	-	-	-	5,735,861,808
Intercompany and money market items	422,700,000	79,300,000	228,137,449	-	-	-	730,137,449
<b>Total</b>	<b>3,362,299,178</b>	<b>2,391,450,931</b>	<b>712,249,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,465,999,257</b>

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*Sensitivity Analysis*

The Company uses a number of sensitivity measurements to monitor the market risk in a trading book. The key measurement is PV01. PV01 is used to monitor interest rate risk in which it measures the impact on portfolio value due to the increase in interest rate of 1 basis point. The methodology and parameters that the Company used to calculate these sensitivity measurements are in accordance with international standard whereby the measurement are different in current detail. As at 31 December 2020, the key sensitivities are as follow:

	Interest rate sensitivities (PV01) (in Baht)
THB	3,571,563
<b>Total</b>	<b>3,571,563</b>

**6.3.2 Foreign exchange risk**

The Company is not exposed to foreign currency risk as there is no foreign currency transaction.

**6.3.3 Equity price risk**

Equity price risk is any risk that arises from changes in the price of equities or common stock that may cause volatility in the earnings or fluctuations in the value of the financial assets.

The equity portfolio of the Company is managed by specific units depending on the strategy, the types of business of the issuers of underlying securities, and the objectives for holding such equities. The equity investment management is under the supervision of the Asset and Liability Management Committee (ALCO) and Treasury and Investment Department. All investments in equity instruments must comply with the bank-wide investment policy and framework, and related risk policies. The criteria for equity investments include consideration of fundamental value, dividend yield and market risk. Various limits are set, including Gross Limit and Loss Limit. All of these measures are established to ensure that securities investments comply with policies and remain within the approved limits taking into consideration the capital adequacy.

**7 Maintenance of capital fund**

The Company maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies and conditions prescribed by the Bank of Thailand. As announced by the BoT's notification dated 10 January 2017 and Sor Nor Sor 12/2562 dated 7 May 2019, regarding to *Guideline for maintenance of capital fund and liquidity reserve requirement for finance company*, the Company is required to calculate its Capital Fund in accordance with Basel III as follows:

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	2020	2019
	(in Baht)	
<b>Tier 1 capital</b>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	1,250,000,000	1,250,000,000
Legal reserve	28,093,568	25,856,568
Net gain after appropriations	231,138,701	224,493,441
Other reserves	6,027,973	504,977
Others	7,872,840	-
Capital deduction items on CET1	(18,232,026)	(39,754,303)
<b>Total Tier 1 capital</b>	<b>1,504,901,056</b>	<b>1,461,100,683</b>
<b>Tier 2 capital</b>		
General provision (2019: Allowance for classified assets of "normal" category)	-	74,686,486
<b>Total Tier 2 capital</b>	<b>-</b>	<b>74,686,486</b>
<b>Total capital funds</b>	<b>1,504,901,056</b>	<b>1,535,787,169</b>
<b>Total risk-weighted assets</b>	<b>6,441,197,157</b>	<b>6,408,105,068</b>

	The BoT's regulation minimum requirement*	2020	The BoT's regulation minimum requirement	2019
			(%)	
Total capital funds / Total risk-weighted assets	10.375	23.36	9.75	23.97
Total Tier 1 capital / Total risk-weighted assets	7.875	23.36	7.25	22.80
Total CET1 / Total risk-weighted assets	6.375	23.36	5.75	22.80
Total Tier 2 capital / Total risk-weighted assets	-	-	-	1.17

\* Conservation buffer requires additional CET1 of 0.625% per annum from 1 January 2018 onwards until reaching 2.50% in 2021.

As at 31 December 2020 and 2019, the Company had no add-on arising from Single Lending Limit.

Disclosures of capital maintenance information under the BoT notification number Sor Nor Sor 5/2556 dated 2 May 2013 regarding to *Disclosures Requirement on Capital Adequacy for a Financial Group* and the BoT notification number Sor Nor Sor 15/2562 dated 7 May 2019, regarding to *Disclosure Requirement on Capital Adequacy for a Financial Group (Volume 2)* were as follows:

Location of disclosure	The Company's website under Investor Relations section at <a href="http://www.advancefin.com">http://www.advancefin.com</a>
Disclosure period requirement	Within 4 months after the year ended as indicated in the BoT notification
Latest information as at	30 June 2020

The disclosure for the year ended 31 December 2020 will be provided on or before 30 April 2021 on the Company's website as noted above.

**Capital management**

The Board of Directors' policy is to maintain an adequate level of capital to support growth strategies within an acceptable risk framework, and to meet Bank of Thailand regulatory requirements to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as result from operating activities divided by total equity, and also monitors the dividends to ordinary shareholders.



**Advance Finance Public Company Limited**  
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**8 Classification of financial assets and financial liabilities**

	2020				Total
	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI (in Baht)	Financial instruments measured at AMC		
<b>Financial assets</b>					
Intercompany and money market items, net	-	-	2,660,831,687		2,660,831,687
Financial assets measured at FVTPL	352,478,910	-	-		352,478,910
Investments, net	-	4,472,723,690	-		4,472,723,690
Loans to customers and accrued interest receivables, net	-	-	4,303,301,530		4,303,301,530
<b>Total</b>	<b>352,478,910</b>	<b>4,472,723,690</b>	<b>6,964,133,217</b>		<b>11,789,335,817</b>
<b>Financial liabilities</b>					
Deposits	-	-	5,549,225,666		5,549,225,666
Intercompany and money market items	-	-	4,977,418,976		4,977,418,976
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10,526,644,642</b>		<b>10,526,644,642</b>

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**9 Intercompany and money market items, net (assets)**

	2020	2019
	<i>(in Baht)</i>	
<i>Domestic</i>		
Bank of Thailand	78,472,833	32,080,155
Commercial banks	142,317,867	91,335,875
Specialised financial institutions*	<u>2,440,000,000</u>	<u>2,860,000,000</u>
<b>Total</b>	<b>2,660,790,700</b>	<b>2,983,416,030</b>
Add accrued interest receivables and undue interest receivables	68,432	195,982
Less allowance for expected credit loss	<u>(27,445)</u>	<u>-</u>
<b>Total</b>	<b><u>2,660,831,687</u></b>	<b><u>2,983,612,012</u></b>

\* Specialised financial institutions are financial institutions incorporated by special laws e.g. Government Savings Bank, Bank for Agriculture and Agricultural Cooperatives, Government Housing Bank, SME Bank, Islamic Bank of Thailand, Export-Import Bank of Thailand, Secondary Mortgage Corporation excluding Thai Credit Guarantee Corporation.

**10 Financial assets measured at fair value through profit or loss**

**10.1 Classification of financial assets**

	2020
	<i>Fair value (in Baht)</i>
Domestic marketable equity instruments	<u>352,478,910</u>
<b>Total</b>	<b><u>352,478,910</u></b>

**10.2 Movement of financial assets**

<i>Year ended 31 December</i>	2020
	<i>(in Baht)</i>
As at 1 January	40,150,000
Purchases during the year	367,395,136
Disposals during the year	(44,092,420)
Loss on measurement of investments	<u>(10,973,806)</u>
<b>As at 31 December</b>	<b><u>352,478,910</u></b>

**11 Investments, net**

**11.1 Classification of investments**

	2020
	<i>Fair value (in Baht)</i>
<i>Investments in debt instruments measured at fair value through other comprehensive income</i>	
Government bonds and state enterprise securities	4,057,002,067
Corporate debt instruments	<u>415,721,623</u>
<b>Total</b>	<b><u>4,472,723,690</u></b>
<b>Allowance for expected credit loss</b>	<b>556,424</b>

# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

	2019 Fair value (in Baht)
<i>Available-for-sale investments</i>	
Domestic marketable equity securities	40,150,000
<b>Total</b>	<b>40,150,000</b>
	Cost (in Baht)
<i>General investments</i>	
Domestic non-marketable equity securities	10,320,000
Less allowance for impairment	(7,820,000)
<b>Total</b>	<b>2,500,000</b>
<b>Total investments, net</b>	<b>42,650,000</b>

### 11.2 Movement of investments

#### Year ended 31 December

	2020	
	Investments in equity instruments (in Baht)	Investments in debt instruments
As at 1 January	2,500,000	-
Purchases during the year	100,000,000	5,705,964,712
Disposals during the year	(102,500,000)	(1,240,219,565)
Gain on measurement of investments	-	6,978,543
<b>As at 31 December</b>	<b>-</b>	<b>4,472,723,690</b>

#### Year ended 31 December

	2019	
	Available-for- sale investments (in Baht)	Held-to-maturity securities
As at 1 January	132,937,366	799,877,546
Purchases during the year	1,281,518,779	9,747,000,000
Disposals during the year	(1,528,447,100)	-
Redemptions during the year	-	(10,400,000,000)
Transfer type of investment	147,000,000	(147,000,000)
Valuation adjustment	7,140,955	-
Premium	-	122,454
<b>As at 31 December</b>	<b>40,150,000</b>	<b>-</b>

**Advance Finance Public Company Limited**  
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**12 Loans to customers and accrued interest receivables, net**

**12.1 Classified by type of loans**

	2020	2019
	<i>(in Baht)</i>	
Loans	4,381,822,083	4,917,756,903
Hire-purchase receivables	9,532,710	-
Total loans to customers	<u>4,391,354,793</u>	<u>4,917,756,903</u>
Add accrued interest receivables and undue interest receivables	<u>125,520,491</u>	<u>2,013,632</u>
<b>Total loans to customers and accrued interest receivables and undue interest receivables</b>	<b>4,516,875,284</b>	<b>4,919,770,535</b>
Less allowance for expected credit loss	(213,573,754)	-
Less allowance for doubtful accounts	-	(132,706,141)
<b>Total loans to customers and accrued interest receivables, net</b>	<b><u>4,303,301,530</u></b>	<b><u>4,787,064,394</u></b>

As at 31 December 2019, the Company had non-accrual loans, gross, based on the accrual basis of Baht 1,446 million.

**12.2 Classified by currency and residence of customer**

As at 31 December 2020 and 2019, loans to customers were domestic and denominated entirely in Thai Baht.

**12.3 Classified by stages**

	2020
	<i>(in Baht)</i>
Performing	2,711,212,485
Under-performing	411,323,913
Non-performing	<u>1,394,338,886</u>
<b>Total</b>	<b><u>4,516,875,284</u></b>

**Advance Finance Public Company Limited**  
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	2019			
	Loans and accrued interest receivables <i>(in Baht)</i>	Net amount used to set the allowance for doubtful accounts*	% used for setting the allowance <i>(%)</i>	Allowance for doubtful accounts <i>(in Baht)</i>
Minimum allowance of BoT regulations				
- Normal	3,447,913,034	270,169,325	1	2,701,693
- Special mention	13,060,174	-	2	-
- Sub-standard	208,999,720	435,943	100	435,943
- Doubtful	65,784,345	-	100	-
- Doubtful of loss	<u>1,184,013,262</u>	<u>36,019,386</u>	100	<u>36,019,386</u>
<b>Total</b>	<b><u>4,919,770,535</u></b>	<b><u>306,624,654</u></b>		<b><u>39,157,022</u></b>
Allowance established in excess of BoT regulations				<u>93,549,119**</u>
<b>Total</b>				<b><u>132,706,141</u></b>

\* Net amount used to set the allowance for doubtful accounts means total outstanding excluded accrued interest receivables after deduction of collateral value (for normal and special mention), or total outstanding after deduction of the present value of future cash flows expected to be received from debt repayment, or the expected proceeds from the disposal of collateral (for sub-standard, doubtful and doubtful of loss).

\*\* Allowance established in excess of BoT regulations was recorded in regard to Possible Impaired Loan.

**12.4 Classified by business type and stages**

	2020			
	Performing	Under- performing	Non- performing	Total*
	<i>(in Baht)</i>			
Manufacturing and commerce	659,329,632	38,080,148	176,778,364	874,188,144
Property development and construction	1,493,574,718	176,380,624	865,214,542	2,535,169,884
Infrastructure and services	279,624,035	160,000,000	220,618,785	660,242,820
Housing loans	247,355,424	17,175,015	36,701,948	301,232,387
Secured personal loans	10,710,978	-	277,870	10,988,848
Hire-purchase loans	<u>9,532,710</u>	<u>-</u>	<u>-</u>	<u>9,532,710</u>
<b>Total</b>	<b><u>2,700,127,497</u></b>	<b><u>391,635,787</u></b>	<b><u>1,299,591,509</u></b>	<b><u>4,391,354,793</u></b>

\* Excluding accrued interest receivables and undue interest receivables

	2019					
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total*
	<i>(in Baht)</i>					
Manufacturing and commerce	847,403,785	-	-	60,155,923	176,778,365	1,084,338,073
Property development and construction	1,867,357,458	-	187,309,605	-	752,247,975	2,806,915,038
Infrastructure and services	422,239,397	-	9,665,252	-	210,953,533	642,858,182
Housing loans	289,373,461	12,802,977	11,933,593	5,628,422	43,466,936	363,205,389
Secured personal loans	<u>19,704,311</u>	<u>169,457</u>	<u>-</u>	<u>-</u>	<u>566,453</u>	<u>20,440,221</u>
<b>Total</b>	<b><u>3,446,078,412</u></b>	<b><u>12,972,434</u></b>	<b><u>208,908,450</u></b>	<b><u>65,784,345</u></b>	<b><u>1,184,013,262</u></b>	<b><u>4,917,756,903</u></b>

\* Excluding accrued interest receivables

**Advance Finance Public Company Limited**  
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**12.5 Non-Performing Loans**

	2020	2019
<u>Non-Performing Loans, gross</u>		
Non-Performing Loans, gross ( <i>in Baht</i> )	1,299,591,509	1,458,706,057
Ratio of Non-Performing Loans, gross to total loans (%)	19.02	18.75
<u>Non-Performing Loans, net</u>		
Non-Performing Loans, net ( <i>in Baht</i> )	1,125,476,527	1,422,250,728
Ratio of Non-Performing Loans, net to total loans (%)	16.91	18.37

**12.6 Hire-purchase receivables**

	2020			Total
	Less than 1 year	Portion due 1-5 years	Over 5 years	
Total gross investment under hire-purchase contracts	2,206,425	9,628,037	200,584	12,035,046
Less unearned interest income				<u>(2,502,336)</u>
Present value of minimum lease payments				9,532,710
Less allowance for expected credit loss				<u>(96,652)</u>
Hire-purchase receivables, net				<u>9,436,058</u>

**13 Modified loans to customers and troubled debt restructuring**

The Coronavirus diseases (COVID-19) outbreak that first emerged in People's Republic of China and impacts many countries globally as a pandemic. Thailand is currently facing these challenging circumstances as a result of this pandemic. While this is foremost a health crisis, the pandemic also has a significant economic impact. The Company released measures to assist debtors affected by the COVID-19 and other economic impact by extending debt repayment and other measures. The relief measures provided by the Company and the accounting guidance with respect to relief measures provided by Bank of Thailand are disclosed in note 2.

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. However, there are government and other support measures intended to mitigate the negative impact of the economy. The future uncertain events including the impact of the COVID-19 are still not reflected in the current credit models. Therefore, the management considered the impact from these uncertain events based on available information for individual customers level and industry level and recorded additional ECL as a management overlay.

However, the modification of contract according to the changes in cash flow projection in order to maintain good relationship with customers, provided that the customer has no increase in credit risk, for instance, reducing interest rate in accordance with market conditions, will not be considered as a debt restructuring.

During the year ended 31 December 2020, the Company has modified loans, which included loans to customers modified under relief program as mentioned in note 2 at its principal of Baht 1,288 million.

As at 31 December 2020 and 2019, there was no outstanding balance of the Company's restructured debtors.

# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

### 14 Classified assets

	2020			
	Loans and accrued interest receivables	Investments (in Baht)	Properties for sale	Total
Performing	2,711,212,485	4,472,723,690	-	7,183,936,175
Under-performing	411,323,913	-	-	411,323,913
Non-performing	1,394,338,886	7,820,000	184,873	1,402,343,759
<b>Total</b>	<b>4,516,875,284</b>	<b>4,480,543,690</b>	<b>184,873</b>	<b>8,997,603,847</b>

  

	2019			
	Loans and accrued interest receivables	Investments (in Baht)	Properties for sale	Total
Normal	3,447,913,034	-	-	3,447,913,034
Special mention	13,060,174	-	-	13,060,174
Sub-standard	208,999,720	-	-	208,999,720
Doubtful	65,784,345	-	-	65,784,345
Doubtful of loss	1,184,013,262	7,820,000	184,873	1,192,018,135
<b>Total</b>	<b>4,919,770,535</b>	<b>7,820,000</b>	<b>184,873</b>	<b>4,927,775,408</b>

### 15 Allowance for expected credit loss and allowance for doubtful accounts

	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired (in Baht)	Total
<b>Intercompany and money market items</b>				
As at 1 January 2020	-	-	-	-
Changes from remeasurement of ECL	27,445	-	-	27,445
<b>As at 31 December 2020</b>	<b>27,445</b>	<b>-</b>	<b>-</b>	<b>27,445</b>
<b>Investments in debt instruments</b>				
As at 1 January 2020	-	-	-	-
Purchased or acquired	556,424	-	-	556,424
<b>As at 31 December 2020</b>	<b>556,424</b>	<b>-</b>	<b>-</b>	<b>556,424</b>
<b>Loans to customers</b>				
As at 1 January 2020	17,364,135	7,180,433	116,858,807	141,403,375
Changes from stage reclassification	6,112,376	(1,647,509)	(4,464,867)	-
Changes from remeasurement of ECL	4,389,757	6,211,868	82,217,030	92,818,655
Purchased or acquired	2,215,643	-	-	2,215,643
Derecognition	(2,010,719)	(357,213)	(17,211,716)	(19,579,648)
Write-off	-	-	(3,284,271)	(3,284,271)
<b>As at 31 December 2020</b>	<b>28,071,192</b>	<b>11,387,579</b>	<b>174,114,982</b>	<b>213,573,754</b>
<b>Loan commitments</b>				
As at 1 January 2020	3,112,027	-	-	3,112,027
Changes from remeasurement of ECL	(2,055,544)	-	-	(2,055,544)
<b>As at 31 December 2020</b>	<b>1,056,483</b>	<b>-</b>	<b>-</b>	<b>1,056,483</b>

**Advance Finance Public Company Limited**  
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	2019						Total
	Normal	Special mention	Sub-standard	Doubtful <i>(in Baht)</i>	Doubtful of loss	Allowance established in excess of BoT regulations	
As at 1 January 2019	3,022,488	-	1,220,767	2,059,985	61,776,429	98,819,347	166,899,016
Doubtful accounts (reversal)	(320,795)	-	(784,824)	(2,059,985)	36,514,545	(5,270,228)	28,078,713
Write-off bad debts	-	-	-	-	(62,271,588)	-	(62,271,588)
As at 31 December 2019	<u>2,701,693</u>	<u>-</u>	<u>435,943</u>	<u>-</u>	<u>36,019,386</u>	<u>93,549,119</u>	<u>132,706,141</u>

**16 Properties for sale, net**

	2020			Ending balance
	Beginning balance	Additions <i>(in Baht)</i>	Disposals	
Foreclosed assets				
Immovable assets				
- Appraised value by external appraisals	169,320,153	126,832,295	(9,917,227)	286,235,221
Less allowance for impairment	(184,873)	-	-	(184,873)
<b>Total properties for sale, net</b>	<u>169,135,280</u>	<u>126,832,295</u>	<u>(9,917,227)</u>	<u>286,050,348</u>

	2019			Ending balance
	Beginning balance	Additions <i>(in Baht)</i>	Disposals	
Foreclosed assets				
Immovable assets				
- Appraised value by external appraisals	87,078,329	129,896,767	(47,654,943)	169,320,153
Less allowance for impairment	(184,873)	-	-	(184,873)
<b>Total properties for sale, net</b>	<u>86,893,456</u>	<u>129,896,767</u>	<u>(47,654,943)</u>	<u>169,135,280</u>



**Advance Finance Public Company Limited**  
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**17 Leasehold improvement and equipment, net**

	Leasehold improvement	Computer and equipment	Furniture and fixtures <i>(in Baht)</i>	Vehicles	Total
<b>Cost</b>					
At 1 January 2019	20,379,832	19,203,944	108,514	19,321,860	59,014,150
Additions	59,336	3,633,191	25,388	4,041,400	7,759,315
Disposals	<u>(110,079)</u>	<u>(1,998,084)</u>	<u>(9,513)</u>	<u>(2,520,000)</u>	<u>(4,637,676)</u>
<b>At 31 December 2019 and 1 January 2020</b>	<b>20,329,089</b>	<b>20,839,051</b>	<b>124,389</b>	<b>20,843,260</b>	<b>62,135,789</b>
Additions	17,196	111,432	-	-	128,628
Disposals / write-off	<u>-</u>	<u>(931,448)</u>	<u>-</u>	<u>(4,006,360)</u>	<u>(4,937,808)</u>
<b>At 31 December 2020</b>	<b>20,346,285</b>	<b>20,019,035</b>	<b>124,389</b>	<b>16,836,900</b>	<b>57,326,609</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	16,934,496	13,581,031	79,193	15,132,725	45,727,445
Depreciation charge for the year	2,353,506	1,985,220	12,537	2,191,419	6,542,682
Disposals	<u>(110,078)</u>	<u>(1,996,351)</u>	<u>(9,512)</u>	<u>(2,519,998)</u>	<u>(4,635,939)</u>
<b>At 31 December 2019 and 1 January 2020</b>	<b>19,177,924</b>	<b>13,569,900</b>	<b>82,218</b>	<b>14,804,146</b>	<b>47,634,188</b>
Depreciation charge for the year	706,284	2,272,160	14,655	2,036,883	5,029,982
Disposals / write-off	<u>-</u>	<u>(931,405)</u>	<u>-</u>	<u>(4,006,360)</u>	<u>(4,937,765)</u>
<b>At 31 December 2020</b>	<b>19,884,208</b>	<b>14,910,655</b>	<b>96,873</b>	<b>12,834,669</b>	<b>47,726,405</b>
<b>Net book value</b>					
At 31 December 2019	<u>1,151,165</u>	<u>7,269,151</u>	<u>42,171</u>	<u>6,039,114</u>	<u>14,501,601</u>
At 31 December 2020	<u>462,077</u>	<u>5,108,380</u>	<u>27,516</u>	<u>4,002,231</u>	<u>9,600,204</u>

The gross amount of the Company's fully depreciated leasehold improvement and equipment that was still in use as at 31 December 2020 amounted to Baht 37.9 million (2019: Baht 24.0 million).

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**18 Intangible assets, net**

	Software licenses	Intangible assets under installation (in Baht)	Total
<b>Cost</b>			
At 1 January 2019	18,954,081	22,163,842	41,117,923
Additions	411,080	1,584,746	1,995,826
Transfer in (out)	249,358	(249,358)	-
Adjustments	(29,462)	-	(29,462)
<b>At 31 December 2019 and 1 January 2020</b>	<b>19,585,057</b>	<b>23,499,230</b>	<b>43,084,287</b>
Additions	-	7,819,356	7,819,356
Write-off	-	(23,499,230)	(23,499,230)
<b>At 31 December 2020</b>	<b>19,585,057</b>	<b>7,819,356</b>	<b>27,404,413</b>
<b>Accumulated amortisation</b>			
At 1 January 2019	10,989,347	-	10,989,347
Amortisation charge for the year	2,182,435	-	2,182,435
<b>At 31 December 2019 and 1 January 2020</b>	<b>13,171,782</b>	<b>-</b>	<b>13,171,782</b>
Amortisation charge for the year	2,173,040	-	2,173,040
<b>At 31 December 2020</b>	<b>15,344,822</b>	<b>-</b>	<b>15,344,822</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>6,413,275</b>	<b>23,499,230</b>	<b>29,912,505</b>
<b>At 31 December 2020</b>	<b>4,240,235</b>	<b>7,819,356</b>	<b>12,059,591</b>

The gross amount of the Company's fully amortisation intangible assets that was still in use as at 31 December 2020 amounted to Baht 8.9 million (2019: Baht 8.6 million).

**19 Other assets**

	2020	2019
	(in Baht)	
Accrued interest receivables	8,859,405	-
Prepaid income tax	6,336,976	2,866,893
Deposits	2,308,965	2,590,122
Prepaid expenses	1,344,996	1,137,172
Others	1,222,064	79,430
<b>Total</b>	<b>20,072,406</b>	<b>6,673,617</b>

**20 Deposits**

**20.1 Classified by type of deposit**

	2020	2019
	(in Baht)	
Certificates of deposit	5,549,225,666	5,735,861,808
<b>Total</b>	<b>5,549,225,666</b>	<b>5,735,861,808</b>

**20.2 Classified by currency and residence of customer**

As at 31 December 2020 and 2019, deposits were domestic and denominated entirely in Thai Baht.

**Advance Finance Public Company Limited**  
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**21 Intercompany and money market items (liabilities)**

	2020	2019
	<i>(in Baht)</i>	
<i>Domestic</i>		
Commercial banks	2,000,000,000	-
Specialised financial institutions*	900,000,000	100,000,000
Other financial institutions**	<u>2,077,418,976</u>	<u>630,137,449</u>
<b>Total</b>	<b><u>4,977,418,976</u></b>	<b><u>730,137,449</u></b>

\* Specialised financial institutions are financial institutions incorporated by special laws e.g. Government Savings Bank, Bank for Agriculture and Agricultural Cooperatives, Government Housing Bank, SME Bank, Islamic Bank of Thailand, Export-Import Bank of Thailand, Secondary Mortgage Corporation excluding Thai Credit Guarantee Corporation.

\*\* Other financial institutions represent financial institutions other than the above, such as Finance companies, Securities companies, Creditancier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited.

**22 Provisions**

	2020	2019
	<i>(in Baht)</i>	
Allowance for expected credit loss for loan commitments	1,056,483	-
Provisions for employee benefits	<u>18,834,589</u>	<u>21,636,477</u>
<b>Total</b>	<b><u>19,891,072</u></b>	<b><u>21,636,477</u></b>

*Provisions for employee benefits*

*Defined benefit plan*

The Company operates a defined benefit plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

*Present value of the defined benefit obligations*

	2020	2019
	<i>(in Baht)</i>	
At 1 January	21,636,477	25,297,293
<b>Include in profit or loss:</b>		
Current service cost	3,023,552	4,664,948
Past service cost	-	3,998,051
Interest on obligation	<u>295,008</u>	<u>667,755</u>
	<b><u>3,318,560</u></b>	<b><u>9,330,754</u></b>
<b>Include in other comprehensive income (loss)</b>		
Actuarial gain (loss)		
- Demographic assumptions	4,888	(1,965,497)
- Financial assumptions	159,023	1,379,371
- Experience adjustment	<u>(5,103,249)</u>	<u>5,164,298</u>
	<b><u>(4,939,338)</u></b>	<b><u>4,578,172</u></b>

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	2020	2019
	<i>(in Baht)</i>	
Benefit paid	<u>(1,181,110)</u>	<u>(17,569,742)</u>
<b>At 31 December</b>	<b><u>18,834,589</u></b>	<b><u>21,636,477</u></b>

***Principal actuarial assumptions***

	2020	2019
	<i>(%)</i>	
Discount rate	1.35	1.50
Future salary growth	5.00	5.00
Long-term inflation rate	2.75	2.75

Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 9.0 years (2019: 9.3 years).

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<b><i>Effect to the defined benefit obligation</i></b>	Increase in assumption		Decrease in assumption	
	2020	2019	2020	2019
	<i>(in Baht)</i>			
Discount rate (1% movement)	(1,033,876)	(1,395,827)	1,165,984	1,571,980
Future salary growth (1% movement)	1,111,682	1,501,272	(1,008,939)	(1,364,132)
Employee turnover rate (20% movement)	(797,715)	(1,043,375)	912,344	1,183,204
Future mortality (20% movement)	(115,182)	(163,022)	116,334	164,781

**23 Other liabilities**

	<i>Note</i>	2020	2019
		<i>(in Baht)</i>	
Lease liabilities	30	9,530,051	-
Accrued expenses		5,435,284	5,418,412
Other payables		2,596,556	2,126,999
Deposits		2,533,131	-
Margin payables under private repurchase transactions		1,272,515	-
Specific business tax and value added tax payable		972,036	978,607
Withholding tax payable		966,891	1,119,022
Payable from Legal Executive Department		342,200	469,000
Others		4,956,504	131,694
<b>Total</b>		<b><u>28,605,168</u></b>	<b><u>10,243,734</u></b>

# Advance Finance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2020

### 24 Offsetting of financial assets and financial liabilities

The Company currently holds sale-and-repurchase agreements which do not meet the criteria for offsetting in the statement of financial position because such agreements are created in the way that the parties have to agree a right of set-off the agreed amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties or following other predetermined events. According to the agreements, the Company receives and gives collateral in form of cash and marketable securities. The details are as follow:

	2020					
	Gross carrying amounts	Amount to be offset in statement of financial position	Net amount presented in statement of financial position (in Baht)	Amounts of unoffsetting in statement of financial position		Net amount
Offsetting amount which is not met the accounting standard's conditions				Relevant financial collateral amount		
<b>Financial assets</b>						
Reverse repurchase agreements	2,440,000,000	-	2,440,000,000	-	2,464,537,146	-
<b>Total</b>	<b>2,440,000,000</b>	<b>-</b>	<b>2,440,000,000</b>	<b>-</b>	<b>2,464,537,146</b>	<b>-</b>
<b>Financial liabilities</b>						
Repurchase agreements	2,900,000,000	-	2,900,000,000	-	2,948,408,495	-
<b>Total</b>	<b>2,900,000,000</b>	<b>-</b>	<b>2,900,000,000</b>	<b>-</b>	<b>2,948,408,495</b>	<b>-</b>

Reconciliation of net amount presented in statement of financial position with the caption in statement of financial position as follows:

Financial instrument type	2020				
	Net amount presented in statement of financial position (in Baht)	Caption in statement of financial position	Note	Carrying amount presented in statement of financial position	Carrying amount of financial position not under the offsetting conditions (in Baht)
<b>Financial assets</b>					
Reverse repurchase agreements	2,440,000,000	Interbank and money market items, net (assets)	9	2,660,831,687	220,831,687
<b>Total</b>	<b>2,440,000,000</b>			<b>2,660,831,687</b>	<b>220,831,687</b>
<b>Financial liabilities</b>					
Repurchase agreements	2,900,000,000	Interbank and money market items (liabilities)	21	4,977,418,976	2,077,418,976
<b>Total</b>	<b>2,900,000,000</b>			<b>4,977,418,976</b>	<b>2,077,418,976</b>

**Advance Finance Public Company Limited**  
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**25 Fair value of financial instruments**

**25.1 Financial instruments measured at fair value**

The following table analyses financial instruments measured at fair value at the reporting date.

	Level 1	2020 Fair value Level 2 (in Baht)	Total
<b>Financial assets</b>			
Financial assets measured at fair value through profit or loss	352,478,910	-	352,478,910
Investments in debt instruments measured at fair value through other comprehensive income	-	4,472,723,690	4,472,723,690
<b>Total financial assets</b>	<b>352,478,910</b>	<b>4,472,723,690</b>	<b>4,825,202,600</b>
		2019 Fair value Level 2 (in Baht)	Total
<b>Financial assets</b>			
Available-for-sale investments	-	40,150,000	40,150,000
<b>Total financial assets</b>	<b>-</b>	<b>40,150,000</b>	<b>40,150,000</b>

**25.2 Financial instruments not measured at fair value**

Fair value of financial instruments which are not measured at fair value and for which there is a significant difference with carrying amount as at 31 December 2020 and 2019 were as follows:

	Carrying amount	2020 Fair value			Total
Financial instruments measured at amortised cost		Level 1	Level 2 (in Baht)	Level 3	
<b>Financial liabilities</b>					
Deposits	5,549,225,666	-	5,551,798,522	-	5,551,798,522
Intercompany and money market items	4,977,418,976	-	4,977,762,536	-	4,977,762,536
			2019 Fair value		Total
Financial instruments measured at amortised cost	Carrying amount	Level 1	Level 2 (in Baht)	Level 3	
<b>Financial liabilities</b>					
Deposits	5,735,861,808	-	5,743,406,674	-	5,743,406,674
Intercompany and money market items	730,137,449	-	730,446,383	-	730,446,383

# Advance Finance Public Company Limited

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The following methods and assumptions were used by the Company in estimating fair value of financial instruments as disclosed herein.

### *Intercompany and money market items (assets)*

The fair value is approximated based on the carrying amount of intercompany and money market items, except for the fair value of fixed rate item which is calculated based on the present value of future cash flows of principal and interest, discounted at market interest rates.

### *Financial assets measured at fair value through profit or loss and investments*

The fair value of investments in government-sector debt instruments is determined, using yield rates or prices quoted on the Thai Bond Market Association (“ThaiBMA”). The fair value of investments in other debt instruments issued locally is determined based on market value appraised by the reliable institutions, their respective yields, or the ThaiBMA’s yield rates adjusted by appropriate risk factors.

The fair value of marketable equity instruments is determined at the last bid price quoted on the last working day of the Stock Exchange of Thailand of the reporting period. The fair value of an investment unit is determined using the net asset value announced at the reporting date. The fair value of non-marketable equity instruments is determined mainly based on common valuation techniques such as market approach, cost approach or income approach, as well as book value or adjusted book value.

### *Deposits and intercompany and money market items (liabilities)*

Fair values of deposits and intercompany and money market items with term and fixed interest rates are estimated using discounted cash flow analyses based on current interest rates for similar types of deposit arrangements.

## 26 Reserves

Reserves comprise:

### *Appropriations of profit and/or retained earnings*

#### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

#### *Other reserves*

##### *Fair value reserve of 2020*

The fair value reserves comprise:

- the cumulative net change in the fair value of equity instruments designated at FVOCI; and
- the cumulative net change in fair value of debt instruments at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

##### *Fair value reserve of 2019*

The fair value changes in available-for-sale investments comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

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**27 Dividends**

The shareholders approved the appropriation of dividend as follows:

	Approval date	Payment schedule	Dividend rate per share (in Baht)	Amount
<i>2020</i>				
Annual dividend	27 April 2020	18 May 2020	<u>0.02</u>	<u>25,000,000</u>
<i>2019</i>				
Annual dividend	24 April 2019	13 May 2019	<u>0.02</u>	<u>25,000,000</u>

**28 Contingent liabilities**

	2020	2019
	(in Baht)	
Other contingencies		
- Other guarantee	53,619,752	33,968,419
- Committed line	192,206,305	610,256,399
<b>Total</b>	<b><u>245,826,057</u></b>	<b><u>644,224,818</u></b>

**29 Related parties**

Other related parties that the Company had significant transactions with during the year were as follows:

Name of entity/personnel	Country of incorporation/ nationality	Nature of relationships
Energy Absolute PCL	Thai	Entities in which the directors, management of their families have significant influence
KTM Capital Land Co., Ltd.	Thai	Entities in which the directors, management of their families have significant influence
Land Prosperity Holding Co., Ltd.	Thai	Entities in which the directors, management of their families have significant influence
Blockfint Co., Ltd.	Thai	Entities in which the shareholders of their families have significant influence
Key management personnel	Thai	Persons having authority and responsibility for planning, directly and controlling the activities of the Company, directly or indirectly, including any director of the Company (whether executive or otherwise)

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Interest rate of loans	Market price
Interest rate on deposits	Market price
Intangible assets	Contractual price

Interest rate and other pricing for key management personnel and other related parties are at the same rate as in the normal course of business with the same business conditions as general customers.



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Significant transactions for the years ended 31 December with related parties were as follows:

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
<b>Entities in which the directors, management of their families have significant influence</b>		
Interest income	-	129,751
Interest expense	13,665,375	1,179,377
<b>Key management personnel</b>		
Interest expense	105,136	119,530
<b>Major shareholder</b>		
Interest expense	709,244	-

Significant balances with related parties as at 31 December were as follows:

	2020	2019
	<i>(in Baht)</i>	
<b>Entities in which the directors, management of their families have significant influence</b>		
Deposits	1,607,000,000	1,700,000,000
Accrued interest payables	12,313,937	283,562
<b>Key management personnel</b>		
Deposits	3,865,939	6,570,779
Accrued interest payables	9,567	15,819
<b>Major shareholder</b>		
Deposits	235,600,000	-
Accrued interest payables	709,244	-
<b>Entities in which the shareholders of their families have significant influence</b>		
Intangible assets	7,819,356	-

The Company has not paid other benefits to executive directors and key management personnel, except for the benefits that are normally paid such as salary, bonus and post-employment benefits etc.

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
Short-term benefits	24,979,387	59,217,022
Post-employment benefits	1,480,193	4,109,507
Severance payment	-	7,806,607
<b>Total</b>	<b>26,459,580</b>	<b>71,133,136</b>

Directors who have no position in executive level of the Company only receive an annual remuneration and allowances.

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
Directors' remuneration	4,398,021	3,952,156
<b>Total</b>	<b>4,398,021</b>	<b>3,952,156</b>

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**30 Leases**

The Company leases building and equipment for a period of 1-4 years with an option to renew the lease after maturity date. The rental is payable monthly as specified in the contract.

<i>Right-of-use assets</i>	Building	Equipment (in Baht)	Total
<b>Cost</b>			
At 1 January 2020	3,394,364	693,888	4,088,252
Additions	9,090,181	-	9,090,181
Write-off	(3,394,364)	-	(3,394,364)
<b>At 31 December 2020</b>	<b>9,090,181</b>	<b>693,888</b>	<b>9,784,069</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	-	-	-
Depreciation charge for the year	3,258,138	208,166	(3,466,304)
Write-off	(3,195,053)	-	3,195,053
<b>At 31 December 2020</b>	<b>63,085</b>	<b>208,166</b>	<b>(271,251)</b>
<b>Net</b>	<b>9,027,096</b>	<b>485,722</b>	<b>9,512,818</b>

<i>Lease liabilities</i>	2020 (in Baht)
<b>Maturity analysis - contractual undiscounted cash flows</b>	
Less than 1 year	3,452,688
1 - 5 years	6,493,375
<b>Total undiscounted lease liabilities</b>	<b>9,946,063</b>
<b>Lease liabilities included in the statement of financial position</b>	<b>9,530,051</b>

<i>Future minimum lease payments</i>	2019 (in Baht)
Within 1 year	9,115,236
1 - 5 years	584,220
<b>Total</b>	<b>9,699,456</b>

<i>Year ended 31 December</i>	2020	2019
	(in Baht)	
<b>Amount recognised in profit or loss</b>		
Interest expense on lease liabilities	93,344	-
Lease expense under operating leases	-	3,126,581

In 2020, total cash outflow for leases of the Company were Baht 3.5 million.

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**31 Segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Board of Directors.

Finance business is the main business segment of the Company which management considers that there is only one segment and when taking into consideration the business location of the Company, there is only one geographical segment as the business operates only in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

**32 Interest income**

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
Intercompany and money market items	1,801,716	7,711,357
Investments in debt instruments	41,812,608	8,836,653
Loans	363,157,270	319,409,025
<b>Total</b>	<b><u>406,771,594</u></b>	<b><u>335,957,035</u></b>

**33 Interest expense**

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
Deposits	83,515,191	105,113,677
Intercompany and money market items	13,545,638	4,039,662
Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency	14,415,578	22,467,827
<b>Total</b>	<b><u>111,476,407</u></b>	<b><u>131,621,166</u></b>

On 8 April 2020, BoT announced a reduction in rate of contribution from financial institutions to the Financial Institutions Development Fund (FIDF) from 0.46% of deposit base to 0.23% per annum temporarily for the year 2020 to 2021 which is retrospectively effective from 1 January 2020.

**34 Fees and service income**

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
Acceptances, avals and guarantees	944,005	614,540
Financial consulting fee	75,000	11,890,000
Fees on loans	886,180	6,672,703
<b>Total</b>	<b><u>1,905,185</u></b>	<b><u>19,177,243</u></b>

**35 Loss from financial instruments measured at fair value through profit or loss**

<i>Year ended 31 December</i>	2020
	<i>(in Baht)</i>
Domestic marketable equity instruments	<u>(19,842,120)</u>
<b>Total</b>	<b><u>(19,842,120)</u></b>

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**36 Net (loss) gain on investments**

<i>Year ended 31 December</i>	2020 <i>(in Baht)</i>
Loss on disposal of investments measured at fair value through other comprehensive income	<u>(1,174,301)</u>
<b>Total</b>	<b><u>(1,174,301)</u></b>
<i>Year ended 31 December</i>	2019 <i>(in Baht)</i>
Gain on disposal of available-for-sale investments	3,798,807
Gain on disposal of held-to-maturity securities	59,533
<b>Total</b>	<b><u>3,858,340</u></b>

**37 Expected credit loss and bad debt, doubtful accounts and loss on impairment**

<i>Year ended 31 December</i>	2020 <i>(in Baht)</i>
Intercompany and money market items	27,445
Investment in debt instruments measured at FVOCI	556,424
Loans to customers and accrued interest receivables	83,632,658
Loan commitments	<u>(2,055,544)</u>
<b>Total</b>	<b><u>82,160,983</u></b>
<i>Year ended 31 December</i>	2019 <i>(in Baht)</i>
Loans to customers	
- Bad debt recovery	(18,011,627)
- Doubtful accounts	28,078,713
<b>Total</b>	<b><u>10,067,086</u></b>

**38 Income tax**

*Income tax recognised in profit or loss*

<i>Year ended 31 December</i>	2020	2019
	<i>(in Baht)</i>	
<b>Current tax expense</b>		
Current year	<u>8,584,706</u>	<u>8,844,784</u>
	<b>8,584,706</b>	<b>8,844,784</b>
<b>Deferred tax expense</b>		
Movements in temporary differences	<u>1,300,746</u>	<u>1,647,797</u>
	<b>1,300,746</b>	<b>1,647,797</b>
<b>Total income tax expense</b>	<b><u>9,885,452</u></b>	<b><u>10,492,581</u></b>

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***Income tax recognised in other comprehensive income***

<i>Year ended</i>	2020			2019		
	Before tax	Tax expense	Net of tax <i>(in Baht)</i>	Before tax	Tax (expense) benefit	Net of tax
31 December						
Investments	7,534,966	(1,506,993)	6,027,973	7,140,955	(1,428,191)	5,712,764
Defined benefit plan	4,939,338	(987,868)	3,951,470	(4,578,172)	915,635	(3,662,537)
<b>Total</b>	<b>12,474,304</b>	<b>(2,494,861)</b>	<b>9,979,443</b>	<b>2,562,783</b>	<b>(512,556)</b>	<b>2,050,227</b>

***Reconciliation of effective tax rate***

<i>Year ended 31 December</i>	2020		2019	
	Rate (%)	<i>(in Baht)</i>	Rate (%)	<i>(in Baht)</i>
Profit before income tax expense		48,414,063		55,215,675
Income tax using the Thai Corporation tax rate	20.0	9,682,813	20.0	11,043,135
Reversal of deferred tax assets		1,086,941		-
Income not subject to tax		(1,159,659)		(736,122)
Expense not deductible for tax purposes		275,357		185,568
<b>Total</b>	<b>20.4</b>	<b>9,885,452</b>	<b>19.0</b>	<b>10,492,581</b>

***Deferred tax***

	2020	2019
	<i>(in Baht)</i>	
Deferred tax assets	6,172,435	9,841,798
Deferred tax liabilities	-	-
<b>Net</b>	<b>6,172,435</b>	<b>9,841,798</b>

	At 1 January 2020	(Charged) / Credited to:		At 31 December 2020
		Profit or loss <i>(in Baht)</i>	Other comprehensive income	
<b><i>Deferred tax assets</i></b>				
Allowance for impairment of general investment	1,564,000	-	-	1,564,000
Loss on remeasurement investments*	-	2,194,762	(1,395,708)	799,054
Allowance for expected credit loss	-	116,775	(111,285)	5,490
Allowance for doubtful accounts	4,039,773	(4,039,773)	-	-
Allowance for impairment of properties for sale	36,975	-	-	36,975
Provisions for employee benefits	4,327,294	427,490	(987,868)	3,766,916
<b>Total</b>	<b>9,968,042</b>	<b>(1,300,746)</b>	<b>(2,494,861)</b>	<b>6,172,435</b>

\* Balance at 1 January 2020 includes the impact of initially applying TFRS - financial instruments standards (Note 3)

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	At 1 January 2019	(Charged) / Credited to:		At 31 December 2019
		Profit or loss <i>(in Baht)</i>	Other comprehensive income	
<i>Deferred tax assets</i>				
Allowance for impairment of general investment	1,564,000	-	-	1,564,000
Gains (losses) on measurement available-for-sale investments	1,301,947	-	(1,428,191)	(126,244)
Allowance for doubtful accounts	4,039,773	-	-	4,039,773
Allowance for impairment of properties for sale	36,975	-	-	36,975
Provisions for employee benefits	5,059,456	(1,647,797)	915,635	4,327,294
<b>Total</b>	<b>12,002,151</b>	<b>(1,647,797)</b>	<b>(512,556)</b>	<b>9,841,798</b>

**39 Basic earnings per share**

<i>Year ended 31 December</i>	2020 <i>(in Baht / shares)</i>	2019
Profit attributable to ordinary shareholders of the Company (basic)	38,528,611	44,723,094
Number of ordinary shares outstanding	1,250,000,000	1,250,000,000
<b>Earnings per share (basic)</b>	<b>0.03</b>	<b>0.04</b>

**40 Events after the reporting period**

40.1 On 18 January 2021, the Company has received a legal notice for breach of the program development contract at the amount of Baht 3.75 million which included the interest rate of 7.5 percent per annum. The Company has to file an answer by 2 March 2021.

Due to the ongoing lawsuit and uncertainty of the outcome, the Company has not set up any provision on this amount.

40.2 The Board of Director's meeting held on 19 February 2021, unanimously approved the resolution to present the annual general meeting of the shareholders of the Company held on 27 April 2021 for the appropriation of dividend of Baht 0.02 per share, amounting to Baht 25 million.