



7 February 2019

Company Announcements Office
ASX Limited

Hayne Royal Commission Recommendations

The Hayne Royal Commission has made a number of recommendations which relate specifically to the automotive retail industry, as described below.

AP Eagers Limited (ASX:APE) expects that there will be reasonable consultation with the automotive retail and finance industry bodies to determine the appropriate Government response to the recommendations. The implementation of these recommendations however will have no material financial impact on the company.

1. Recommendation for removal of Point of Sale (POS) exemption for dealers to hold Australian Credit Licences (ACL)

All consumer loans currently arranged via our dealerships are regulated by the National Consumer Credit Act 2009 (NCCP) and our dealerships are already held accountable under legal agreements with licensed financiers to comply with their NCCP and responsible lending obligations.

Removal of the POS exemption will result in dealers being more directly responsible for NCCP compliance. This may require dealers either to provide credit services as authorised representatives of licensed financiers or to operate as licensed credit service providers under the dealer's own ACL. AP Eagers is well placed in this regard:

- We have held an ACL for providing Credit Services since 2011 in support of our dealership and Carzoos businesses.
- We have already implemented processes and systems across our businesses that largely mirror the ACL requirements.

As a result, we are well versed in the regulatory and compliance obligations that will flow from removal of the POS exemption and are well positioned relative to the broader automotive retailing sector.

2. Recommendations for add-on insurances - deferred sales model and cap on commissions

Implementation of a deferred sales model and any cap on commissions will not have any material impact on our results, as add-on insurances are not a significant part of our business.

The ASIC review into add-on insurances has already resulted in significant reductions in both the premiums and commissions paid for products such as GAP and CCI insurances. We have adjusted our retail model accordingly such that add-on insurances are not a significant part of our business.

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The impact of these changes for add-on insurances is already accounted for in our results announcement for 2018 issued on 23 January 2019 and we do not expect any material impact from further changes.

ENDS

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