



28th November 2012

The Manager
Company Announcements Platform
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

Dear Sir,

Attached is a copy of the prepared Chief Executive Officer's address and presentation which will be delivered at Austbrokers Holdings Limited's Annual General Meeting being held at 10.00am today.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'SR' followed by a flourish.

S.S. Rouvray
Company Secretary
Austbrokers Holdings Limited

For further information, contact Steve Rouvray: (02) 9935 2201
0412 259 158

AUSTBROKERS HOLDINGS LIMITED
CEO'S ADDRESS TO
ANNUAL GENERAL MEETING 28 NOVEMBER 2012



Good morning Ladies and Gentlemen and again welcome to the 2012 AGM – the seventh since Austbrokers listed on the ASX and my last AGM presentation as CEO.

It is extremely pleasing to again be able to report that the company has had another very successful year achieving increased profits, strong earnings per share growth and paying increased dividends.

I would like to provide you with a brief overview of the market conditions, recap on details of the 2012 results, touch on some of the major achievements for the year, ongoing developments since year end and finally a few comments on our expectations for market conditions and outlook for the 2013 financial year.

Review of FY 2012

Market Conditions

The insurance market over 2012 has seen moderate increases in the commercial sector with underwriters continuing to push for rate increases, however, the competitive market place has tempered the increases actually achieved. We have continued to see increases for risks with a higher exposure or poor claims history and particularly risks located in Northern Queensland and Northern WA as underwriters continue to reduce capacity in those regions.

Professional indemnity and Directors and Officers insurance rates remain soft due to excess capacity for these classes.

Private motor vehicle and domestic classes continue to experience increases where there is a greater influence from underwriters marketing direct.

Economic growth has slowed and we are seeing evidence of some stress in the SME sector particularly in certain industries such as retail and building.

Interest rates decreased over the period, resulting in reduced investment income earned on insurance broking trust bank accounts.

FY 2012 Results

The reported net profit after tax increased by 20% over 2011. After eliminating profits on sale of equity interests, non recurring items and amortisation expense the increase was 15%.

Profit growth over the last five years has been extremely strong producing a compound average growth of 15.7%.

These consistent results have been achieved in periods of differing market conditions, particularly soft insurance rates, periods of low interest rates and poor underwriting results experienced by underwriters resulting in lower profit commissions paid to our broker network.

Earnings per share has also shown strong increases since listing, from 25 cents to 46.3 cents – a compound average growth rate of just over 13%.

The full year dividend was increased by 21.6% to 31 cents per share which represented a 62% pay out ratio on NPAT before amortisation and profit on sales and exceeded earnings per share growth of 16.9%.

Total Shareholder Return was 13.5% for the year compared to the All Ordinaries Index return of negative 9.5%. For the five years to 30th June 2012 the compound return was 16.8% compared a negative 4.2% per annum.

Insurance Broking Operations FY 2012

The broker network performed well increasing revenue by 12.5% while our share of the broker profits increased by almost 9.7%. The growth achieved in 2012 was largely organic growth through existing businesses.

During the year we continued to seek acquisition opportunities.

We acquired Dittman and Associates based in Gladstone in Queensland. This business had a sizable life risk and superannuation business which increased our capabilities in this area. On 1st July we acquired Taggart and Associates based in Baulkham Hills in North Western Sydney which similarly had a significant life risk and financial services business.

A total of 6 smaller bolt on portfolio acquisitions were made by existing businesses which added to overall income.

We have continued to promote and develop premium funding where we have entered into a new arrangement with Hunter Premium Funding effective on 1 August on the expiry of the existing arrangement with Pacific.

We have continued to seek improvements in efficiency in our operations. Our Central Data Centre has continued its development with 33 businesses in the group now serviced by the data centre which continues to provide an efficient and cost effective support to the network.

Our centralised business centre provides back office services, particularly for the smaller operations, and is now supporting 19 businesses. Business processes and reporting are being improved to provide maximum assistance.

We have continued to support the network with compliance, best practice initiatives and broking file reviews to identify areas where broking processes may be improved.

Our EDI system, iClose, has been rolled out to the network and is operational but not all underwriters have achieved full automation at their end. We are continuing training and making enhancements to maximise the potential of the system.

Underwriting Agencies

The focus on growth and development of our underwriting agency operations has continued.

Austagencies has increased income by 55% in 2012 with premiums written now standing at \$160 million with profit increasing by 54%.

We acquired Film Insurance Underwriting Agency on 1 January 2012. This acquisition complemented our existing film and television portfolio. New agency joint ventures in accident and health insurance, strata insurance and liability have commenced in the last few months.

Funding

The facility with St George Bank of \$44 million is in place until August 2013. Currently the Facility is drawn to approximately \$33 million which would leave around \$11 million available. With cash currently held and recognising around \$4.3 million of future earn out payments approximately \$20 million is available for future acquisitions.

The Dividend Reinvestment Plan will continue to be reviewed and underwritten in future depending on the need for further acquisition funding.

We are currently reviewing our future funding needs and expect to have longer term arrangements in place in the near future.

Developments since 30 June 2012

Since the end of the financial year three bolt-on acquisitions have been made and we are continuing discussions in relation to a number of further acquisitions.

In addition we have increased our equity interests in a number of existing businesses which will provide additional income which will partially offset the decline in interest earnings following reductions in the cash rates.

Outlook FY 2013

Market Conditions

We believe the premium rate environment for FY 2013 will continue current trends with moderate increases over the remainder of the financial year in the SME sector.

The broker market will continue to consolidate and opportunities to make acquisitions will arise. There are currently opportunities in the market but as always our success and the timing of completing these can be subject to many variables.

There is also increased competition in the market for acquisitions. Notwithstanding this we believe that we will continue to be successful in making value add acquisitions.

The economic outlook is still somewhat uncertain and difficult particularly in the SME sector.

Interest rates will be lower over FY 2013 impacting earnings.

Earnings Outlook

The results for the four months to the end of October have been pleasing however approximately 60% of the group's profit is earned in the second half and 40% in the last 3 months of the year. In addition the level of profit commissions will not be known until the last quarter of the year.

Interest earnings will be down as previously stated but this will be partially offset by the earnings from the additional equity acquired in a number of businesses.

On this basis and recognising some uncertainties in economic conditions over the remainder of the year, we do not propose to vary our previous earnings guidance of a 5% to 10% increase in Net

Profit After Tax (before amortisation, profit on sale of equity interests and non recurring items) over FY 2012.

We will review the position again after finalising our results for the first half year.

Conclusion

Most importantly, I would like to again recognise the efforts of our equity partners and all those employed in the broker network and underwriting agencies for their contribution to the excellent results achieved in the 2012 financial year and the solid start to the new 2013 financial year. I would also like to thank the management and staff of Austbrokers Holdings for their ongoing efforts and support.

It is with immense satisfaction that I look back on what the Austbrokers team has achieved in building the company into what it is today from its start back in 1985 with myself and a parttime assistant to the listing in 2005 and our market cap more than quadrupling over the seven years since.

It is also very pleasing for me personally that our partners and the businesses in the network have continued to grow and prosper.

I am confident that the company will continue its success under the new CEO Mark Searles from January 2013 and I look forward to continuing to make a contribution in a consultancy capacity.

Thank you for attending today and thank you for your ongoing interest and support of Austbrokers.

W.L. McKeough
CEO
Austbrokers Holdings Limited

AUSTBROKERS HOLDINGS LIMITED

ANNUAL GENERAL MEETING

28th November 2012

Austbrokers Holdings Limited

**Presentation to
Annual General Meeting**

28th November 2012

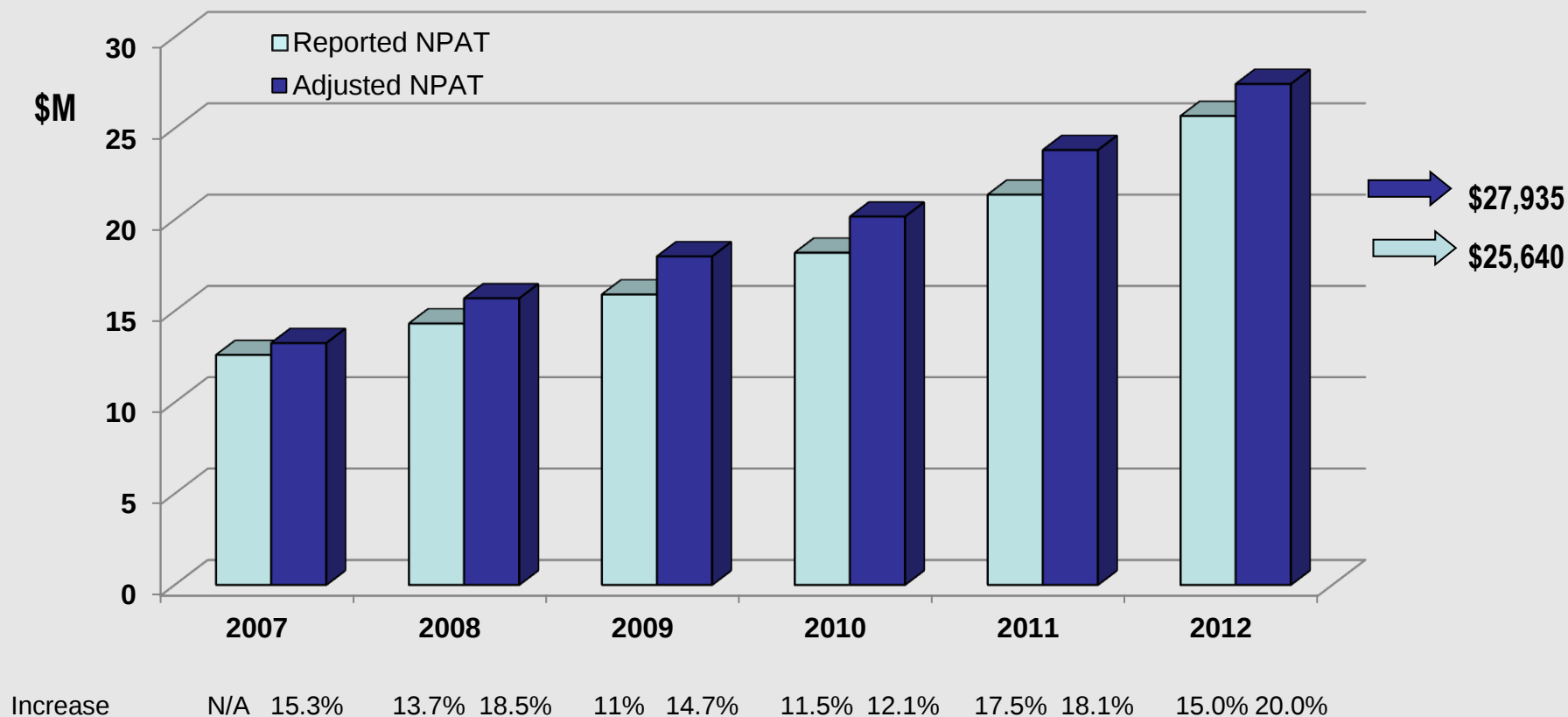
Agenda

- Review of FY 2012
 - Market conditions
 - FY 2012 results
 - Insurance broking operations
 - Underwriting agencies
 - Funding
- Developments since 30th June 2012
- FY 2013 outlook
 - Market conditions
 - Earnings outlook
 - Earnings guidance

Market Conditions FY2012

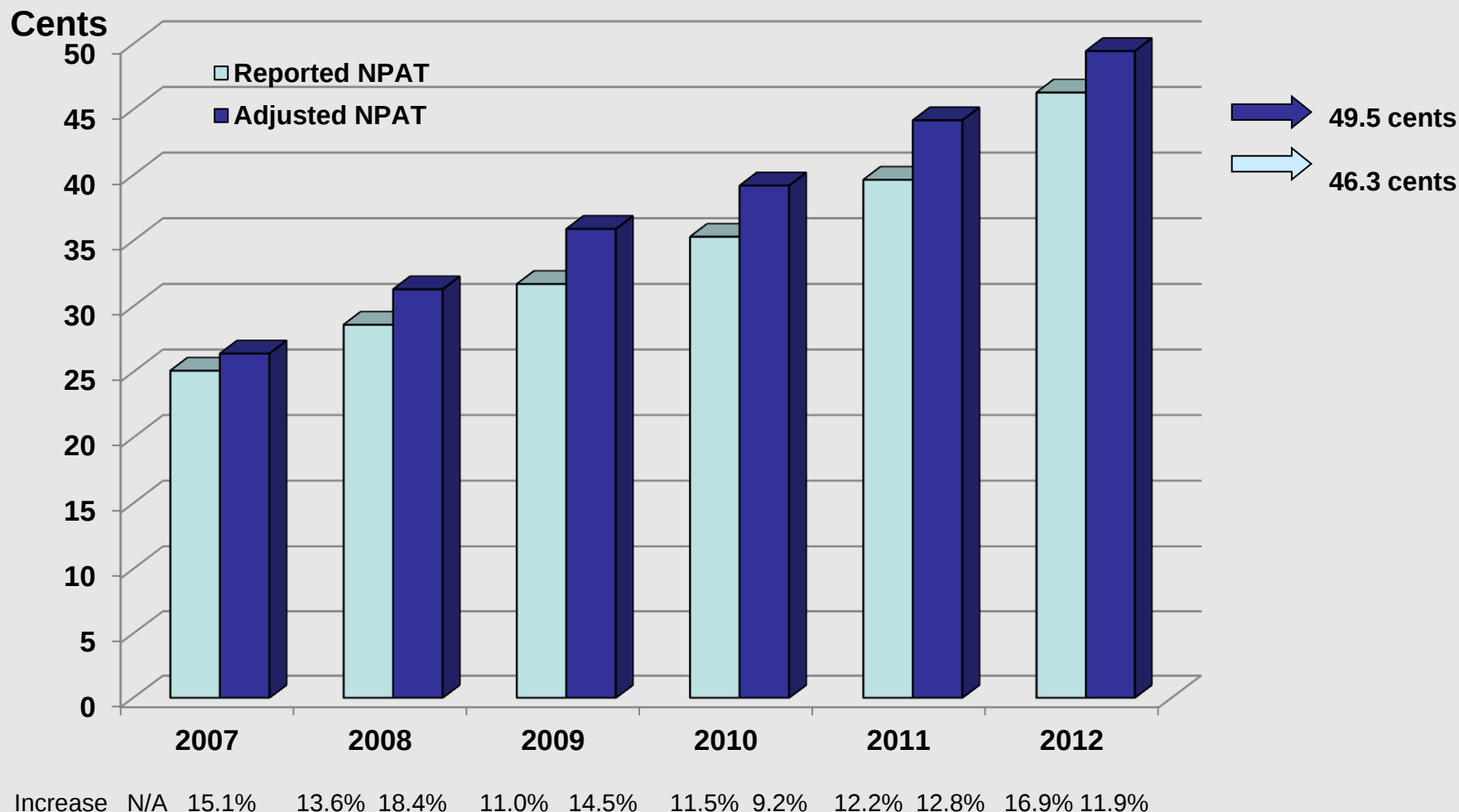
- Premium rates environment
 - Moderate increases – competitive market
 - Private motor and householders insurance increases flowing through
 - Larger increases, higher risk or poor claims
 - PI and D&O insurance rates soft
- Economic conditions
 - Economic growth at lower level – two speed economy
 - Interest rates decreased over FY2011
 - Uncertainty in SME sector

Profit Growth 2007 – 2012



Adjusted NPAT – Net profit after tax before amortisation of intangibles and profits on businesses / portfolios sold. Reconciliation to reported NPAT in Appendix 1

Earnings Per Share FY 2007 - 2012



Financial Highlights

- Dividend
 - Full year dividend 31.0 cents per share up 21.6% on FY 2010
 - Payout ratio on NPAT % (62% on Adjusted NPAT)
- Total shareholder return
 - FY 2012 – 13.5% versus ASX All Ordinaries Index negative 9.5%
 - 5 years to 30th June 2012 – 16.8% p.a. (ASX All Ordinaries negative 4.2%)
- Earnings per share growth was 16.9% (11.9% on Adjusted NPAT)

Insurance Broking Operations

FY2012 Financial Performance

\$'000	Actual 2012	Actual 2011	% change
Broker Revenue (net of commission paid)	252,683	225,470	12.5%
Brokers / Pre Tax Profit (AHL share)	42,852	39,048	9.7%

Insurance Broking Operations

- Share of broker and agencies profits increased by almost \$5.9 million or 13.8% over FY2011 largely from growth in existing business
- Continued strategy of growth through acquisition and developing existing businesses
- Acquisitions Direct
 - Dittman Associates – Gladstone (1st January 2012)
 - Taggart Associates – Baulkam Hills (1st July 2012)
- Acquisitions in the Network
 - Six business portfolios acquired

Insurance Broking Operations (cont'd)

- Premium Funding
 - Entered into new arrangement with Hunter Premium Funding on expiry of existing arrangements
- Synergies / Efficiencies
 - Central DataCentre hosts over 33 businesses for at least some services
 - Austbrokers Business Centre provides back office services – now servicing nineteen businesses
 - Compliance structure, updates and audits
 - Best practice initiatives
 - PI reviews to improve processes, reduce exposure to claims
 - iClose launched and implemented in all businesses

Underwriting Agencies

- Achieved 55.5% income growth, 18% excluding acquisitions
- Premiums written in 2012 - \$160 million (excluding taxes and charges)
- Acquired Film Insurance Underwriting Agency in January 2012
- Joint ventures established since 30 June 2012
 - Angel Accident and Health
 - Longitude Insurance - strata insurance
 - One Liability Underwriting

Funding – Current Position

- Bank Facility with St George \$44 million – term five years to August 2013
- At 31 October facility is drawn to \$33 million
- Availability for future draw downs is \$11 million
- Total funds available for acquisition around \$20 million after earn out payments of \$4.3 million
- Underwriting the DRP can be undertaken to increase funds available for acquisition

Developments Since 30 June 2012

- Insurance Broking Acquisitions Equity
 - Increased equity in Insurics from 50% to 100%
 - Increased equity in Austbrokers Canberra from 75% to 85%
 - Increased equity in Adroit from 50% to 68.5%
 - Increased equity in Comsure from 50% to 80%
- Portfolio acquisitions
 - Austbrokers RWA (60% owned) acquired Special One Financial Services business in Walgett
 - Strathearn and MGA each acquired portions of PB Broking in Caboolture
 - MGA acquired Wymark portfolio in Darwin
 - Other acquisitions under discussion

Market Conditions FY2013

- Market conditions unlikely to change significantly in immediate future – moderate rate increases likely in SME sector
- Consolidation of insurance broker market to continue and provide acquisition opportunities over longer term but other market activity may disrupt over short term
- Economic conditions remain somewhat uncertain
- Reduced interest rates and potential for further reductions
- Competition for acquisitions

Earnings Outlook

- Brokers' results for the first four months of FY2013 have been good
- Broker profit commission income uncertain and will not be known until April / May 2013
- Reduction in interest deposit rates will reduce interest earnings further in the second half of the year
- Significant proportion of earnings is in later months of the year
- The start to FY2013 has been positive despite the impact of the reduction in interest rates and has been assisted with increased equity in existing members.
- Based on above we are maintaining our previous earnings guidance of 5% to 10% growth in Net Profit After Tax (before amortisation of intangibles) over FY2012

Appendix 1

FY 2012 Reconciliation of Reported NPAT to Adjusted NPAT

	FY 2012 \$'000	FY 2011 \$'000
Reported Profit attributable to members	25,640	21,365
Profits on sale of interest in associates and controlled entities*	-	(105)
Adjustment in contingent consideration on acquisition of controlled entity*	(192)	-
Tax credit relating to prior years*	(631)	-
Profit from ongoing operations	24,817	21,260
Amortisation of intangibles net of tax*	2,578	2,553
Net profit after tax from operations before amortisation of intangibles (Adjusted NPAT)	27,395	23,813

* This information has been derived from the consolidated financial statements which have been subject to review by the company's auditors

Elimination of the items above provides a basis for analysis of the underlying performance of the company. Amortisation of intangibles is a non cash item and may fluctuate depending on acquisitions and their timing. It may also reduce as existing intangibles are fully amortised. These items may or may not recur and can distort underlying performance compared to prior periods

This presentation may contain forward looking statements relating to future matters, which are subject to known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Austbrokers and the Austbrokers Group to be materially different from those expressed in this announcement. Except as required by law and only to the extent so required, neither Austbrokers nor any other person warrants that these forward looking statements relating to future matters will occur.