



Krungthai-AXA Life Insurance PCL. Participating Policy Investment Update Year Ended 31st December 2019

1. Krungthai-AXA Overview

Krungthai-AXA Life Insurance PCL (KTAXA) draws on the strength of its two major shareholders, Krungthai Bank PCL and the AXA Group. In 2019, KTAXA awarded the Top Investment House of the Year for Insurance Company in Thailand from The Asset Magazine, the Health Insurer of the Year & the Digital Insurer of the Year from InsuranceAsia News Awards & the Most Socially Responsible Insurance Company from the International Finance, The Best Human Care Contact Center & The Best WorkFlow Contact Center & The Best Professional Management Contact Center from Thai Contact Center Trade Association (TCCTA), and the Excellent Social Contribution Award (Disabilities) by the Ministry of Social Development and Human Security.

Krungthai Bank PCL (KTB) is the premier government bank in Thailand which established over 50 years with the vision of “Growing Together” to support growth and prosperity for customers by enhancing capabilities of employees, as well as provide sustainable return for our shareholders. At December 31st, 2019 KTB has 1,068 branches nationwide. For 2020, KTB determine to be an Invisible Banking to further support business partners of customers by 2 banking models, which are carrier and speed boat.

The AXA Group is one of the world’s leading insurance, financial protection and asset management groups as listed in the Fortune Global 500. AXA purpose is to empower people to live a better life. AXA has more than 105 million customers in 61 countries worldwide.

KTAXA has been one of the fastest growing insurance companies in Thailand over the last year and has around 16,000 distributors nationwide. Year 2020 is 23rd years of Krungthai-AXA Life which is operating business and the company draws upon the strengths and expertise of its two major shareholders, quality distributors and staffs.

KTAXA provides solutions to our customers’ financial needs. Our customers’ major financial concerns are:

- a) Need of life, personal accident and critical illness coverage.
- b) Need of health coverage focuses on medial expense coverage which is the key concern of customers.

- c) Need of education fund especially kid’s education fund.
- d) Need of saving for retirement and long term saving.
- e) Needs to create a legacy estate for families and children, including effective legacy planning.

You can trust in the security of KTAXA, as it is backed up by the financial strength and discipline of its two major shareholders. In these uncertain economic times the strength of KTAXA provides important security and stability to our customers.

2. Features of Participating Products

A participating life insurance policy is a type of insurance contract issued to a customer by KTAXA that bundles both savings and life insurance protection.

Dividends are split into two types: Guaranteed and Non-Guaranteed of which both may include annual payments (in the form of cash drops) and/or a terminal payment at contract maturity.

Guaranteed dividends are defined at the onset of the contract. KTAXA stands behind its guarantees through its own financial strength and that of its shareholders. Non-Guaranteed dividends may be higher or lower than illustrated and are as described NOT guaranteed.

These dividends paid may be ‘smoothed’ based on the Company’s policy. In other words, the Company will try to even out the payout to policyholders and as such, the actual investment return of the fund or sub-fund that the Participating policy belongs to, will not exactly correspond to the investment income allocated towards the dividend payout.

Elements of mutualisation in accordance with the company’s policy may also be present. Additional features of the participating products include the possibility to leave the dividends on deposits in order to earn interests on the accumulated dividends. This feature is added to the base policy contract via a separate contract endorsement and the interest rate credited to the deposit will be the maximum between the annually declared rate and the minimum stipulated in the aforementioned endorsement.

KTAXA policyholders can also request a policy loan as a source of additional funding. This feature enables the policyholder to borrow against the cash value of the policy while maintaining the protection offered by the policy. The policy loan together with accrued interest would be deductible from any benefits payable under the Policy.

3. 2019 Thai Investment Market

Economy: In 2019, the Thai economy grew by only 2.4% Year-on-Year. Major growth driver is growth in the service sector. In 2020, the Thai economy is expected to slow down with limited growth, mainly due to (1) the delay in government budget; (2) the impact from the US-China Trade War; (3) the drought; and (4) the impact from the COVID-19 and the OPEC production.

Interest Rates: During 2019, level of interest rate decreased across all tenors for bond investment due to the 2-times policy rate cut by the Bank of Thailand to the historical low level of 1.25%. The 10-years government bond yield was reduced to 1.49%.

Equities: In 2019, the Thai equity market increased slightly by 1% compared to last year. This is because Thai equity market had a high valuation but the earnings of the listed companies are remain unchanged.

4. Our 2019 Investment Portfolio

Investment philosophy: KTAXA invests in a wide range of high quality assets, and aims to provide stable returns over the long term. By investing in a participating product you will benefit from your savings will be pooled with those of other customers thus allowing a wider range of investment, and hence a more diversified and secured portfolio.

KTAXA's current target asset allocation for the portfolio of participating products is to invest 92% in fixed income securities, 4% in equities, and 4% in property & infrastructure funds and REITs. The actual asset allocation at any time will vary due to market movements. For fixed income securities the major portion will be in government or state enterprise bonds, and corporate bonds with quality credit ratings. This asset allocation is revisited on an annual basis.

Performance: The overall investment return for 2019 was 4.3% on the statutory basis before the relevant Thai corporate income taxes. The returns over the past 10 years have been as follows:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	10 Yr Annualised Return
Annual Return (Statutory Basis)	4.8%	4.8%	5.1%	5.3%	4.7%	4.6%	4.4%	4.4%	3.8%	4.3%	4.6%

Note: This table represents the annual return for KTAXA and is for illustrative only. The underlying return will differ for the fund or sub-fund that the Participating policy is allocated to, and be determined by the Company's policy including any elements of mutualisation allowed. Past performance is not an indicator of any specific investment, non-guaranteed dividends, or future performances. The returns are calculated on a statutory basis.

As noted in Section 3, "2019 Thai Investment Market", the Thai Policy rate was historical low and will remain low for long. Also the Thai equity market stay almost unchange in 2019. These made the 2019 investment return of KTAXA stay low.

The Thailand investment market was very challenging during 2020. However, the payment of the guaranteed dividends has never been at risk. Only non-guaranteed dividends can be affected by adverse financial & capital markets. The low interest rates environment will negatively impact the annual return due to less attractive return for the new funds received by KTAXA.

Should you have any queries regarding your policy please contact the KTAXA Customer Call Centre on 1159 operated everyday 24 hours.