



Krungthai-AXA Life Insurance PCL. Participating Policy Investment Update Year Ended 31 December 2017

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 2017, KTAXA awarded the SR initiative of the year and Digital Insurance Initiative of the year from Insurance Asia Awards 2017, the 2017 Diversity Leader by Diversity Journal, and the 2017 Award in supporting people with disability by Ministry of Social Development and Human Security.

Krungthai Bank PCL (KTB) is the premier government bank in Thailand which established over 50 years. In year 2018, “Future Banking” is one of the year plan. At December 31st, 2017 KTB has 1,121 branches nationwide.

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 107 million customers in 64 countries worldwide. AXA is also the world’s best global insurance brand, and the 1st insurance brand for 9 consecutive years, rating by Interbrand.

KTAXA has been one of the fastest growing insurance companies in Thailand over the last year and has around 13,000 distributors nationwide. Year 2018 is 21st 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 staff.

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

- a) “Living too long” and not being able to enjoy retirement to the style they embraced during their working life.
 - b) “Dying too young” and not being able to deliver all the plans they have for their families.
 - c) “Getting sick” and not being able to afford the medical expenses associated with getting well.
 - d) “Short-term cash” to get their children educated.
- KTAXA solves these and more

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 are paid if the company has earned and/or expects to earn in the future a surplus due to operational and/or investment performance. These may be higher or lower than illustrated and are as described NOT guaranteed.

3. Dividend Management Strategy

On top of the guaranteed dividends, KTAXA declares non-guaranteed dividends that are ‘smoothed’ over time, to provide a stable long term return. Smoothing is unique to participating policies for ensuring steadier returns with less volatility. Smoothing is a process that takes a long term view on investment returns by looking at expected returns in the future, and by keeping back some of the gains earned in good years and using them to help pay bonuses in poor investment years. So this means that returns on a participating product will typically be greater than market returns in years of poor investment market performance, but lower than market returns in years of very good market performance, due to the smoothing mechanism.

4. 2017 Thai Investment Market

Economy: In 2017, the Thai economy grew by 3.9% Year-on-Year. Major growth drivers are growth in private consumption and strong export. In 2018, the Thai economy is expected to grow at 3.9%*, mainly due to (1) the growth in private & public investment; (2) the robust export sector; and (3) tourism sector is still likely to grow favourably. However, the risks from the volatility in global economy and financial system should be closely monitored.

*Expected growth rate from the Bank of Thailand

Interest Rates: During 2017, level of interest rate lowered across all tenors for bond investment due to existing excess liquidity in both local & global markets despite of the 3-times Fed rate hikes in 2017. The MPC maintain the policy rate at 1.5% throughout the year.

Equities: In 2017, the Thai equity market surged sharply by 14% compared to last year. This is driven by earnings growth of listed companies, increase in oil price, and accelerating GDP growth despite of the foreign fund outflow in Thai equity market.

5. Our 2017 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 81% in fixed income securities, 12% in equities, and 7% 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 2017 was 4.37% on the statutory basis before the relevant Thai corporate income taxes. The returns over the past 10 years have been as follows:

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10 Yr Annualised Return
Annual Return (Statutory Basis)	4.6%	3.8%	4.8%	4.8%	5.1%	5.3%	4.7%	4.6%	4.4%	4.4%	4.7%

Note: This table is for illustrative purposes only. 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 4, “2017 Thai Investment Market”, the Thai equity market increased in 2017. However, the overweighed portion of bonds in the portfolio which aimed to reduce the impact on the overall portfolio return from the volatility of Thai equity market made the 2017 investment return slightly lower than 2016. This was also based on the fact that the interest rate level in 2017 was lower than 2016.

The Thailand investment market was very challenging during 2017. However, the payment of the guaranteed dividends has never been at risk. Only non-guaranteed dividends can be affected by adverse financial 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.