



Rueil, September 4, 2009

## PRESS RELEASE

Third Barometer of Independent Financial Advisors

### 2009 A PIVOTAL YEAR AS IFAs LOOK BEYOND RESILIENCE, SEEKING STRATEGIES TO PUT CRISIS BEHIND THEM

- ✓ Nearly 1 out of 5 IFAs believes the profession is suffering.
- ✓ However, 9 out of 10 IFAs see substantial growth potential in the coming 5 years.
- ✓ Key growth drivers are recruiting new clients and billing of fees.

Cardif has released the results of its third Barometer, based on a survey of Independent Financial Advisors (IFAs). The survey was done in France between May 28 and June 18, 2009 by TNS Sofres, the French leader in market research and opinion surveys. The Barometer covers a representative sample group of 500 IFAs\*.

*"2009 is seen as a pivotal year. IFAs have weathered the crisis and proved resilient despite the sharp downturn in markets at the end of 2008 and the beginning of 2009. The majority of them feel that the worst is behind them. For the past year they have strengthened relationships with existing clients, who appreciate the personal attention and custom-tailored advice they have received. The crisis revealed their strengths, but also certain weaknesses. IFAs have become very much aware that they need to be proactive in order to put the crisis behind them," said Roger Mainguy, Director of the Cardif France Networks and Partnerships, commenting on the results of the survey.*

**Contrasting financial situations: IFAs have weathered the crisis but nevertheless seen negative impact on their business.**

The difficult climate during the second half of 2008 and the first half of 2009—the period covered by the Barometer—dampened the optimism expressed in the year-earlier survey. Some IFAs were hit very hard by the crisis. They are very lucid in expressing a growing number of concerns regarding their profession. The percentage who believe the profession is doing "very well" has dropped by half each year, while the **share of IFAs who believe that the profession is currently in "fairly poor" or "very poor" condition increased 14 points over a three-year period** (from 3% in 2007 to 17% in 2009, nearly 1 out of 5 IFAs).

The trend is also apparent in hiring levels: only 16% of the IFAs said they have added staff since 2008, compared with 26% the previous year.

Asked specifically about their own financial situation at the end of June 2009, the percentage of IFAs who said it was at least as good as the previous year remained stable at 43%. On the other hand, the percentage of IFAs who believe that their situation was clearly "better" was just 9%, compared with 26% three years earlier.

\* Methodology: Telephone survey by TNS Sofres Finance Department between May 28 and June 18, 2009 covering a representative nationwide sample group of 500 IFAs. Interviewees were selected from a list of 3,900 Independent Financial Advisory firms representative of the IFA segment, or 13 percent of the total population (the representative nature of sample group was validated using quotas for the sizes of the firms and the region).

At the same time, projections for total asset inflows were more optimistic than in 2008 as IFAs said they had seen their positions stabilize in the first six months of 2009. Nearly half of the IFAs expect assets gathered to rise and only 19% are projecting lower inflows (compared with 30% in 2008).

**In the wake of the sharp downturn between 2007 and 2008, this rebound shows that IFAs have come through the crisis in fairly good shape. After hitting a low point in 2009 they have a more favorable outlook for 2010.**

A full 88% of the IFAs expect “significant” growth over a five-year horizon and 1 out of 4 are expecting “very substantial” growth. This marks a return to levels seen in the 2007 Barometer (the survey was done during the first half of 2007 before the financial crisis hit).

However, this resilience reflects opportunistic strategies, which could render IFAs more fragile over the long term. In a very turbulent climate, the **relationship skills** and **expertise** of IFAs have enabled them to withstand the difficult environment.

As in 2008, a significant number cite **availability** (61%) and the **quality of the advice** they offer (59%) as the fundamental competitive advantages of their profession. They take a very hands-on approach to managing their clients and work an average of 51 hours a week (one hour more than a year ago).

Also noteworthy is the fact that “**stable contacts**” for clients ranks third among their competitive assets, cited by 53% of the IFAs in the survey, **an increase of 11 points in three years**. This reflects the importance of the relationship with clients, who need to be reassured during periods of crisis thanks to personalized and prudent management.

The crisis has thus led IFAs to focus on consolidating their portfolio of clients and concentrating their efforts on securing the assets of existing clients, to the detriment of other growth drivers. In this context, the quality of the back office of providers takes on even greater importance and is considered fundamentally important for 66% of the IFAs (an increase of 3 points in one year).

### **Exiting the crisis: IFAs identify several factors that will allow the profession to rebound**

Faced with the need to expand their market, more and more IFAs believe that the main challenge they face in the years ahead is recruiting new clients (+19 percent in three years).

IFAs still spend about one third of their time managing their existing client franchise. The percentage of their time spent on prospecting for new clients has only increased by 3 percent in one year (15%). “Young” firms (in business for under 10 years) spend 18% of their time prospecting, higher than the overall average.

The challenge posed by online distribution is seen as significantly less important than three years ago (-7 points). Cardif in fact notes that, on the contrary, IFAs now believe that online offers are a way to win new clients and to reach a broader range of potential clients among Internet users.

**Billing of fees is seen as solid opportunity for growth.** Even though 63% of the IFAs bill their clients for fees—notably for asset management, tax support and real estate negotiations—these fees represent an average of just 15% of their revenues (the rest is from fees on assets under management and commissions or sales charges on investment purchases). This distribution, which has remained stagnant from one year to the next, shows how difficult it is for IFAs to translate their advantages (strong personal relationships, availability, etc.) into financial gain, particularly during crisis periods.

Gaining acceptance of fees billed now ranks fourth on the list of major challenges for IFAs, with a 3-point increase over the previous year.

**Asked to cite change factors, IFAs list mergers of firms.** Currently 18% of the IFAs are part of groups or franchises. However, nearly half of them view groupings of firms as an opportunity.

Likewise, 44% of the IFAs say they have plans for acquisitions of firms in the coming five years (up 10 percent in two years), particularly those with strong financial foundations, reflecting their need to recruit new clients.

\* Methodology: Telephone survey by TNS Sofres Finance Department between May 28 and June 18, 2009 covering a representative nationwide sample group of 500 IFAs. Interviewees were selected from a list of 3,900 Independent Financial Advisory firms representative of the IFA segment, or 13 percent of the total population (the representative nature of sample group was validated using quotas for the sizes of the firms and the region). 2

Lastly, asked about the two players they see as most threatening in the future, as in previous years IFAs put banks first (74% aggregate for retail and private banks). 33% of the IFAs cite competition from online brokers (down 5 percent in three years). **The third-ranked "threat" is competition from other IFAs, up 7 points versus last year's score.** What's more, a third of the IFAs say they have the most to fear in terms of competition from other IFAs.

This trend is the result of a positioning that targets a clientele segment that is no doubt too narrow. The majority of the IFAs in this year's survey believe that transparency obligations regarding commissions paid by suppliers will not weaken their relationships with clients (positive perceptions of trends towards greater transparency rose 8 points in one year). In general, IFAs have more efficiently integrated new regulatory requirements and a lower number in 2009 consider regulatory issues as a challenge (-4 percent).

With offices in 20 French cities Cardif has worked closely with over 2,500 IFAs for more than 26 years. These IFAs enjoy personalized support from Cardif thanks to a network of 150 local specialists across the country.

**Snapshot of Independent Financial Advisors, based on a representative sample of 500 IFAs\*:**

- ✓ **Status:** 90% are insurance brokers, 74% are "financial investment advisors" (a specific French advised status) and 74% are financial brokers.  
On average, IFAs belong to 2.4 different categories (2.2 in 2008).
- ✓ **Assets gathered:** Average total assets gathered in 2008: 3.2 million euros (down 10% versus the previous survey)
- ✓ **Experience:** IFAs have an average of 10 years of experience. 25 percent have over 15 years experience.

**About Cardif**

*Cardif (www.cardif.com), insurance unit of BNP Paribas Assurance, develops and markets savings and protection solutions which are distributed via diverse channels. It has received an AA rating from Standard & Poor's. With operations in 41 countries, Cardif enjoys strong positions in Europe, Asia and Latin America. Cardif's roster of partners now includes more than 35 of the world's top 100 banks.*

*BNP Paribas Assurance (www.assurance.bnpparibas.com) is the life and property & casualty insurance arm of BNP Paribas. It counts 8,000 employees, 70% of them outside France.*

*BNP Paribas Assurance is actively committed to exemplary Corporate Social Responsibility. It has adopted a Socially Responsible Investment program, encourages diversity throughout the enterprise (earning the "Equality at Work" label in France ) and supports local economic development in the markets where it operates. BNP Paribas Assurance is equally committed to environmental responsibility, targeting a 10-percent reduction in the company's carbon emissions by 2010.*

*BNP Paribas Assurance had gross written premiums of €16.1 billion in 2008. It generated 42% of its 2008 gross written premiums outside the BNP Paribas group and 37% of gross written premiums outside France. BNP Paribas Assurance is the world leader in creditor insurance and the fourth-largest life insurance company in France.*

**Press contacts:**

Sophie Le Blévec Tel : 01 41 42 69 56 Fax : 01 41 42 80 95 Email: <a href="mailto:sophie.s.leblevec@bnpparibas.com">sophie.s.leblevec@bnpparibas.com</a>	Caroline Chaize Tel. : 01 41 42 89 31 Fax : 01 41 42 80 95 Email: <a href="mailto:caroline.chaize@bnpparibas.com">caroline.chaize@bnpparibas.com</a>
---	---

\* Methodology: Telephone survey by TNS Sofres Finance Department between May 28 and June 18, 2009 covering a representative nationwide sample group of 500 IFAs. Interviewees were selected from a list of 3,900 Independent Financial Advisory firms representative of the IFA segment, or 13 percent of the total population (the representative nature of sample group was validated using quotas for the sizes of the firms and the region).