



Broker Sentiment Survey.

Pensions
Protection
Investments

Quarter 2 - 2010



in association
with



Looking forward to your future

www.brokerfirst.ie

About Friends First

At Friends First, we are always looking forward to your future, seeking new and better ways to fulfil the diverse financial aspirations of all our clients.

Through our wide range of financial services products, Friends First is constantly working to provide a brighter future for our 250,000 Irish customers. As a leading expert in the market, Friends First consistently meets the individual requirements of our customers with innovative solutions in the areas of pensions, investments and protection. With total assets exceeding €5 billion*, Friends First employs almost 400 people at its corporate headquarters in Dublin and regional offices in Cork and Galway. Friends First is a wholly-owned subsidiary of Eureko, a pan-European insurance group with total assets of €93 billion.**

About Millward Brown Lansdowne

Millward Brown Lansdowne was formed by the merger of both Millward Brown's companies in the Republic of Ireland – Millward Brown IMS and Lansdowne Market Research – in July 2009. Both companies were acquired by Millward Brown – one of the world's leading research companies – in 2002. The group was originally founded as Irish Marketing Surveys in 1963, with Lansdowne Market Research being founded in 1979. The two companies individually were the leading practitioners of ad hoc market research in Ireland – combined; we are by far the largest and best resourced company in the country. With a full-time staff of nearly 100 in the Republic and over 20 in Northern Ireland, Millward Brown Lansdowne offers its clients an unrivalled range and depth of experience across all public

and private sector industries. We have conducted research in more than 30 countries, giving us a uniquely international perspective of any Irish research company. As part of one of the world's leading research groups, we have access to cutting-edge thinking in market and opinion research worldwide.

About Eureko B.V.

Eureko is a leading European financial services group whose core business is insurance. The company is headquartered in The Netherlands and has operations in 10 countries. The Eureko Group has an S&P rating of A-. Building on its co-operative roots, Eureko does business with the aim of achieving balanced value creation for its stakeholders: customers, distribution partners, employees and shareholders. Eureko's philosophy is to create an integrated, pan-European group consisting of market leaders in the territories in which its companies operate, providing "local solutions, shared goals". Each of its operating companies has strong, dominant brands; they know their local markets intimately and are customer focused. It is this local expertise, with the backing of a strong European Group and the sharing of skills and experience throughout the Group, which is the cornerstone of Eureko's values.

* Source: Friends First, January 2010

** Source: Eureko, January 2010

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Eunan O'Carroll,
Sales & Marketing Director,
Friends First Life Assurance.

INTRODUCTION

While technically, indications are that we are out of recession, I think all of us who are involved in the business sector would agree that we still have some way to go before we return to any normal degree of business confidence. Against a backdrop where consumer confidence and the household budget remain a concern, the entire financial services sector continues to be challenging.

During the last few years, given the activity of the banking sector, overall trust in financial services has diminished greatly. While this undoubtedly provides a challenge, it is clear that many brokers have decided to focus on the positives, as is evidenced by the increase in confidence in the latest Broker Sentiment Barometer findings. Once again, the broker community in Ireland has demonstrated an ability to reinvent itself and in doing so, continues to provide consumers with value for money and trusted impartial advice at a time when they need it most. It is also clear from the findings of this research, that the independent broker market now views itself as the only source of trusted financial advice. Many have already made the necessary adjustments to their

business and propositions and are starting to reap the rewards.

The restructuring of the pension promise is now well under way, with many brokers undoing and rebalancing the questionable financial advice that many consumers have received at a time when they were simply looking for a credit advance or loan facility. This rebalancing of the pensions market and the restructuring of the investment and protection portfolios with clients provides the brightest outlook to the broker market for quite some time. The confidence expressed and the positive outlook forecast by many brokers is clear to see.

It is important, however, that we do not become complacent, and central to re-affirming the broker as the source of trusted advice, will be putting the customer first. There will be challenges on both sides, broker and life company, but if we continue to work together and support one another at this difficult but opportune time for our industry, we will redraw the map of financial services distribution in Ireland. Never before has there been such an opportunity to regain some lost ground as we will see in the next five years.

I hope that you find the results of our broker business confidence barometer to be helpful. I'd like to take this opportunity to thank you for your support in what has been a very strong H1 performance for Friends First. We greatly appreciate your business and we will look for every available opportunity to continue to support you in a time of great change within our industry.

Continued success.

Regards,

Eunan

BROKER SENTIMENT SURVEY

BACKGROUND

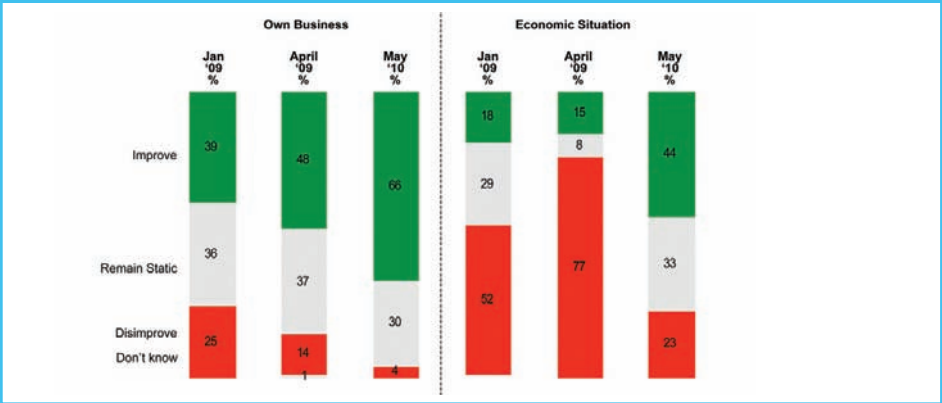
This is the third Broker Sentiment Survey carried out by Friends First in conjunction with Millward Browne Lansdowne. A sample of 100 brokers from across the country participated in the survey. The survey is run on a bi-annual basis to gauge the attitudes and perceptions of brokers to their own business and the economy that they are currently operating in. As part of the survey, we also attempted to capture the perceived view of brokers clients. This wave has also introduced a number of new sectors focusing closely on product and legislative issues.

BROKER SENTIMENT AT PRESENT

Economic and Business Overview

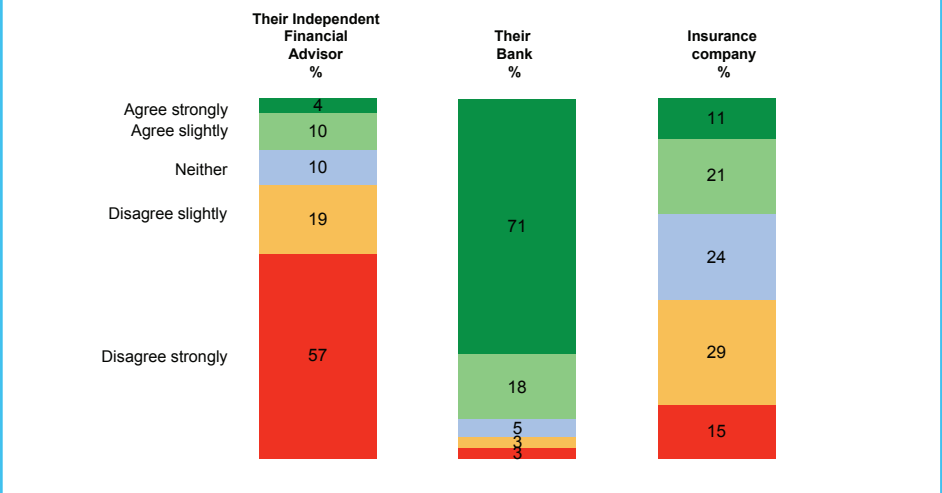
Since our first survey, 12 months ago there has been a marked improvement in the level of optimism shown by brokers for their own business. 2 in 3 brokers now expect their business to improve over the next 12 months compared to just under half a year ago. Coupled with this, brokers expectations for the economy have also improved sharply compared to last year, with 44% expecting improvement. Brokers are also significantly more satisfied with the government’s handling of the economy this year with almost a 50% increase in the number of brokers who rate the performance as fairly good or good (40% in 2010 Vs 22% in 2009).

Expectations for own business and economy over next 12 months.



One of the key factors driving broker optimism for their own business is the ongoing lack of trust in banks by consumers and the opportunities this may present to the Independent Financial Adviser. Almost 8 out of 10 brokers agree with this particular sentiment.

Trust in Financial Services.



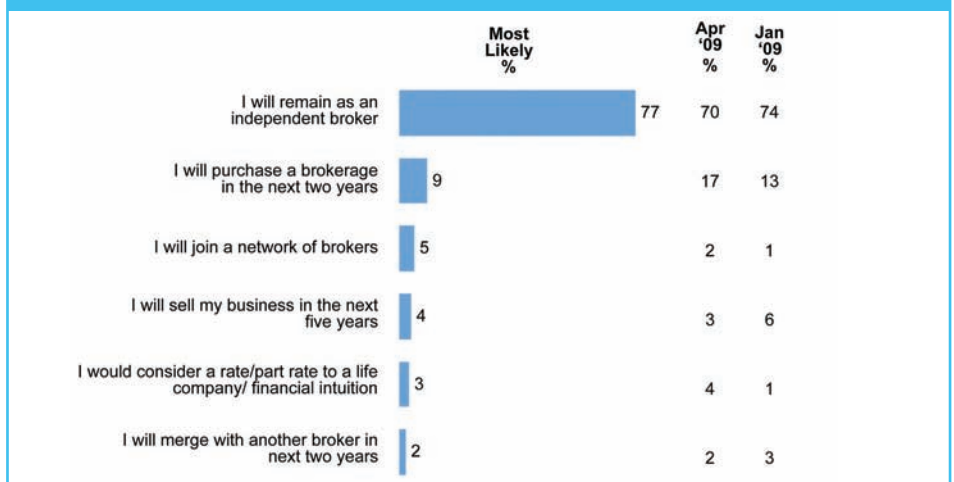
Do you agree or disagree that a “lack of trust” is having a significant impact on your clients relationships with...?

BROKER SENTIMENT SURVEY

The majority of brokers feel that the worst of the recession is behind us.

Although, brokers are expecting increased consolidation across the financial services sector, they do not envisage this to be within broker networks. In that context, 3 out of 4 brokers surveyed indicated that they intend to remain independent. This, when seen as part of their future business strategy is more positive than last year.

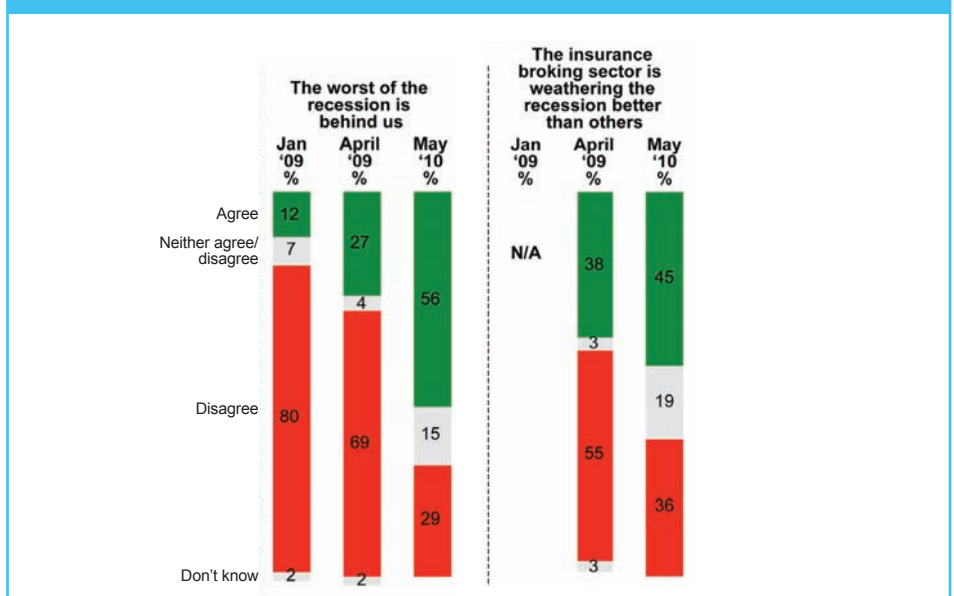
Attitude to future business strategy.



From each of the following please tell me which most accurately reflects your attitude to your future business strategy.

Finally, it is worth noting that the majority of brokers feel that the worst of the recession is behind us and that the broking sector has weathered it better than other sectors. However, access to finance and spending remain the main obstacles to recovery.

Broker attitudes

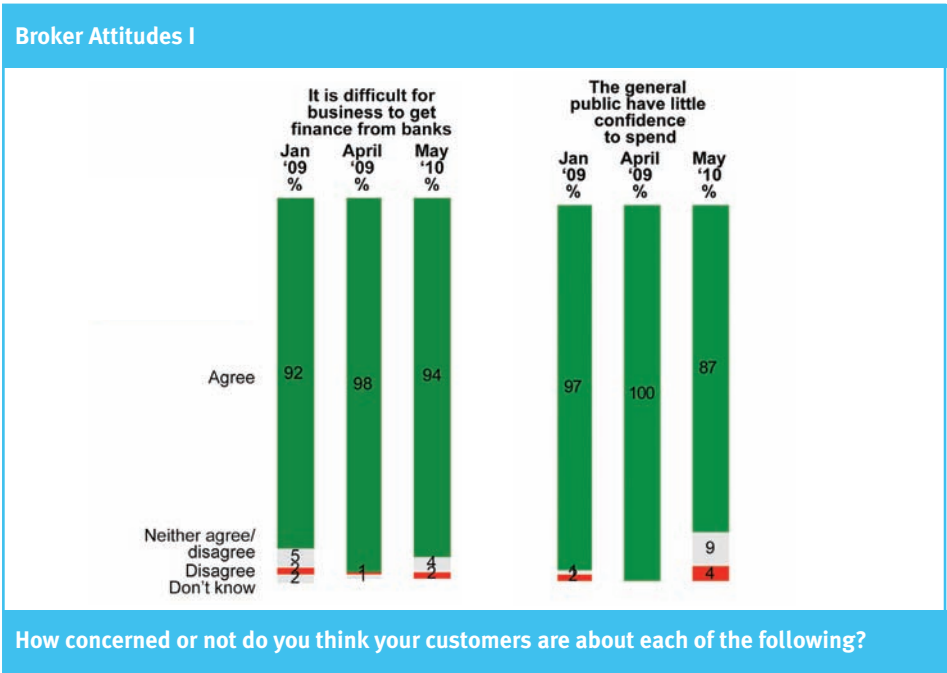


How concerned or not do you think your customers are about each of the following?

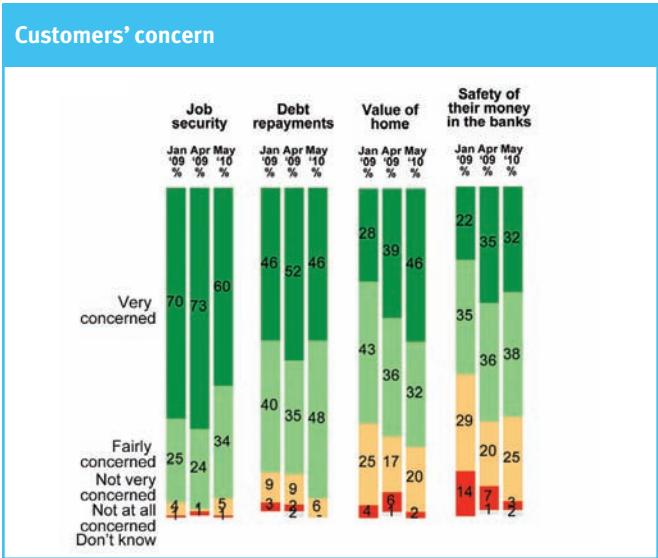
Access to finance remains the biggest perceived concern of brokers' customers.

CONSUMER SENTIMENT

There has been less change in consumer sentiment in comparison to brokers' own attitudes with consumers showing less optimism. Access to finance remains the biggest perceived concern of brokers' customers with the lack of confidence to spend also a key concern.



The public still have multiple concerns to contend with, most of these still around personal financial issues including maintaining the current standard of living and not being able to afford the basics for their family. Job security remains the key immediate concern, with value of home coming through strongly as a rising fear. Although almost 50% think there may be further tax increases on the horizon, this has decreased by almost 20% since the last survey.



BROKER SENTIMENT SURVEY

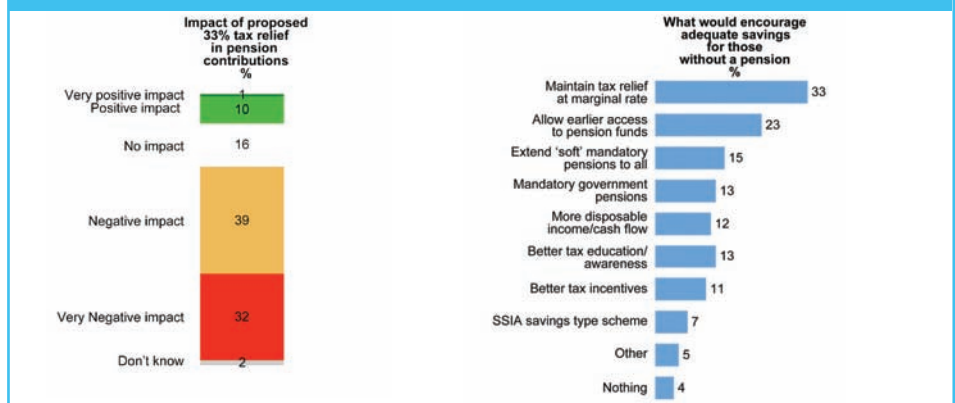
Almost 6 out of 10 brokers believe equities offer the best return while more than half of battle-weary consumers are opting for guaranteed funds.

INDUSTRY AND PRODUCT OVERVIEW

The survey introduced some new questions to gain a better understanding of the role that the Independent Adviser plays and the attitude towards different products that are available through this channel.

The introduction of a 33% tax relief on pension contributions is viewed negatively by 7 in 10 brokers while just 1 in 10 think this would be a positive step. 33% stated that maintaining tax relief at the marginal rate is the best way of encouraging saving for those currently without a pension. A range of other measures aimed at encouraging savings were also mentioned with earlier access to pension funds and the area of mandatory pension arrangements being strongly supported.

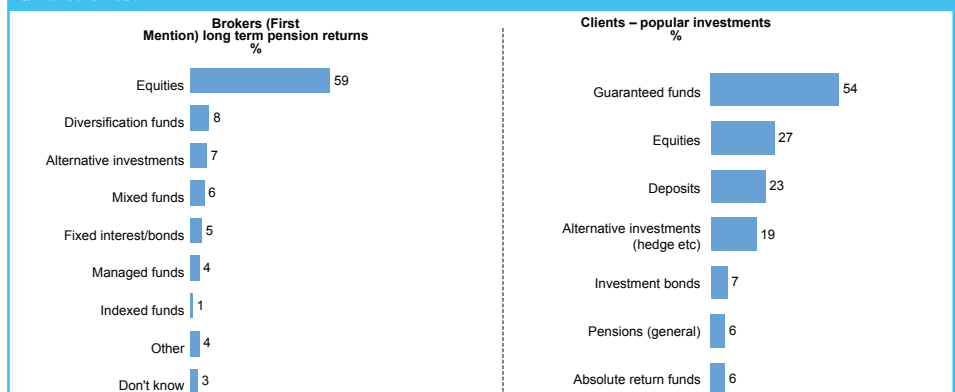
Changes to Pension Industry.



What in your view would encourage those who do not currently have a pension to fund adequately for their retirement?

It is interesting to note the difference between brokers' viewpoints in relation to maximising returns of pension funds and where customers are actually investing their money. Almost 6 out of 10 brokers believe equities offer the best return while more than half of battle-weary consumers are opting for guaranteed funds.

Long and short term outlooks differ markedly at the moment between brokers and clients.



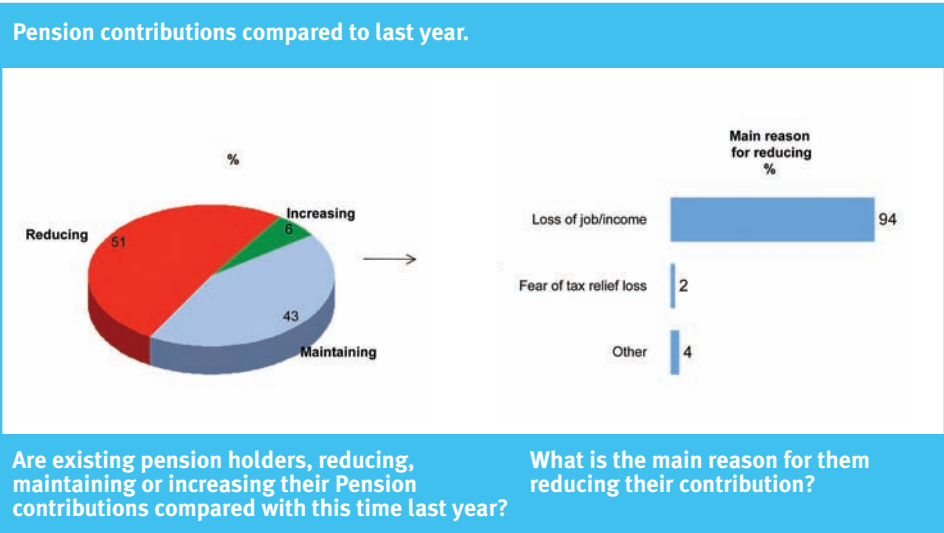
What investment options will deliver the best long term returns for pensions in your view? And which will deliver the next best returns?

What investment types are proving popular with your clients at the moment?

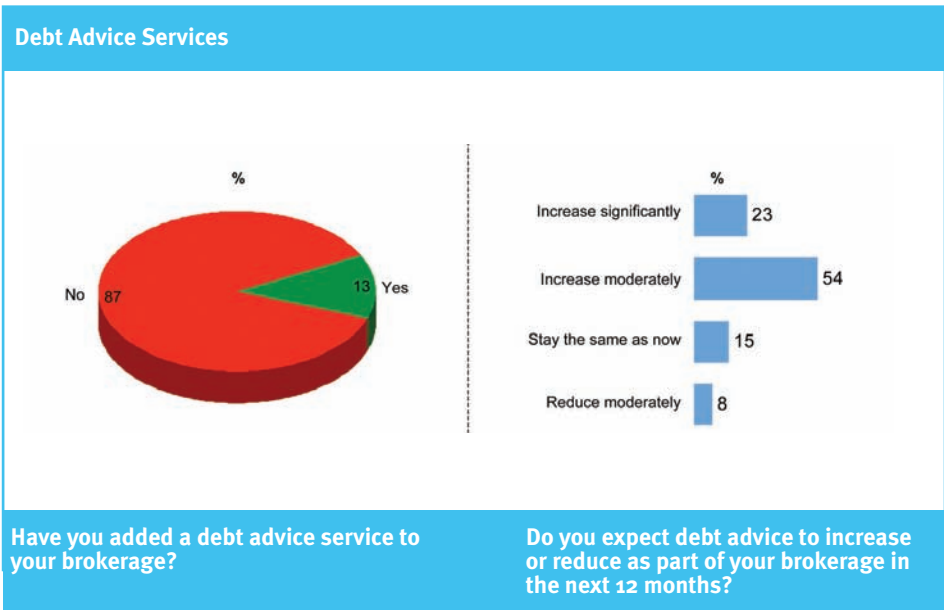
BROKER SENTIMENT SURVEY

Consumer sentiment is not perceived to be as optimistic as broker sentiment.

Consumer sentiment is not perceived to be as optimistic as broker sentiment with many people reducing contributions to a range of financial products whilst focusing on debt clearance rather than future financial planning. Among other areas, the recession is clearly having an impact on pension saving patterns, with brokers reporting that on average half their clients are reducing their contributions. The main reason given, not surprisingly is due to loss of job/income.

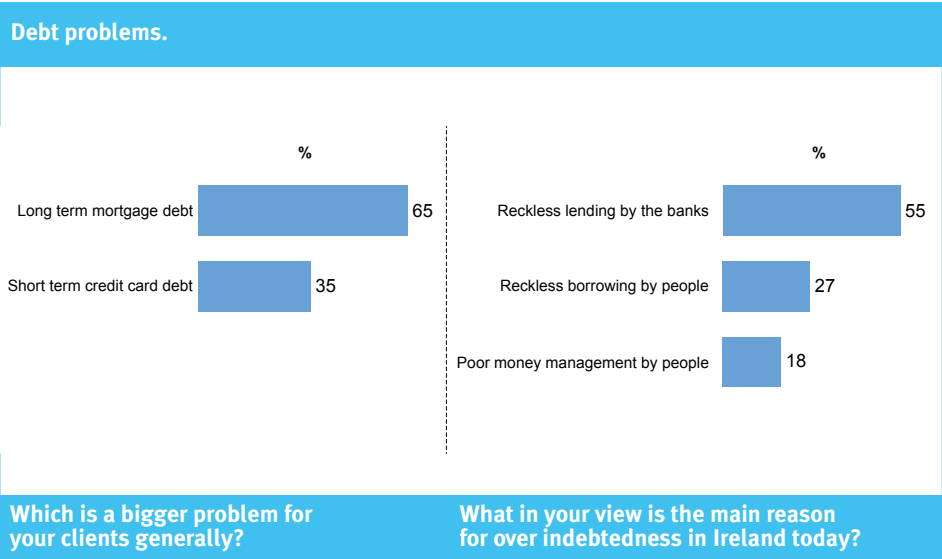


The opportunity that brokers see due to their clients distrust of the banking sector is clearly demonstrated in their approach to Debt Advice services with 13% having added this service to their portfolios. 77% believe that these Debt Advice Services will increase as part of their brokerage offering in the coming 12 months.



45% of brokers do not hold the banks responsible for the levels of their indebtedness in Ireland today.

It should be noted that 45% of brokers do not hold the banks responsible for the levels of their indebtedness in Ireland today and believe that consumers need to look at their own behaviours and money management skills. Assisting consumers with this offers a further opportunity to brokers.



The survey clearly shows that although brokers are becoming more optimistic this is not being matched by consumers.

CONCLUSION

The survey clearly shows that although brokers are becoming more optimistic this is not being matched by consumers. Although, the level of negative change has decreased it will be some time before consumer sentiment starts showing significant positive change.

However, the lack of trust by consumers in banks combined with the requirements to address their debt and other financial issues is seen as an opportunity for brokers and one that could prove extremely fruitful.

BROKER SENTIMENT SURVEY

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