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>> Annual Report 2019

Annual Report of Toyota Kreditbank GmbH Group, Cologne,
for Financial Year 2019, 1 April 2018 – 31 March 2019

Contents

Dear Sir or Madam,

We are pleased to look back at yet another very successful business year. The end of year result was significantly higher than in the preceding year, the business volume could be increased beyond general growth.

The reason for that is not least our attractive, future-oriented product range combined with our competitive conditions. The ongoing discussion about alternative drive systems shows clearly that Toyota is and will remain the market leader for environmentally friendly alternatives.

This is confirmed by 10.59 million vehicles sold worldwide in 2018. For the fifth time in a row the Toyota group has exceeded the benchmark of 10 million vehicles sold within a calendar year and has even surpassed the level of the previous year.

Customer focus

A regulatory environment with both new and constant challenges, continuing low interest rates, the first signs of an economic slowdown in the euro zone, global trade conflicts and political trouble spots: these have been the controversial dynamics we have had to deal with and that we will have to con-front in the future.

The increasing number of banking-specific provisions and regulations require a comprehensive adaptation of processes and the adaptation and renewal of our IT architecture. This is cost-intensive but offers us the opportunity to become even more efficient in the end with improved technologies and processes.

Moreover, the changing market and customer requirements require us to continuously improve our products and our business processes. We will continue to leverage the opportunities which digitization offers in all areas of the bank, so as to be able to provide our customers and dealers with sustainable and innovative products of the highest quality. In this context, we are innovatively developing our multi-channel services.

Change as a core competence

“Kaizen” is an integral part of our corporate philosophy. “Kaizen” means to continuously strive for improvement and never be content. With this philosophy, we are trying to anticipate ever faster changing customer wishes and implement innovations to keep pace with the latest trends.

One of them is the Toyota Carpooling App, which is an element of Toyota’s sustainable mobility strategy. A reduction of the average CO_2 emissions of new vehicles will have a substantial impact. With this user-friendly solution both companies and their employees, commuting to work, will benefit by forming environmentally friendly carpools – thus reducing CO_2 emissions, saving costs for parking spaces and for the company fleet and increasing attractiveness as an employer.

We are also meeting new customer wishes in the used car business. On our new website “www.Toyota-kauft-dein-Auto.de” customers in Germany can easily obtain a fair estimate of the value of their used car and can contact our dealers for the sale.

In Spain, we have been able to continue the trade cycle management (TCM) product “Pay Per Drive” despite the discontinuation of state funding and in France we continue to be successful with our TCM programme “La combinaison”. In Norway, our customers can now buy and finance our popular model “AYGO” completely online and without paper. The digital platform used is designed in such a way that it can be applied flexibly as a basis in other group companies in the future.

Together towards the future

We owe our success more than ever to the abilities and achievements of our employees and of course our trading partners and to the astounding eagerness with which they work for the success of Toyota Kreditbank. We would like to express our sincere thanks for your great dedication.

This year we have again been very pleased to be awarded the title “Best Automotive Bank” by “AUTOHAUS BankenMonitor” for the thirteenth time thanks to the very positive feedback of our dealers.

It is this strong partnership with our dealers as well as a coherent business concept with an efficient organization combined with good liquidity and refinancing structures that are building a sustainable basis to meet future challenges.

We look forward to continuing our cooperation with our partners and to a successful new business year. We are confident that together we will once again excel in our performance and our results.

Christian Ruben
Managing Director

Axel Nordieker
Managing Director

George Juganar
Managing Director

Ivo Ljubica
General Executive

Tateyuki Sawada
General Executive

Christian Ruben, Axel Nordieker, George Juganar, Ivo Ljubica, Tateyuki Sawada

Toyota Kreditbank GmbH, Cologne - Consolidated figures

Assets		31/03/2019 EUR	31/03/2018 EUR
1	Liquid funds		
a	Cash	30,570.28	44,004.30
b	Deposits with central banks	1,331,445,834.57	290,101,331.80
	thereof with German Federal Bank		
	EUR 1,287,976,327.37 (31/03/2018: TEUR 268,363)		
		1,331,476,404.85	290,145,336.10
2	Receivables due from banks		
a	on demand	88,835,878.79	158,573,145.48
b	other receivables	30,603,572.32	42,219,801.89
		119,439,451.11	200,792,947.37
3	Customer receivables	8,313,251,086.80	7,648,030,606.30
	thereof		
	- secured by mortgages EUR 0.00 (31/03/2018: TEUR 0)		
	- Municipal loans EUR 0.00 (31/03/2018: TEUR 0)		
4	Bonds and other interest bearing securities		
	Bonds and securities by other issuers	97,092,486.03	66,422,441.08
5	Investments	1.00	1.00
	thereof		
	- in banks EUR 0.00 (31/03/2018: TEUR 0)		
	- in financial services institutes EUR 0.00 (31/03/2018: TEUR 0)		
6	Leasing assets	2,084,103,056.29	1,568,283,436.09
7	Intangible fixed assets		
	Purchased concessions, industrial and similiar rights and assets, and licenses in such rights and assets	7,742,028.47	7,443,834.24
8	Tangible fixed assets	14,229,275.51	12,096,579.24
9	Other assets	88,991,170.37	91,869,949.85
10	Prepaid expenses and deferred charges	36,684,182.36	23,638,847.68
11	Assets arising from the overfunding of pension obligations	297,378.00	308,486.00
Total of assets		**12,093,306,520.79**	**9,909,032,464.95**

Equity and Liabilites		31/03/2019 EUR	31/03/2018 EUR
1	Liabilities to banks		
a	on demand	47,070,750.97	36,517,250.47
b	with fixed term or notice periods	4,118,692,152.09	3,191,248,212.30
		4,165,762,903.06	3,227,765,462.77
2	Liabilities to customers		
	other liabilities		
a	due on demand	128,302,411.56	103,709,675.07
b	with fixed term or notice periods	4,755,971,572.87	3,751,205,498.96
		4,884,273,984.43	3,854,915,174.03
3	Notes payable		
	Securitised liabilities	862,819,570.24	672,394,077.33
4	Other liabilities	93,119,540.00	304,251,525.74
5	Deferred income	812,740,151.27	706,326,938.00
6	Accruals and provisions		
a	Provision for pensions and similar obligations	24,566,289.10	18,878,923.85
b	Tax accruals	33,017,735.84	29,035,890.82
c	Other accruals	100,983,878.62	106,243,320.59
		158,567,903.56	154,158,135.26
7	Subordinated liabilities	28,005,513.38	28,679,361.12
8	Equity		
a	Contributed capital		
	Share capital	30,000,000.00	30,000,000.00
	minus not required pending deposits	0.00	0.00
		30,000,000.00	30,000,000.00
b	Capital surplus	434,425,161.35	397,037,161.35
c	Revenue reserve	554,479,168.27	515,212,363.04
d	Group net income for the year	157,383,673.43	100,420,200.72
e	Currency translation differences	-88,271,048.20	-82,127,934.41
		1,088,016,954.85	960,541,790.70
Total of equity and liabilities		**12,093,306,520.79**	**9,909,032,464.95**

1. Contingent liabilities		
Liability for guarantee	7,806,445.61	7,973,305.47

2. Other obligations		
Irrevocable credit commitments	1,667,122,385.80	1,777,151,969.09

Toyota Kreditbank GmbH, Cologne - Consolidated figures
Consolidated Profit and Loss Statement Year Ended 31 March 2019

		2018/19 EUR	2017/18 EUR
1	Interest income		
a	lending and money market transactions	380,384,414.26	355,368,426.20
	- thereof negative interest on receivables EUR 1,758,888.53 (31/03/2018: TEUR 692)		
b	fixed-income securities and government ledger bonds	1,696,463.53	1,189,346.19
		382,080,877.79	356,557,772.39
2	Interest expense	96,612,156.38	94,162,377.59
	- thereof negative interest on liabilities EUR 2,210,091.27: (31/03/2018 TEUR 2,760)		
		285,468,721.41	262,395,394.80
3	Commission income	83,398,871.39	75,800,939.71
4	Commission expense	138,500,990.93	122,382,535.55
		-55,102,119.54	-46,581,595.84
5	Other operating income	478,646,885.79	376,987,850.34
6	General administrative expenses		
a	Personnel costs		
aa	Wages and salaries	47,598,995.64	45,783,992.49
ab	Social security expenses	15,964,113.92	12,547,526.99
	of which pension cost EUR 4,741,612.16 (31/03/2018: TEUR 1,533)		
b	Other administrative expense	93,042,998.21	81,744,360.84
		156,606,107.77	140,075,880.32
7	Depreciation and amortisation of intangible and tangible fixed assets, including leasing assets	353,865,942.70	282,460,974.05
8	Other operating expenses	27,655,344.65	30,860,350.61
9	Bad debts written off and allowances on receivables and securities, together with increases to accruals in respect of lending business	0.00	29,254,687.46
10	Income from write-downs on receivables and certain securities and the reversal of provisions in lending business	9,613,009.46	0.00
11	**Profit from ordinary business activities**	**180,499,102.00**	**110,149,756.86**

		2018/19 EUR	2017/18 EUR
12	Income taxes	55,841,574.71	45,078,101.34
13	Other taxes (to the extent not included in item (8) above)	1,327,249.35	1,140,389.44
14	**Group profit for year**	**123,330,277.94**	**63,931,266.08**
15	Group profit carry forward	34,053,395.49	36,488,934.64
16	**Group net income for the year**	**157,383,673.43**	**100,420,200.72**
	Tax rate	**31.2%**	**41.4%**

Notes to the consolidated financial statements of Toyota Kreditbank GmbH for the financial year 2018/2019

1. General disclosures
Toyota Kreditbank GmbH is a limited liability company with its registered office in Cologne and is registered with the District Court of Cologne under the number HRB 18068. The consolidated financial statements for the period ended 31 March 2019 of Toyota Kreditbank GmbH have been prepared in accordance with the regulations of the Handelsgesetzbuch (German Commercial Code) and the requirements of the German Accounting Regulation for Banks and Financial Institutions (RechKredV), taking account of the specific requirements of the Limited Liability Company Law (GmbHG). The structure corresponds to the form requirements for banks as specified in section 2 et seq. RechKredV.

2. Group reporting entity and consolidation principles

2.1 Group reporting entity
Besides the parent company, Toyota Kreditbank GmbH, the consolidated financial statements for the year ended 31 March 2019 include the following German and foreign subsidiaries:

— Toyota Leasing GmbH, Cologne
— Toyota Bank Polska Spolka Akcýjna, Warsaw, Poland
— Toyota Leasing Polska Sp. z o.o., Warsaw, Poland
— AO Toyota Bank, Moscow, Russia
— LLC Toyota Leasing, Moscow, Russia
— Koromo S.A., Luxembourg

Toyota Kreditbank GmbH holds 100% of the shares of Toyota Leasing GmbH and Toyota Bank Polska Spolka Akcýjna. Toyota Bank Polska Spolka Akcýjna holds 100% of the shares of Toyota Leasing Polska Sp. z o.o.

Toyota Kreditbank GmbH directly holds 99.9% of the shares of AO Toyota Bank, with the remainder held by Toyota Leasing GmbH. The AO Toyota Bank holds 100% of the shares of LLC Toyota Leasing, which is included in the consolidated financial statements for the first time.

Koromo S.A., Luxembourg, is a special purpose entity. The shares of the special purpose entity are held by three Dutch foundations, each of which has an investment of TEUR 33 in the company's equity. Toyota Kreditbank GmbH executed an ABS transaction with Koromo S.A., Luxembourg, during the financial year 2014/2015 and securitised some of its portfolio of instalment credit receivables.

All of the bonds issued by the purchasing special purpose entity to refinance these transactions were acquired by Toyota Kreditbank GmbH. As a result of the sale of receivables to the special purpose entity and the parallel acquisition of bonds by the bank, the innate credit risk attached to the receivables rests with Toyota Kreditbank GmbH. The receivable balances continue to be credit receivables for the bank in substance and therefore are retained on the balance sheet on the line "Customer receivables". For this reason, Koromo S.A. is included as a subsidiary in the consolidated financial statements of Toyota Kreditbank GmbH in accordance with § 290 (2) no. 4 HGB.

All subsidiaries are fully consolidated.

2.2. Consolidation principles
The consolidated financial statements have been prepared uniformly using the accounting policies of Toyota Kreditbank GmbH described below. Where necessary, the financial statements of the included companies have been adjusted to bring them into line with the classification regulations used by the parent company.

The cost of investment in the consolidated subsidiaries, Toyota Leasing GmbH, Toyota Bank Polska Spolka Akcýjna, Toyota Leasing Polska Sp. z o.o. and AO Toyota Bank has been consolidated pursuant to Art. 66 (3) sentence 4 EGHGB using the German book value method in accordance with § 301 (1) sentence 2 no. 1 HGB (old version).

Since the carrying amount of the investments in affiliated companies corresponded in all cases to relevant equity, no differences (i.e. goodwill) arose on consolidation.

The equity capital of the three Dutch foundations is presented in the consolidated financial statements within other liabilities due to the restricted liability function of these entities (and not as minority interests).

Intragroup receivables, payables, prepaid and deferred items as well as income and expenses between consolidated entities are eliminated.

Inter-company profits and losses, which would have had to be eliminated in accordance with section 304 (1) HGB, did not occur in the year under review.

3. Accounting policies, foreign currency translation
Customer receivables resulting from instalment credit and lease financing business are stated including interest and charges for the remaining term. Other customer receivables and **receivables due from banks** as well as **other assets** are stated at their nominal amounts.

Specific allowances are recognised to cover foreseeable risks resulting from **customer receivables**. The general bad debt allowance takes account of the general credit risk relating to all business lines. Where deemed prudent and appropriate, general allowances are also recognised over and above the amounts allowed for tax purposes. The method for determining risk provisions was further developed during the financial year under review and is now based on an expected loss model. In the case of receivables from customers whose rating has not deteriorated significantly during the credit term, a lump-sum allowance is determined on the basis of a one-year loss horizon. For contracts that show a significant deterioration in creditworthiness, the calculation is based on the lifetime expected loss. In conjunction with the transition to the new model, the parameters used to calculate allowances were adjusted to take account of current loan portfolio developments. The resulting overall reduction in risk provisioning requirements was partially offset by higher allocations to provisions for general banking risks. The income statement impact of the transition to the new model amounted to TEUR 12,166.

In the case of receivables from retail customers, specific allowances are recognised for contracts allocated to a default risk category or for which there has been a delay in payment in excess of a defined period. The level of the specific allowance is determined on the basis of expected cash flows from each contract, taking account of cash flows achieved in the past and collateral held. Specific allowances are recognised on dealership financing receivables on the basis of a case-by-case assessment. In this context, the Group has defined a set of default criteria as the starting point for such case-by-case assessments. The amount of the specific allowance is calculated taking account of amounts expected to be received. General allowances are recognised on a contract-by-contract basis, taking account of the likelihood of default and the expected loss. For the purposes of determining the probability of default and the expected loss, the Group takes account, at a minimum, of the parameters which it also uses to measure equity coverage of default risks using an internal ratings-based approach (IRBA) applied by Toyota Kreditbank GmbH. Parameters derived from the locally used rating systems are applied for the foreign subsidiaries.

The shares made available to the subsidiary Toyota Bank Polska Spolka Akcýjna, Warsaw, Poland, by Visa Inc., Wilmington, USA, in exchange for other shares are measured at a "memo value" using the rolled-forward book value method.

Bonds and other fixed-interest-bearing securities are classified as current assets and measured in accordance with the strict lowest value principle pursuant to § 340e (1) sentence 2 HGB in conjunction with § 253 (4) HGB.

Leasing assets relate primarily to leased-out vehicles. Leasing assets are stated at acquisition cost less accumulated scheduled depreciation and impairment losses. The provision for potential residual value risks has been offset against leased assets on the assets side of the balance sheet.

As a general rule, leasing assets are depreciated straight line down to their agreed residual value over the term of the lease. Leasing assets of the Norwegian and Swedish branches are depreciated on a straight-line basis over the assets' useful lives. Depending on their terms, the leasing contracts are treated either as operating leases or as finance leases and the underlying assets are accordingly shown either as leasing assets or as customer receivables.

Software at cost of purchase less scheduled straight-line amortisation over three to five years is shown under **intangible assets**.

Tangible fixed assets are stated at cost less scheduled depreciation. Assets are all depreciated on a straight-line basis over their expected useful lives. The impairment loss previously recorded in accordance with § 7 (5) no. 1 EStG on the buildings owned by Toyota Kreditbank GmbH was retained in accordance with Art. 67 (4) sentence 1 EGHGB.

Liabilities are stated at their expected settlement amount, including accrued interest.

Deferred income comprises interest and fees arising primarily from the instalment credit business and the lease financing business. It is released to income under the so-called "Rule-of-78 method". This item is also used to show special leasing payments from leasing business. By way of analogy with leasing instalments, these are released on a straight-line basis over the term of the contract.

Accruals and provisions are recognised for all identified risks and for liabilities of uncertain timing and amount and are measured at their expected settlement amount. Other provisions and accruals with a remaining term of more than one year are discounted to their present value using the average market interest rate for the past seven years (corresponding to their remaining term) in accordance with § 253 (2) sentence 1 HGB.

Pension provisions at 31 March 2019 are calculated using the projected unit credit method based on a discount rate of 3.07% p.a., and assumed future salary and pension increases in each case of 3.00% p.a. The 2018 mortality tables issued by Prof. Dr. Klaus Heubeck are used as the basis of calculation. Amounts were discounted in the financial year under review, using the average market interest rate for the past 10 years. The difference in the carrying amount of the provision based on using the average market interest rate for the past financial 10 years rather than the past 7 financial years is TEUR 4,273.

Toyota Kreditbank GmbH has set up Contractual Trust Arrangements whereby assets designated to fulfil pension obligations have been separated from other assets and transferred to trustees. Assets which cannot be accessed by other creditors and have been designated as being held exclusively to settle pension obligations, are offset at the balance sheet date against the relevant obligations relating to fund-performance-based commitments in accordance with § 246 (2) sentence 2 HGB. Any surplus of plan assets over obligations is reported in the line item "Surplus of pension and similar plan assets over liabilities". Pension obligations resulting from previous arrangements and guaranteed pensions are presented within the line item "Provisions for pensions and similar obligations". In these cases, there are no separate plan assets.

The provision for pre-retirement part-time working arrangements was measured at 31 March 2019 using the projected unit credit method and a discount rate of 1.17%.

The financial statements of Group subsidiaries denominated in a foreign currency are converted into euro at 31 March 2019 in accordance with § 308a HGB. The translation difference arising is reported within the Group entity as the currency translation difference on equity.

Foreign currency assets and liabilities are translated in accordance with § 256a HGB (in conjunction with § 340h HGB). The requirements of § 256a HGB are not applied if valuation units are created pursuant to § 254 HGB as hedges of foreign currency items.

During the financial year under review, Toyota Kreditbank carried receivables as well as payables with negative interest rates. Negative interest on receivables is disclosed separately within the line item "Interest income" and negative interest on payables is disclosed separately within the line item "Interest expenses". In both cases, the figures involved are not significant for the purposes of assessing the Toyota Kreditbank Group's earnings performance for the year.

The **risk provisioning** expense is reported in the income statement net of recoveries.

Deferred taxes are calculated on timing differences between the HGB carrying amounts and tax bases of assets, liabilities and deferred items which are expected to reverse in subsequent years.

Deferred tax liabilities at 31 March 2019 result mainly from differences relating to the classification of leasing contracts, the useful lives applied to leasing assets and the depreciation/amortisation periods applied. Deferred tax assets arise at 31 March 2019 mainly for Germany, the branch in Spain and the subsidiary in Poland. The timing differences at 31 March 2019 relate mostly to the different carrying amounts of leasing assets, provisions and write-downs.

Deferred taxes are measured on the basis of a combined income tax rate which covers corporation tax, municipal trade tax and solidarity surcharge. Deferred taxes relating to the foreign branches of Toyota Kreditbank GmbH and to the foreign subsidiaries are measured using the tax rates applicable in the relevant tax jurisdiction.

Deferred tax liabilities were offset against deferred tax assets at an overall Group level. A surplus of deferred tax assets over deferred tax liabilities is not recognised on the basis of the accounting option available in § 274 (1) sentence 2 HGB.

The market values of **derivative financial instruments** have been determined using IT-based valuation methods (discounted cash flow method). Fair values are determined by the Treasury Department of Toyota Kreditbank GmbH. Derivative financial instruments are not recognised since they are always used as hedging instruments in valuation units. Only the accrued interest is shown in the balance sheet.

In compliance with IDW RS BFA 3, any net obligation relating to transactions with interest-related financial instruments allocated to the banking book are calculated using an income statement-based approach. Under this method, an overall assessment is made of all interest-bearing assets and liabilities (including derivatives), taking account of all risk-related and administrative costs expected to be incurred until the transactions have been processed in full. The calculation took account of specific refinancing opportunities available in each relevant accounting period. There was no net obligation at 31 March 2019 and accordingly it was not necessary to recognise a provision at that date.

Interest rate swaps are used to manage the general interest rate risk in the banking book. Interest rate risks are monitored at a banking book level and risks quantified using a value-at-risk (VaR) model. The VaR model is used to demonstrate that the interest rate derivatives have a risk-reducing impact.

4. Explanatory Notes to the balance sheet

4.1 Cash reserve

In addition to the balance with the Deutsche Bundesbank, cash balances with central banks related to the National Bank of Poland amounting to TEUR 12,066 (31 March 2018: TEUR 8,684) and to the Central Bank of Russia amounting to TEUR 31,404 (31 March 2018: TEUR 13,054).

Cash on hand amounting to TEUR 31 (31 March 2018: TEUR 44) and balances with central banks amounting to TEUR 1,331,446 (31 March 2018: TEUR 290,101) correspond to cash funds reported in the consolidated cash flow statement.

The cash reserve includes foreign currency amounts of TEUR 43,470 (31 March 2018: TEUR 21,738).

4.2 Receivables from banks

Amounts due from banks have the following **remaining terms:**

TEUR	31/03/2019	31/03/2018
up to three months	20,590	32,213
more than three months and up to one year	10,013	7
more than one year and up to five years	0	10,000
more than five years	0	0

Receivables due from banks include foreign currency amounts totalling TEUR 31,033 (31 March 2018: TEUR 29,837).

4.3 Receivables from customers

The line item comprises instalment credits from the financing business, lease receivables, dealer financing credits and residual-value receivables payable on a daily basis. The receivables are reported net of specific and general allowances.

The figure stated for receivables from customers includes an amount of TEUR 23,307 (31 March 2018: TEUR 14,702) for receivables due from affiliated companies.

Analysed by remaining terms, receivables from customers show the following breakdown:

TEUR	31/03/2019	31/03/2018
up to three months	1,346,643	1,189,965
more than three months and up to one year	1,421,888	1,357,215
more than one year and up to five years	5,166,068	4,707,934
more than five years	385,819	392,917

There are no receivables with an indefinite remaining term.

Customer receivables include foreign currency amounts of TEUR 2,795,086 (31 March 2018: TEUR 2,632,234).

4.4 Bonds and other fixed interest bearing securities

Issuer	Terms begin	Maturity	Nominal amount million	Interest rate
Republic of Poland	19/06/2015	25/01/2020	PLN 90.0 (EUR 20.9)	WIBOR6M
Republic of Poland	17/11/2016	25/11/2022	PLN 60.0 (EUR 14.0)	WIBOR6M
Republic of Poland	20/12/2017	25/11/2022	PLN 50.0 (EUR 11.6)	WIBOR6M
Republic of Poland	04/10/2018	25/01/2024	PLN 50.0 (EUR 11.6)	WIBOR6M
Narodowy Bank Polski (Polish National Bank)	29/03/2019	05/04/2019	PLN 150.0 (EUR 34.9)	1.50%
Narodowy Bank Polski (Polish National Bank)	29/03/2019	01/04/2019	PLN 18.2 (EUR 4.2)	1.50%

These state bonds are eligible for a stock exchange listing and are actually listed.

4.5 Leasing assets

Movements in leasing assets are shown in the following table by parent company and subsidiary:

TEUR	2018/19 Toyota Kredit-bank GmbH	2018/19 Toyota Leasing GmbH	2018/19 Toyota Leasing Polska	2018/19 Total	2017/18 Total
Aquisition cost					
Opening balance	1,487,682	490,590	34,930	2,013,202	1,558,602
Translation difference	-4,617	0	-924	-5,541	-31,148
Additions	912,750	230,099	93,923	1,236,772	951,847
Disposals	432,624	174,823	1,392	608,839	466,099
Closing balance	**1,963,191**	**545,866**	**126,537**	**2,635,594**	**2,013,202**
Depreciation					
Opening balance	310,484	133,549	886	444,918	377,464
Translation difference	-1,151	0	-39	-1,190	-7,395
Additions	253,400	83,591	9,678	346,669	275,554
Disposals	161,979	76,855	73	238,907	200,705
Closing balance	**400,754**	**140,284**	**10,453**	**551,491**	**444,918**
Carrying amounts	**1,562,437**	**405,582**	**116,084**	**2,084,103**	**1,568,284**

An impairment loss of TEUR 35,775 (31 March 2018: TEUR 15,606) has been recognised on leasing assets to cover identified risks relating to residual value fluctuations.

4.6 Intangible assets

Intangible assets consist mainly of software.

4.7 Tangible fixed assets

The figures shown under buildings comprise the purchase values less scheduled depreciation of the business premises of Toyota Kreditbank GmbH, Cologne, as well as a production hall which is used by an affiliated company. Buildings used for Toyota Kreditbank GmbH's own business have a carrying amount of TEUR 207 (31 March 2018: TEUR 464). The corresponding land is leased on a long-term basis from Toyota Deutschland GmbH.

The Company exercises the option available in Art. 67 (4) sentence 1 EGHGB, whereby carrying amounts of assets that have been reduced by depreciation pursuant to § 254 HGB (old version) can be rolled forward for the purposes of depreciating the buildings, even after the introduction of BilMoG. The depreciation rate is unchanged at 2.5%, in accordance with section 7 (5) EStG.

4.8 Analysis of fixed assets
Movements in financial assets, leasing assets, intangible and tangible assets are shown in the following table:

TEUR	Asset cost					Depreciation					Book value	
	01/04/2018	Currency adjustments	Additions	Disposals	31/03/2019	01/04/2018	Currency adjustments	Additions	Disposals	31/03/2019	31/03/2019	31/03/2018
Investments	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Leasing assets	2,013,201	-5,542	1,236,772	608,837	2,635,594	444,918	-1,190	346,669	238,907	551,494	2,084,103	1,568,282
Intangible fixed assets	47,126	-298	5,033	14,401	37,460	39,682	-174	3,487	13,278	29,717	7,742	7,444
Buildings	32,633	0	0	0	32,633	31,662	0	664	0	32,326	306	971
Operational and business equipment	32,217	-246	12,375	11,860	32,486	21,091	- 210	3,046	5,365	18,562	13,923	11,126
Tangible fixed assets	64,850	-246	12,375	11,860	65,119	52,753	-210	3,709	5,365	50,887	14,230	12,097
Total	2,125,177	-6,086	1,254,180	635,098	2,738,173	537,354	-1,573	353,866	257,549	632,098	2,106,075	1,587,823

Additions to depreciation on leasing assets include an amount of TEUR 31 relating to the previous year which has been reclassified, without income statement impact, from allowances on operating lease receivables.

4.9 Other assets
This line item comprises mainly taxes receivable amounting to TEUR 42,449 (31 March 2018: TEUR 38,247), receivables from affiliated companies amounting to TEUR 11,324 (31 March 2018: TEUR 13,159) and trade accounts receivable amounting to TEUR 5,321 (31 March 2018: TEUR 3,274).

Other assets include foreign currency amounts of TEUR 33,459 (31 March 2018: TEUR 33,882).

4.10 Foreign currency assets
Assets denominated in foreign currencies totalled TEUR 3,703,288 (31 March 2018: TEUR 3,232,683).

4.11 Prepaid expenses and deferred charges

This line item includes prepaid general administrative expenses amounting to TEUR 11,700 (31 March 2018: TEUR 8,791) and deferred expenses for services in conjunction with full service leases amounting to TEUR 24,984 (31 March 2018: TEUR 14,848). Expenses for service work to be performed relates primarily to the Spanish branch of Toyota Kreditbank GmbH and the Polish subsidiary company. This expenditure is spread over the term of the relevant leases.

4.12 Liabilities to banks

The following shows an analysis, by **remaining terms**, of bank liabilities having fixed terms or notice periods:

TEUR	31/03/2019	31/03/2018
up to three months	952,604	356,374
more than three months and up to one year	1,053,382	653,992
more than one year and up to five years	2,103,568	2,170,804
more than five years	9,138	10,078

Included in liabilities to banks are foreign currency amounts equivalent to TEUR 535,649 (31 March 2018: TEUR 473,342).

4.13 Liabilities to customers

Liabilities to customers with fixed terms or notice periods are analysed, by **remaining terms**, as follows:

TEUR	31/03/2019	31/03/2018
up to three months	511,952	354,133
more than three months and up to one year	1,534,529	997,963
more than one year and up to five years	2,656,115	2,351,499
more than five years	38,377	47,611

The liabilities relate mainly to payables to affiliated companies amounting to TEUR 4,755,972 (31 March 2018: TEUR 3,751,205).

Liabilities to customers include foreign currency liabilities of TEUR 2,262,284 (31 March 2018: TEUR 1,997,502).

4.14 Securitised liabilities

In total, commercial paper equivalent to TEUR 750,961 (31 March 2018: TEUR 600,086) had been issued by Toyota Kreditbank GmbH at the balance sheet date. All of these securitised liabilities fall due for payment during the financial year ending 31 March 2020.

AO Toyota Bank, Moscow, Russia, issued a bond in the financial year under review amounting to TEUR 41,477, supplementing the bond issued in the financial year 2017/2018. In total, bonds outstanding at the end of the reporting period amounted to TEUR 111,859 (31 March 2018: TEUR 72,309). The bonds fall due for repayment in December 2020 and February 2022 respectively.

Securitised liabilities include foreign currency amounts equivalent to TEUR 252,371 (31 March 2018: TEUR 509,282), and comprise liabilities denominated in British pounds equivalent to TEUR 140,512 (31 March 2018: TEUR 357,558), in Russian rouble equivalent to TEUR 111,859 (31 March 2018: TEUR 72,309) and in US dollars equivalent to TEUR 0 (31 March 2018: TEUR 79,415).

4.15 Other liabilities

This line item comprises mainly payables to affiliated companies amounting to TEUR 28,411 (31 March 2018: TEUR 252,015), including liabilities relating to the factoring business of the French branch, value added tax liabilities amounting to TEUR 15,029 (31 March 2018: TEUR 9,841), tax payables amounting to TEUR 14,605 (31 March 2018: TEUR 12,888) and trade payables amounting to TEUR 11,208 (31 March 2018: TEUR 9,444).

This line item also includes unrealised exchange gains of TEUR 423 (31 March 2018: TEUR 842), resulting from the deferral of forward discount arising on foreign-currency-denominated commercial paper. In total, other liabilities include foreign currency liabilities amounting to TEUR 46,689 (31 March 2018: TEUR 39,402).

Other liabilities at 31 March 2019 include payables to the shareholder, Toyota Financial Services Corporation, amounting to TEUR 352 (31 March 2018: TEUR 25).

4.16 Deferred income

The balance is made up primarily of interest and fees in connection with the instalment credit business and attributable to future periods, as well as upfront payments arising in connection with lease contracts.

4.17 Accruals and provisions

Marketable securities designated to cover specified pension obligations and separated from other assets by Toyota Kreditbank GmbH in conjunction with a Contractual Trust Agreement are offset against the corresponding obligations. Designated plan assets with a fair value of TEUR 7,348 (31 March 2018: TEUR 6,771) compare with obligations amounting to TEUR 7,531 (31 March 2018: TEUR 6,764). Contributions set aside for investments in designated plan assets amounting to TEUR 143 (31 March 2018: TEUR 141) – which are not due until January of the following year – are reported at the end of the reporting period in the line item "Provisions for pensions and similar obligations".

The designated plan assets had an acquisition cost of TEUR 6,933 (31 March 2018: TEUR 6,405).

Other accruals and provisions consist primarily of accruals/provisions for dealership bonuses amounting to TEUR 19,438 (31 March 2018: TEUR 18,633), personnel-related expenses amounting to TEUR 13,976 (31 March 2018: TEUR 14,209), maintenance expenses amounting to TEUR 16,808 (31 March 2018: TEUR 14,502) and outstanding supplier invoices amounting to TEUR 16,274 (31 March 2018: TEUR 11,125).

4.18 Subordinated liabilities

This line item comprises two deposits from Toyota Motor Finance (Netherlands) B.V., Amsterdam, Netherlands.

Terms begin	Nominal amount million	Interest rate (%)	Renewed interest rate	Interest rate (applicable until)	Maturity
12/03/2007	PLN 69.5 (EUR 16.2)	2.2200	WIBOR 3M	14/06/2019	16/03/2021
01/08/2012	RUB 850.0 (EUR 11.7)	8.6574			01/08/2019

Interest expense on subordinated liabilities for the financial year amounted to TEUR 1,336 (2017/2018: TEUR 1,452).

In the event of the bank's insolvency, compromise settlements or similar proceedings to prevent the bank's insolvency, the liabilities are subordinated behind the unsubordinated claims of all other creditors. There is no option to convert the subordinated liabilities before their maturity date.

Accrued interest at the end of the reporting period totalled TEUR 178 (31 March 2018: TEUR 183).

4.19 Foreign currency liabilities

Foreign currency liabilities total TEUR 3,561,388 (31 March 2018: TEUR 3,416,880).

5. Explanatory notes to the income statement

5.1 Other operating income

This line item consists mainly of leasing revenues of TEUR 450,508 (2017/2018: TEUR 359,461). Rent and other services charged to Toyota Group companies amounted to TEUR 8,979 (2017/2018: TEUR 8,440). Other operating income also includes income of TEUR 2,631 (2017/2018: TEUR 1,027) relating to other periods.

5.2 Depreciation, amortisation and write-downs on intangible assets, tangible fixed assets and leasing assets

Depreciation of leasing assets relating to the branches of Toyota Kreditbank GmbH in France, Sweden, Spain, Norway, and to the subsidiaries Toyota Leasing GmbH and Toyota Leasing Polska Sp. z o.o. totalled TEUR 346,669 (2017/2018: TEUR 275,554).

5.3 Other operating expenses

This line item consists mainly of expenses relating to leasing business amounting to TEUR 14,788 (2017/2018: TEUR 11,940) as well as losses on the disposal of items of operational and office equipment amounting to TEUR 588 (2017/2018: TEUR 504). Other operating expenses include an expense of TEUR 3,057 (2017/2018: TEUR 2,085) relating to interest adjustments arising from discounting long-term provisions. Other operating expenses include prior year expenses of TEUR 26 (2017/2018: TEUR 34).

Other operating expenses include exchange losses totalling TEUR 629 (2017/2018: TEUR 4,975).

5.4 Income taxes
This line item comprises current German and foreign income taxes.

TEUR	2018/19	2017/18
Expected tax expense/income (-) at an income tax rate of 32.45% in Germany	58,141	35,374
Tax rate differences on foreign earnings	-7,308	7,256
Adjustments for differences between tax and accounting bases (including tax on dividends)	3,667	1,163
Other	1,342	1,285
Reported tax expense/income (-)	**55,842**	**45,078**

The effective tax rate was 31.2% (2017/2018: 41.4%).

6. Other disclosures

6.1 Executive Management (Geschäftsleitung)
The following persons acted as directors during the year under review:

— Christian Ruben, Diplom-Kaufmann
— Ivo Ljubica, Diplom-Ökonom (until 29 June 2018)
— Axel Nordieker, Diplom-Kaufmann
— George Juganar, Diplom-Ökonom

Mr. Ruben is a managing director (Geschäftsführer) of both Toyota Kreditbank GmbH and Toyota Leasing GmbH. Mr. Ljubica continues to be a managing director of Toyota Leasing GmbH.

Remuneration paid to Board members during the financial year under review totalled TEUR 1,133 (2017/2018: TEUR 1,337).

Pension provisions in respect of former members of management amounted to TEUR 4,509 (31 March 2018: TEUR 3,875). Pensions totalling TEUR 284 were paid during the financial year under review (2017/2018: TEUR 271).

6.2 Receivables from Executive Board members (Geschäftsleitung)
Receivables from board members at 31 March 2019 totalled TEUR 0.

6.3 Number of employees
The average number of persons employed during the year under review was 740 (2017/2018: 718), comprising 250 (2017/2018: 244) in Germany, 89 (2017/2018: 81) in France, 56 (2017/2018: 52) in Spain, 30 (2017/2018: 29) in Norway, 40 (2017/2018: 34) in Sweden, 12 (2017/2018: 13) in Italy, 12 (2017/2018: 10) in Portugal, 127 (2017/2018: 119) in Poland and 124 (2017/2018: 136) in Russia.

6.4 Profit appropriation at the level of the parent company
The Executive Board proposes that an amount of TEUR 97.472 be transferred from unappropriated profit to other revenue reserves.

6.5 Derivative instruments
Derivative instruments have been entered into to hedge **interest and currency risks.** These are interest swaps, interest/currency swaps and currency futures which are used exclusively for hedging purposes.

Interest rate swaps were used to manage the interest rate risks in the banking book. Derivative financial instruments comprised the following:

TEUR	Nominal amounts 31/03/2019	Nominal amounts 31/03/2018	Fair values Positive 31/03/2019	Fair values Positive 31/03/2018	Fair values Negative 31/03/2019	Fair values Negative 31/03/2018
Currency risks						
— forward currency contracts	140,576	437,429	6,186	2,551	0	137
Derivative instruments total	**140,576**	**446,929**	**6,186**	**2,564**	**0**	**137**

6.6 Valuation units
As a general rule, the interest rate/currency swaps and forward currency contracts are matched by a liabilities-side hedged item with a corresponding opposite risk profile (micro-hedge).

Hedged and hedging items in conjunction with forward currency contracts are aggregated into micro-valuation units using the “Valuation Freeze Method” (Einfrierungsmethode). Fair value gains and losses arising on hedged and hedging items (including cash flows) will offset each other over the terms of those items due to the fact that amounts, maturities, currency and repayment dates are identical.

The carrying amounts of underlying transactions included in valuation units pursuant to § 254 HGB and hedged volumes at the balance sheet date were as follows:

TEUR	Underlying transactions	Hedged amount	Maximum term
Interest/currency risks	0	0	0
Currency risks	140,512	140,512	2019
Total	**140,512**	**140,512**	

6.7 Disclosures reported below the balance sheet (liabilities)

Irrevocable credit commitments mainly relate to credit lines to dealerships and commitments relating to retail business and are subject to the normal credit monitoring processes that apply to all credit exposures. An increased credit loss risk has not been identified. Claims could arise at any time.

6.8 Other financial obligations

Obligations arising from lease, rental, leasing and maintenance agreements at the end of the reporting periods are as follows:

TEUR	
Due by 31 March 2020	5,331
Due between 1 April 2020 and 31 March 2024	3,752
Due after 31 March 2024	833
Total	**9,916**
of which due to affiliated companies	**1,217**

Commitments to lessees of Toyota Leasing GmbH and Toyota Leasing Polska for ordered vehicles amounted to TEUR 110,741 (31 March 2018: TEUR 33.914).

6.9 Auditors' fees

KPMG AG Wirtschaftsprüfungsgesellschaft is the external auditor of Toyota Kreditbank Group. Fees charged by KPMG AG Wirtschaftsprüfungsgesellschaft and by non-German entities of the KPMG network were as follows:

TEUR	Germany 2018/19	Abroad 2018/19	Total 2018/19	Germany 2017/18	Abroad 2017/18	Total 2017/18
Year-end audits	619	288	907	636	223	859
Other attestation services	0	5	5	0	0	0
Tax advisory services	221	51	272	173	27	200
Other services	1	89	90	204	0	204
Total	**841**	**433**	**1,274**	**1,013**	**250**	**1,263**

6.10 Related party relationships

Related parties are defined as persons or entities that can be influenced by the reporting entity or who can exercise influence over the Group. Persons or entities that are already included as consolidated companies in the consolidated financial statements of Toyota Kreditbank GmbH are not disclosed below.

Toyota Financial Services Corporation, Nagoya, Japan, is the sole shareholder of Toyota Kreditbank GmbH. Business relations between the companies are conducted on an arms' length basis. Toyota Financial Services Corporation also guarantees the Group's European commercial paper programme.

Toyota Motor Finance (Netherlands) B.V. provides Toyota Kreditbank GmbH refinancing funds subject to normal market conditions, and is also a subordinate lender. Toyota Motor Finance (Netherlands) B.V. also continues to guarantee the joint capital market programme of Toyota Bank Polska S.A. and Toyota Leasing Polska Sp. z o.o. Liabilities at the end of the reporting period amounted to TEUR 4,783,978 (31 March 2018: TEUR 3,779,884), expenses during the year under review totalled TEUR 42,502 (2017/2018: TEUR 39,918).

All transactions with these companies and with related parties are conducted on an arms' length basis.

In order to support sales promotion actions, Toyota Kreditbank GmbH receives financial subsidies from the importer companies of Toyota Motor Corporation, Toyota City, Japan.

6.11 Name and place of business of the parent company, information about the consolidated financial statements

Immediate parent company:
Toyota Financial Services Corporation
Nagoya Lucent Tower 15F, 6-1, Ushijima-cho, Nishi-ku, Nagoya 451-6015, Japan

Ultimate parent company:
Toyota Motor Corporation
1, Toyota-cho, Toyota City, Aichi Prefecture 441-8571, Japan

Toyota Kreditbank GmbH prepares its own sub-group financial statements, published in Germany in the electronic version of the Federal Gazette. Toyota Kreditbank GmbH is part of the sub-group of Toyota Financial Services Corporation, Nagoya, Japan. The financial statements of the sub-group are included in the consolidated financial statements of Toyota Motor Corporation, Toyota City, Japan. These consolidated financial statements are disclosed in Nagoya and Toyota City, Japan.

6.12 Events after the end of the reporting period

No other significant events have occurred after the end of the reporting period which have a significant impact on the Group's net assets, financial and earnings position.

Cologne, 28 August 2019
Toyota Kreditbank GmbH

Christian Ruben   Axel Nordieker   George Juganar

Consolidated Cash Flow Statement for Toyota Kreditbank Group for the period 1 April 2018 to 31 March 2019

The cash flow statement shows the changes in cash funds for the Group of Toyota Kreditbank GmbH. The cash flow statement consists of the cash flows from operating, investing and financing activities. The sum of these cash flows is in line with the change of the cash funds. The cash flow statement for the Group of Toyota Kreditbank GmbH has been drawn up in accordance with German Accounting Standard No. 21 of the German Financial Reporting Standards Board.

		Consolidated cash flow statement of Toyota Kreditbank Group	2018/19 TEUR
1		Net income (loss) for the year	123,330
2	+/-	Depreciation/amortisation/write-downs/allowances and reversals of such in respect of receivables and fixed assets	348,418
3	+/-	Increase/decrease in provisions	-428
4	+/-	Other non-cash income/expenses	629
5	-/+	Gains/losses arising on disposal of fixed assets	1,155
6	+	Cash received from disposals of leasing assets	368,896
7	-	Cash paid for investments in leasing assets	-1,236,772
8	-/+	Other adjustments (net)	-23,134
9	-/+	Increase/decrease in receivables from banks	81,353
10	-/+	Increase/decrease in receivables from customers	-636,369
11	-/+	Increase/decrease in securities (not classified as fixed assets)	-30,670
12	-/+	Increase/decrease in other assets relating to operating activities	-10,167
13	+/-	Increase/decrease in liabilities to banks	937,997
14	+/-	Increase/decrease in liabilities to customers	1,029,359
15	+/-	Increase/decrease in securitised liabilities	190,425
16	+/-	Increase/decrease in other liabilities relating to operating activities	-104,719
17	+/-	Interest expenses/interest income	-285,469
18	+/-	Extraordinary expense/income	0
19	+/-	Income tax expense/income	55,842
20	+	Interest and dividends received	382,081
21	-	Interest paid	-96,612
22	+	Cash received relating to extraordinary items	0
23	-	Cash paid relating to extraordinary items	0
24	-/+	Income tax paid	-51,860
25		**Cash flow from operating activities**	**1,043,285**
26	+	Cash received from disposals of non-current financial investments	0
27	-	Cash paid for investments in non-current financial assets	0
28	+	Cash received from disposals of tangible fixed assets	6,375
29	-	Cash paid for investments in tangible fixed assets	-12,375
30	+	Cash received from disposals of intangible assets	0
31	-	Cash paid for investments in intangible assets	-5,033
32	+	Cash received in conjunction with disposals from Group reporting entity	0
33	-	Cash paid in conjunction with additions to Group reporting entity	0
34	+/-	Change in cash funds from other investing activities (net)	0
35	+	Cash received relating to extraordinary items	0
36	-	Cash paid relating to extraordinary items	0
37		**Cash flow from investing activities**	**-11,033**
38	+	Cash received from equity provided by shareholders of parent company	37,388
39	+	Cash received from equity provided by other shareholders	0
40	-	Cash paid to shareholders of parent company in conjunction with equity reductions	0
41	-	Cash paid to other shareholders in conjunction with equity reductions	0
42	+	Cash received relating to extraordinary items	0
43	-	Cash paid relating to extraordinary items	0
44	-	Dividends paid to shareholders of parent company	-27,100
45	-	Dividends paid to other shareholders	0
46	+/-	Change in funds relating to other capital items (net)	-674
47		**Cash flow from financing activities**	**9,614**
48		Cash relevant change in cash funds	1,041,866
49		Changes in cash funds due to exchange rate and valuation factors	-534
50		Changes in cash funds due to changes in Group reporting entity	0
51		**Cash funds at beginning of period**	**290,145**
52		**Cash funds at end of period**	**1,331,477**

Consolidated Statement of Changes in Equity of Toyota Kreditbank GmbH as at 31 March 2019

Breakdown of consolidated equity:

TEUR	Share capital	Capital surplus	Retained Earnings[1]	Translation Differences	Profit/loss brought forward[1]	Group net income for the year	Group Equity
As of 31 March 2017	**30,000**	**358,486**	**417,281**	**-57,182**	**81,559**	**77,862**	**908,005**
Capital increase from corporate funds	0	38,551	0	0	0	0	38,551
Settings/withdrawals from reserves	0	0	97,932	0	-45,070	-52,862	0
Dividends paid	0	0	0	0	0	-25,000	-25,000
Currency translation	0	0	0	-24,946	0	0	-24,946
Other changes	0	0	0	0	0	0	0
Group net income for the year 2018	0	0	0	0	0	63,931	63,931
As of 31 March 2018	**30,000**	**397,037**	**515,212**	**-82,128**	**36,489**	**63,931**	**960,541**
Capital increase from corporate funds	0	37,388	0	0	0	0	37,388
Settings/withdrawals from reserves	0	0	39,267	0	-2,436	-36.831	0
Dividends paid	0	0	0	0	0	-27,100	-27,100
Currency translation	0	0	0	-6,143	0	0	-6,143
Other changes	0	0	0	0	0	0	0
Group net income for the year 2019	0	0	0	0	0	123,330	123,330
As of 31 March 2019	**30,000**	**434,425**	**554,479**	**-88,271**	**34,053**	**123,330**	**1,088,017**

Toyota Kreditbank GmbH's capital is wholly owned by Toyota Financial Services Corporation, Japan.

[1] Revenue reserves include amounts that have been allocated to them as a result of a shareholders' resolution. The previous year's figures for retained earnings and profit / loss carryforwards were adjusted in this regard.

Segment information for the Toyota Kreditbank GmbH Group for the period 1 April to 31 March (1/2)

The Toyota Kreditbank Group operates in Germany and, via its branches, in France, Sweden, Norway, Spain, Italy and Portugal. The Group also has subsidiaries in Poland and Russia. In the year under review, the Group was engaged in the instalment credit and leasing business as well as in the financing of dealers' car inventories, and provided loans for car dealers' real estate and working capital.

Amounts are allocated to segments on the basis of the location of the registered office of the relevant branches and Group entities. Due to the close connection of the business activities with TKG head office, the special purpose entity Koromo S.A., Luxembourg, is allocated to the segment "Germany". All amounts relating to the balance sheet and income statements are presented in TEUR.

	Germany		France		Spain		Norway		Sweden		Italy	
All figures in TEUR, unless otherwise stated	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Interest income	79,971	80,111	33,378	30,973	78,249	62,058	27,530	22,657	14,101	13,142	3,340	4,396
comprising:												
- Income from retail financing	69,348	68,341	26,592	25,215	76,537	60,653	27,064	22,343	13,572	12,607	11	11
- Income from wholesale financing	12,362	12,337	6,318	5,731	837	740	457	308	529	535	3,319	4,373
Interest expense	-3,997	-5,369	-2,169	-2,911	-5,358	-4,786	-13,167	-10,239	-1,289	-393	-177	-183
Net interest income	**75,974**	**74,742**	**31,210**	**28,061**	**72,891**	**57,272**	**14,363**	**12,418**	**12,812**	**12,749**	**3,163**	**4,213**
Risk provisioning expense	1,953	1,839	2,030	-10,152	9,386	-7,074	-439	-749	-37	-94	-2,748	-5,065
Net commission income	-9,300	-5,081	-9,042	-6,739	-26,717	-28,264	5,204	5,954	-4,533	-5,454	4,232	4,248
Profit/loss leasing business	20,385	20,923	49,107	41,653	1,370	1,531	2,751	138	10,981	7,650	0	0
Other operating income/expense incl. investment result	12,307	-3,943	-3,048	-706	2,401	806	-810	-862	91	-492	343	-420
Administrative expenses	-66,760	-56,591	-22,428	-20,079	-12,740	-12,295	-7,852	-7,789	-8,710	-7,799	-3,389	-2,692
Profit/loss from ordinary activities	**34,558**	**31,889**	**47,829**	**32,037**	**46,592**	**11,976**	**13,217**	**9,110**	**10,604**	**6,560**	**1,600**	**284**
Extraordinary expenses	0	0	0	0	0	0	0	0	0	0	0	0
Taxes	-14,898	-11,624	-13,200	-9,840	-13,619	-10,131	0	0	-279	-61	-551	-93
Net profit-loss/Year end result	**19,660**	**20,265**	**34,629**	**22,198**	**32,973**	**1,846**	**13,217**	**9,110**	**10,325**	**6,499**	**1,049**	**191**
Profitability of allocated capital	**3.3%**	**4.1%**	**20.5%**	**14.2%**	**58.0%**	**3.4%**	**14.8%**	**10.5%**	**23.6%**	**14.9%**	**167.3%**	**43.7%**
Ratio of expenses/income before taxes	**67.2%**	**65.3%**	**32.9%**	**32.2%**	**25.5%**	**39.2%**	**36.5%**	**44.1%**	**45.0%**	**54.0%**	**43.8%**	**33.5%**

	Germany		France		Spain		Norway		Sweden		Italy	
All figures in TEUR, unless otherwise stated	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**
Liquid funds	1,288,006	268,365	0	0	1	1	0	0	0	0	0	41
Receivables from banks	77,107	97,297	10,048	14,879	37	51	4,106	0	5,060	0	0	53,160
Receivables from customers	2,433,441	2,242,239	1,149,672	922,263	1,827,709	1,522,942	697,673	730,991	398,129	378,312	0	297,228
Leasing assets	405,582	357,041	895,555	717,148	105,367	67,536	253,063	112,088	308,452	280,426	0	0
Liabilities to banks	2,688,606	2,070,066	643,988	440,198	297,519	244,160	0	3,161	1	4,330	0	0
Liabilities to customers	802,348	443,262	722,998	652,986	1,096,645	761,066	824,004	733,638	639,414	587,369	0	100
Notes payable	750,961	600,085	0	0	0	0	0	0	0	0	0	0
Subordinate liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Equity/alloted capital	600,718	495,029	169,160	156,734	56,802	54,956	89,444	86,643	43,700	43,564	627	436

Consolidated segment information for the Toyota Kreditbank GmbH Group for the period 1 April to 31 March (2/2)

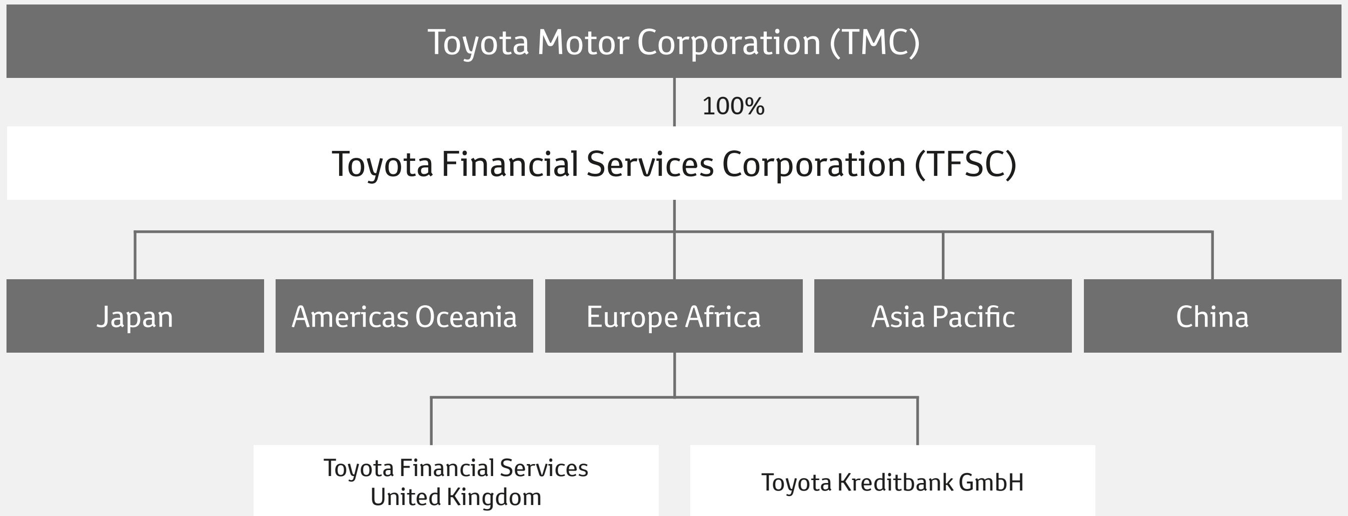
		Portugal		Poland		Russia	Consolidation			Group
All figures in TEUR, unless otherwise stated	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Interest income	3,636	1,124	36,862	33,317	105,013	108,889	0	-109	382,081	356,558
comprising:										
- Income from retail financing	3,020	1,065	10,759	8,422	91,304	90,218	0	0	318,208	288,875
- Income from wholesale financing	26	0	2,477	2,441	9,771	15,918	0	0	36,096	42,383
Interest expense	-369	-54	-15,083	-11,907	-55,003	-58,434	0	113	-96,612	-94,162
Net interest income	**3,267**	**1,070**	**21,779**	**21,410**	**50,010**	**50,455**	**0**	**4**	**285,469**	**262,395**
Risk provisioning expense	-1,232	-342	-3,170	-3,030	3,870	-4,587	0	0	9,613	-29,255
Net commission income	-4,928	-2,830	-2,833	153	-7,185	-8,565	0	-3	-55,102	-46,582
Profit/loss leasing business	0	5	4,048	-173	0	0	0	0	88,642	71,726
Other operating income/expense incl. investment result	-43	-152	-624	-285	-1,349	-1,282	-784	-724	8,483	-8,060
Administrative expenses	-3,880	-3,509	-12,427	-10,558	-19,438	-19,489	1,018	725	-156,606	-140,076
Profit/loss from ordinary activities	**-6,816**	**-5,757**	**6,774**	**7,517**	**25,908**	**16,532**	**234**	**2**	**180,499**	**110,150**
Extraordinary expenses	0	0	0	0	0	0	0	0	0	0
Taxes	-81	-84	-3,293	-2,139	-4,781	-3,865	-6,469	-8,383	-57,169	-46,218
Net profit-loss/Year end result	**-6,897**	**-5,840**	**3,481**	**5,379**	**21,127**	**12,667**	**-6,235**	**-8,381**	**123,330**	**63,931**
Profitability of allocated capital	**-170.42%**	**-59.07%**	**7.1%**	**14.7%**	**28.3%**	**16.5%**			**11.3%**	**6.7%**
Ratio of expenses/income before taxes	**-227.79%**	**-184.05%**	**55.6%**	**50.0%**	**46.9%**	**48.0%**			**47.8%**	**50.1%**

		Portugal		Poland		Russia	Consolidation			Group
All figures in TEUR, unless otherwise stated	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**	**03/2019**	**03/2018**
Liquid funds	0	0	12,066	8,684	31,404	13,054	0	0	1,331,476	290,145
Receivables from banks	1,215	5,569	28	148	21,839	29,689	0	0	119,439	200,793
Receivables from customers	107,343	34,025	618,931	596,788	1,080,353	926,143	0	0	8,313,251	7,650,932
Leasing assets	0	0	116,084	34,045	0	0	0	0	2,084,103	1,568,283
Liabilities to banks	0	0	121,510	109,774	414,138	356,077	0	0	4,165,763	3,227,765
Liabilities to customers	0	0	571,500	483,503	227,366	192,992	0	0	4,884,274	3,854,915
Notes payable	0	0	0	0	111,859	72,309	0	0	862,820	672,394
Subordinate liabilities	0	0	16,178	16,524	11,827	12,155	0	0	28,006	28,679
Equity/alloted capital	4,047	9,887	48,852	36,553	74,667	76,739	0	0	1,088,017	960,542

Toyota Kreditbank GmbH
Group Management Report for the financial year 2018/2019

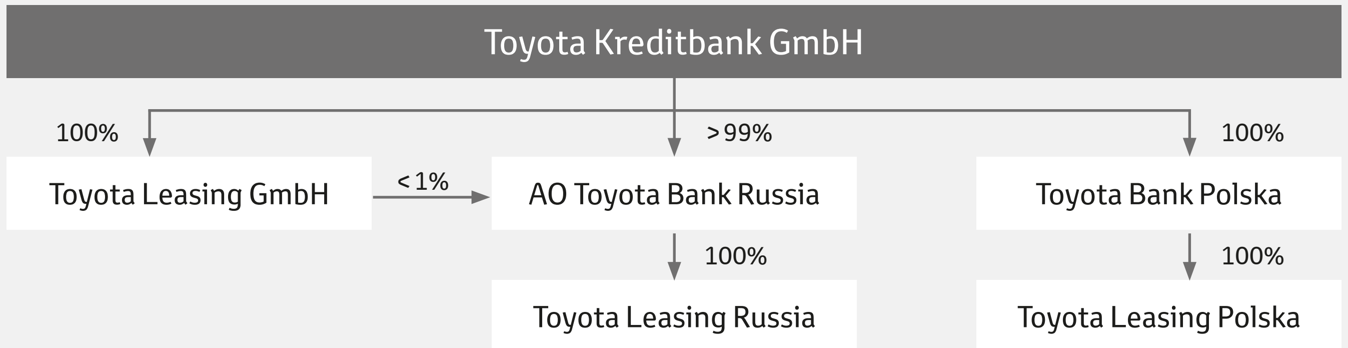
A. General Information on the Toyota Kreditbank Group
The Toyota Kreditbank Group, represented by its manufacturer-tied financing companies, provides financial services aimed at supporting car sales of the Toyota Group. A wide range of financing products is available to private and commercial customers on the one hand and to Toyota and Lexus dealers on the other.

The Toyota Kreditbank Group is wholly owned by the sub-group's immediate parent, Toyota Financial Services Corporation, which is based in Japan. The ultimate parent company is the Japanese car manufacturer, Toyota Motor Corporation, which, in turns, owns 100% of the shares of Toyota Financial Services Corporation. The companies concerned also work very closely in terms of marketing.



The Toyota Financial Services Group is represented in 37 countries, covering five main regions, namely Japan, America/Oceania, Europe/Africa, Asia Pacific and China. The Europe/Africa region consists of the two sub-groups, Toyota Financial Services United Kingdom and the Toyota Kreditbank Group.

Toyota Kreditbank GmbH is the parent company of the Toyota Kreditbank Group and has its registered office in Cologne.



Toyota Kreditbank GmbH and its subsidiaries are classic automobile banks, whose principal activity is the financing of Toyota and Lexus brand vehicles manufactured by the Toyota Group. In the case of new cars, financing is provided exclusively for Toyota and Lexus brand vehicles. In the case of pre-owned cars, mainly Toyota and Lexus brand vehicles are financed. The range of services on offer corresponds to that of a specialised bank, since the business model is aimed almost entirely at sales of, and dealership financing for, the relevant brands. For this reason, performance is largely dependent on the volume of cars sold within the operating territory. The sales financing products offered by the Toyota Kreditbank Group have to compete with those offered by other specialised banks, universal banks and savings banks (Sparkassen).

The range of financing products on offer in Germany comprises traditional loan contracts, final instalment financing arrangements and the sale of leasing products. This range of financing products is supplemented by so-called "package" products offered in conjunction with Toyota Insurance Service and Aioi Nissay Dowa Life Insurance of Europe AG, Ismaning, and with Toyota Motor Europe SA, NV Brussels, Belgium. In addition to a reasonable and fixed financing amount, these products include access to Toyota service facilities, a follow-on and mobility guarantee and credit insurance. The customer can also opt to add car insurance to the package.

The Toyota Kreditbank Group provides financing to Toyota and Lexus dealerships for new, showroom and pre-owned cars. It also provides investment loans for the purchase or modernisation of company real estate and working capital loans.

As well as servicing the German market, financing and leasing products are also provided in other European countries where Toyota Kreditbank GmbH has branches and subsidiaries. Toyota Kreditbank GmbH has branches in France, Spain, Norway, Sweden, Italy and Portugal as well as subsidiaries in Germany, Poland and Russia.

In terms of consumer credit business with private and business customers, the branches and subsidiaries – with the exception of the branch in Italy – offer financing products comparable to those offered in Germany. The product range also covers the sale of leasing products and the arranging of insurance policies. In addition, the Toyota and Lexus dealers can apply for investment and working capital loans and are able to finance new, showroom and pre-owned cars via the Group. During the financial year under review, the branch in Italy only provided financing to dealerships. Branch business was transferred to an Italian subsidiary of Toyota Financial Services United Kingdom at the end of the financial year. In addition to vehicle financing, the Polish subsidiary also offers services relating to credit cards and customer deposits.

The key performance indicators used by the Toyota Kreditbank Group are based on regulatory requirements on the one hand and the interests of the shareholder on the other.

The following indicators were classified as key management parameters during the year under review, unchanged from the previous year:

Management system

Market	Penetration	Ratio of new registrations to financed vehicles
	Number of contracts	Number of new and used car contracts
Financial	Operating Income	Profit before taxes and non-operating profit & losses (IFRS)
	ROMA	Operating Income/Average Managed Assets (IFRS)
	Operating Cost Ratio	Selling, General Administrative Expense/ Average Managed Assets (IFRS)

These key performance indicators are measured and controlled throughout the Group on the basis of IFRS figures. Due to the difference in accounting policies between HGB and IFRS, the key performance indicators cannot be derived directly from the HGB figures.

B. Sustainability Report

1. Overview
The law to strengthen companies' non-financial disclosure in Management Reports and Group Management Reports (German Corporate Social Responsibility (CSR) Directive Implementation Act) extends companies' annual reporting requirements to include disclosures on environmental, employment and social issues, measures to combat corruption and bribery as well as respect for human rights if such disclosures are relevant for an understanding the reporting enterprise's business performance and if the impact of such matters is significant.

The Toyota Kreditbank Group has not identified any material risks with respect to the above-mentioned matters in relation to its own business operations, relationships, products or services and which are highly likely to have a seriously adverse impact on the above-mentioned non-financial matters or on its own business operations. In order to comply with this requirement, the Toyota Kreditbank Group has prepared the following non-financial statement based on the provisions of Sections 315b (1) and 315c of the German Commercial Code (HGB) in conjunction with Section 289c HGB.

For a description of Toyota Kreditbank GmbH's business model, please refer to section "A. General Information on the Toyota Kreditbank Group" in this Group Management Report.

2. Environment
Environmental protection has a long tradition at Toyota Motor Corporation (Toyota) and remains a top priority. Starting with the development of innovative drivetrain concepts, taking in all aspects of production, and through to the recycling of our automobiles.

Toyota wishes to contribute towards a sustainable society and to offer mobility solutions that give people pleasure. It is a matter of extreme importance to Toyota to face up to challenges such as climate change, air pollution, limited raw materials reserves and secure energy supplies. Alongside safety and emotion, environmental protection is one of the key issues that dominate product development. Electrified vehicles are indispensable when it comes to finding solutions to current environmental issues.

As part of the Environmental Challenge 2050 presented in October 2015, Toyota aims to reduce global average new-vehicle CO_2 emissions by 90% from 2010 levels. In a subsequent announcement, Toyota set out its strategy of using electrification as the main pillar of a mid-to-long-term initiative to achieve this challenge.

Hybrid vehicles will play an important role in this strategy: Toyota intends to increase the number of hybrid vehicles it has sold worldwide from 11 million in 2017 to 15 million by 2020. Annual sales of hybrid vehicles are forecast at 1.5 million units. With the introduction of a new generation of batteries with higher energy density and durability, the range of electrified vehicles is also increasing.

Another pillar for achieving lower CO_2 emissions is the Fuel Cell Vehicle (FCV), such as the Toyota Mirai. Worldwide sales of passenger cars powered by a fuel cell are expected to exceed 30,000 units p.a. from 2020 onwards. In 2019, Toyota will commence the sale of fuel cell buses, initially in small numbers, for use in the Greater Tokyo area. The Group currently plans to deliver more than 100 emission-free buses ahead of the Summer Olympic and Paralympic Games 2020 in the Japanese capital.

Toyota Kreditbank GmbH uses electricity (electrical energy) and heat (heating energy) in particular as part of the value-added process at the Cologne location. Electricity for the site, which is all green ("100% Naturstrom"), is supplied by Hammermühle Versorgung GmbH. Energy for heating comes from the regional district heating system.

The energy audit required by EN 16247-1 has been carried out and we are currently in the process of implementing the measures identified.

Toyota Kreditbank GmbH has already converted the lighting of most of its properties to LED technology. Further conversions are planned for the future.

We strive to avoid or reduce waste as much as possible. An important aspect is the separation of waste by type, especially paper and residual waste. Depending on location, waste quantities are measured on the basis of volumes actually charged or container sizes. When disposing of paper waste, we take care to comply with data protection requirements relevant for document destruction.

Energy-efficient pumps are used for the ceiling cooling system and for the distribution of hot and cold water to ensure the economical and sustainable use of resources. In addition, conventional thermostats have been replaced by new, more efficient heating valves in order to save energy.

Employees are encouraged to act in an environmentally-aware manner, e.g. collection containers are provided for the disposal of used batteries in accordance with the common collection scheme (GRS) operated by the GRS Batteries Foundation. GRS is committed to informing all age groups about battery recycling and to inspire children and young people to enjoy and take an interest in energy and the environment. In addition, the internal portal for employees actively addresses the importance of adopting sustainable practices within the office. A broad range of suggestions aimed at optimising environmentally-friendly awareness is provided, for instance, to encourage lower electricity, water and paper consumption.

Our new Toyota Carpooling app facilitates the use of car pools by company staff, helping to cut CO_2 emissions and thus protect the environment.

In addition, the make-up of the Toyota Kreditbank Group's corporate fleet of vehicles in terms of the proportion of environmentally-friendly drivetrains has reached a very pleasing level. In Portugal and France, for instance, the proportion of hybrid vehicles in the respective fleets already stands at 100%.

3. Employee matters
A workforce of motivated and well-trained employees is the most important resource for the Group's success. Toyota Kreditbank GmbH is committed to promoting the skillsets and qualifications of its employees on a sustainable basis. In addition to providing opportunities for staff to develop their abilities at both a technical and a personal level, the Human Resources Department is also responsible for the development of managerial skills and the skills necessary for communicating and implementing corporate values.

Employees in Germany are remunerated at levels commensurate for the sector. From manager level upwards, total annual remuneration also includes a variable component. In the financial year under review, all other employees participated in the organisation's success in the form of profit sharing arrangements.

As well as encouraging employees to develop their skills, a range of benefits such as a modern working environment, flexible working hours models, employer-financed company pension schemes, family services, leasing offers, employee loans, canteen subsidies and the promotion of good health, including sports activities and convenient access to water-dispensers, help to raise employee commitment.

Toyota Kreditbank GmbH attaches the highest priority to respecting individual personality. Discrimination and harassment in the workplace on the grounds of race, ethnic origin, gender, religion or belief, disability, age or sexual identity are not tolerated.

We also attach great importance to equal opportunities for our employees. The high percentage of women working at management level is therefore particularly gratifying. The situation in Russia is particularly impressive, with women accounting for more than 60% of management.

During the financial year 2018/2019, the Toyota Kreditbank Group had an average of 740 employees.

4. Social engagement
Taking responsibility for society is an integral part of Toyota's corporate philosophy. In addition to various national activities, the Toyota Fund for Europe – which has been in existence since 2002 – supports numerous European projects relating to the environment, road safety and education. Promoting cooperation with educational institutions, non-profit and charitable organisations is a particular focus. As well as providing financial resources, important aspects of the Fund's work include the transfer of knowledge, creating opportunities for further education and training as well as the provision of material resources.

In addition, Toyota has launched "Start Your Impossible", a global corporate initiative that aims to inspire Toyota employees, partners and customers, and connect them with the company's core beliefs. In an age of accelerating technological and environmental developments, "Start Your Impossible" marks Toyota's commitment to support the creation of a more inclusive and sustainable society in which everyone can challenge their impossible.

Toyota believes that mobility goes beyond owning a vehicle; it is about overcoming challenges and making dreams come true. The "Start Your Impossible" initiative reflects these values and highlights the company's goal to provide freedom of mobility for all. "We want to share this thinking with all stakeholders, including consumers, so that we can approach this challenge together," said Toyota President Akio Toyoda.

Since its founding as a loom manufacturer, Toyota has been driven by a commitment to contribute to society. As worldwide partner of the Olympic Games and the Paralympic Games, Toyota aims to encourage creating a peaceful society without discrimination through sports and a commitment to creating a sustainable society through mobility. Toyota's values of continuous improvement and respect for people are shared by the Olympic Games, which brings together the entire world in friendship and solidarity to celebrate the highest realisation of human potential.

Toyota also supports a broad range of social projects. In Cologne, Toyota is participating in the "Forest Laboratory" project alongside its partners RheinEnergie and the City of Cologne. The project includes the creation of a "trial forest" that presents new impressions and insights about the "forest of the future". The forest laboratory will provide new information on what the forest of the future will look like, how it should be managed and how the effects of climate change in

Germany can be reduced. In the Swedish city of Tyskland, Toyota supports the local youth centre in the form of a music studio, which has been given the name "Mirai". The support provided includes not only financial support for the construction of the music studio but also for events such as an annual Christmas party for young people interested in music.

5. Respect for human rights

Toyota's Guiding Principles, Code of Conduct, and CSR Policy define the concept for respecting and honouring the human rights of all people and other rights of all persons involved in Toyota operations.

"Respect for People" is one of the two pillars of the Toyota Way, specifically highlighting the importance attached to respecting business partners as well as employees' individual personalities. Putting the Toyota Way into practice therefore involves an unconditional commitment to respect for human rights.

Toyota has adopted a range of measures aimed at protecting human rights. One of these is the joint "Drive Sustainability" initiative of ten automotive companies (BMW Group, Daimler AG, Ford, Honda, Jaguar Land Rover, Scania CV AB, Toyota Motor Europe, Volkswagen Group, Volvo Cars and Volvo Group), which represents a step towards greater responsibility along the raw materials supply chain. One of the objectives of the sustainability partnership is to establish a "Raw Materials Observatory" to identify and address ethical, environmental, human and labour rights issues in the sourcing of raw materials.

With the help of CSR Europe, a European business network for corporate social responsibility, "Drive Sustainability" aims to create greater transparency, improve working conditions and address a wide range of issues at all stages along the supply chain. The new Raw Materials Observatory will focus on assessing potential risks in the procurement of raw materials such as mica, cobalt, rubber and leather.

6. Combating corruption and bribery

In response to the global expansion of its business and rising societal demands, Toyota adopted the Anti-bribery Guidelines in 2012 to completely eliminate corruption on a sustained basis. This goal is to be achieved by strengthening its preventive measures and working to prevent corruption by raising awareness of its anti-corruption stance, both internally and with business partners.

The TKG Code of Conduct stipulates that all Toyota employees must carry out their activities in compliance with applicable national and international laws, professional ethics and internal regulations. Safeguarding Toyota's interests can never justify any conduct that is contrary to the principles of correctness and honesty.

An effective compliance management system is in place across the Toyota Kreditbank Group, under the responsibility of the Compliance Officer, to ensure the application of good business practices. The annual risk analysis required by law did not identify any significant risks of corruption or bribery.

A set of clear rules is in place regarding gifts, the prevention of money laundering and the financing of terrorism as well as fraud prevention. In addition, employees in all countries in which the Toyota Kreditbank Group operates receive regular compliance training.

If employees detect irregularities, they are required – as part of a whistleblower system – to contact either the Compliance Officer, the Human Resources Department, the Head of Internal Audit and/or the Works Council. In addition, issues may also be reported to a central point of contact at the European headquarters.

All of these options enable employees to address issues, including for instance indications of potential criminal activities, under the assurance that their identity will remain confidential. This whistleblower system helps us to ensure compliance with the law and to avoid damage to Toyota Kreditbank's reputation and assets.

C. Report on Economic Position[1]

1. General economic conditions and sector environment

The global economy

Global economic growth slowed slightly during the calendar year 2018. According to figures issued by the International Monetary Fund (IMF), global economic output expanded by 3.6% in 2018, compared with 3.8% one year earlier. After growing by 1.9% in 2017, the Japanese economy grew by only 0.8% in the calendar year 2018. At 2.2%, the economies of the world's industrial countries grew at a slightly slower rate than the previous year's 2.4%.

Operating territory

The European Union recorded a moderate economic growth rate of 1.8% in 2018, slightly down on the previous year. Despite growing employment numbers, the decline was mainly due to weaker private consumption. Moreover, public sector spending was at a comparatively low level and export growth significantly down on the previous year.[2]

[1] General source: IMF, World Economic Outlook, April 2019
[2] Source: Focus Economics, Consensus Forecast, April 2019

Economic indicators in Europe

Country	GDP[1] Change prev. year % 2018	GDP[1] Change prev. year % 2017	CPI[2] Change prev. year % 2018	CPI[2] Change prev. year % 2017
European Union	2.1	2.7	1.9	1.7
Euro area	1.8	2.4	1.8	1.5
Germany	1.5	2.5	1.9	1.7
France	1.5	2.2	2.1	1.2
Spain	2.5	3.0	1.7	2.0
Norway	1.4	2.0	2.8	1.9
Sweden	2.3	2.1	2.0	1.9
Italy	0.9	1.6	1.2	1.3
Portugal	2.1	2.8	1.2	1.6
Poland	5.1	4.8	1.6	2.0
Russia	2.3	1.6	2.9	3.7

Source: IMF

[1] Real gross domestic product
[2] Consumer Price Index covering all products

The German economy grew by 1.5% in 2018, a solid performance but nevertheless significantly down on the higher rates reported in recent years. The slowdown in economic growth was largely attributable to the manufacturing sector. Continuing uncertainty caused by intensified trade disputes and Brexit resulted in lower investments. Due to its focus on capital goods, German industry was particularly impacted by this development. The growth rate in 2018 was also held back by a slight slowdown in exports, reflecting – among other factors – the weakness of world trade. In addition, exceptional factors, such as the introduction of new emission standards for vehicles in Germany, resulted in production delays across the automotive sector. As in previous years, growth was driven by high domestic demand, in particular capital investment.[3]

The growth rate in France dropped year-on-year. As in 2017, weak private consumer spending slowed growth, with the situation also aggravated by a deterioration in the business climate towards the end of the year. The structural reforms introduced by President Macron have not yet had any impact. The benefit of higher collectively bargained salaries was held back during the first half of the year by social insurance tax rate hikes and it was not until the second half of the year that net income actually rose following reductions in social contributions. Once again, the growth rate in France lagged behind that of the euro area.[4]

Although down on the previous year, Spain's growth rate of 2.5% was one of the strongest in Europe, driven in part by high domestic demand as a consequence of the continued rise in employment. The slight decline in the growth rate was attributable to weaker exports in 2018.[5]

At 2.3%, Russia's real gross domestic product (GDP) grew significantly faster than in 2017. Despite new US sanctions, the extension of existing EU sanctions and the fall in oil prices towards the end of 2018, Russia's exports benefited from the weak rouble. In addition, with employment at its highest level for 5 years, consumer spending increased. Despite the high growth rate, investments increased only moderately year-on-year, reflecting continuing uncertainty on the part of domestic and foreign investors in the face of sanctions, lack of structural reforms and an uncertain legal framework.[6]

Poland's economy grew by 5.1% in 2018, once again beating the previous year's growth rate. This performance was again driven by strong private consumption (helped by a further decline in the unemployment rate and rising wage levels) as well as by an exceptionally high level of investments in 2018.[7]

[3, 4] Source: Helaba, Economy/Research, April 2019
[5, 6, 7] Source: Focus Economics, Consensus Forecast, April 2019

Currency developments
Exchange rates relevant for Toyota Kreditbank Group remained stable during the financial year under review.

Exchange rates

Currency	31/03/2019	31/03/2018
Euro	1.0000	1.0000
British Pound	0.8583	0.8749
Japanese Yen	124.4500	131.1500
Norwegian Krone	9.6590	9.6770
Swedish Krone	10.3980	10.2843
Russian Rouble	72.8564	70.8897
Polish Zloty	4.3006	4.2106

Source: Bloomberg

Review of the automobile market
The European automobile market contracted by 0.8% in the calendar year 2018. The number of passenger vehicles sold in Germany came close to the previous year's level, falling by just 0.2%.[8]

With worldwide sales of 10.59 million vehicles in the calendar year 2018, Toyota exceeded the ten-million threshold for the number of vehicles sold in a single calendar year for the fifth year in succession, marginally beating the previous year's figure.

[8] Source: ACEA, January 2019

New car registrations Toyota Europe

	CY 2018	CY 2017	CY 2016	CY 2015
Europe incl. Russia	1,035,430	1,001,662	928,488	873,844
Operating territory	612,865	578,919	529,926	483,932

New registrations of Toyota brand vehicles in Europe (including Russia) increased 3.4% year-on-year. Sales volume within the Toyota Kreditbank Group's operating territory, measured on a calendar year basis, rose by 5.9% to 612,865 units.

Toyota and Lexus models in Europe

	CY 2018	CY 2017	CY 2016	CY 2015
All models	1,035,430	1,001,662	928,488	873,844
thereof:				
— Yaris	223,694	209,130	208,606	201,271
— C-HR	147,276	120,750	n. a.	n. a.
— Auris	116,129	121,725	144,052	142,369
— RAV4	107,937	112,537	110,120	85,988
— Aygo	91,758	85,279	88,317	88,583

Alongside Toyota's most popular models in Europe to date (the Aygo, Yaris, Auris and RAV4), the C-HR has also now established a strong position in the market. Launched in 2016, this compact crossover is now Toyota's second largest volume model in the region. Toyota's strategy of continuously reducing fleet emissions and maintaining its technological lead by developing environmentally friendly drivetrain systems is also being bolstered by the Mirai, the first-ever high-volume-built fuel cell vehicle, and the Prius Plug-In. In the meantime, a hybrid vehicle is offered in each segment of Toyota's model range. In addition, all Lexus models are also available as hybrid vehicles. The total number of hybrid vehicles sold worldwide during the calendar year 2018 totalled 1,795,158 units, 18.6% or 281,707 units more than one year earlier. Sales of hybrid vehicles as a proportion of all Toyota and Lexus vehicles sold increased again overall in 2018, rising to approximately 17% worldwide (2017: 14.6%). The equivalent figures for Europe were 48.3% (2017: 42.8%) and 55.1% (2017: 50.6%) for Germany. This is the second time in succession that the 50% hybrid share of new registrations has been reached in Germany.

2. Course of business

Economic conditions and developments within the automobile sector remained stable overall. Overall, the Toyota Kreditbank Group was able to increase business volumes in 2018/2019 at a faster rate than the general growth in the market.

Key performance figures

	31/03/2019 in TEUR	31/03/2018 in TEUR	Variance in TEUR	Variance %
Credit disbursed to customers (before allowances)	8,494,212	7,859,695	634,517	8.1
Thereof:				
— retail customers	6,776,761	6,033,798	742,963	12.3
— contract dealerships	1,717,451	1,825,897	-108,446	-5.9
Leasing assets	2,084,103	1,568,283	515,820	32.9

Retail business

Toyota Kreditbank Group's lending business is shaped primarily by loans to retail customers. The Group's performance in this sector is dependent to a large extent on the number of new registrations of Toyota brand vehicles in the relevant operating territory.

	New car registrations		New vehicle penetration	
Country	FY 2018/19	FY 2017/18	FY 2018/19	FY 2017/18
Germany	87,694	86,887	46.9%	45.4%
France	107,183	95,854	39.0%	36.8%
Spain	80,650	74,097	42.6%	44.6%
Norway	19,015	21,118	60.3%	53.0%
Sweden	24,203	26,737	48.5%	46.2%
Italy	n. a.	n. a.	n. a.	n. a.
Portugal	12,317	11,333	31.6%	13.4%
Poland	60,946	58,870	33.9%	30.7%
Russia	131,129	117,204	19.3%	22.9%
Total	**523,137**	**492,100**	36.4%	36.1%

New registrations within the Group's operating territory rose by 6.3%. The number of financing and leasing contracts for new vehicles went up by 7.1%. The number of new contracts in Germany, including leasing contracts concluded by Toyota Leasing GmbH, rose sharply once again. For new vehicles, the penetration rate improved on average from 36.1% to 36.4%, clearly reflecting the success of the Group's attractive and competitively priced product range.

Number of new contracts

	FY 2018/19	FY 2017/18	Variance %
New vehicles	110,478	109,942	0.5
Used vehicles	56,470	50,892	11.0
Total Financing	**166,948**	**160,834**	**3.8**
New vehicles	79,876	67,735	17.9
Used vehicles	4,325	2,826	53.0
Total Leasing	**84,201**	**70,561**	**19.3**
Total new car registrations	**523,137**	**492,100**	**6.3**
New vehicle penetration Financing	21.1%	22.3%	-5.4
New vehicle penetration Leasing	15.3%	13.8%	10.9
Total new vehicle penetration	**36.4%**	**36.1%**	**0.8**

Number of new contracts by country

	Financing			Leasing		
	FY 2018/19	FY 2017/18	Variance %	FY 2018/19	FY 2017/18	Variance %
Germany	59,770	57,073	4.7	10,675	9,251	15.4
France	14,624	12,295	18.9	33,331	28,140	18.4
Spain	35,044	33,665	4.1	3,838	2,780	38.1
Norway	6,185	7,096	-12.8	8,917	8,445	5.6
Sweden	12,301	12,777	-3.7	7,670	7,660	0.1
Italy	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Portugal	2,966	1,806	64.2	1,912	315	507.0
Poland	6,906	7,053	-2.1	17,858	13,970	27.8
Russia	29,152	29,069	0.3	0	0	0.0
Total	**166,948**	**160,834**	**3.8**	**84,201**	**70,561**	**19.3**

The Toyota Kreditbank Group only operates in the field of finance leasing via Toyota Kreditbank GmbH's branches in France, Sweden, Norway, Spain and Portugal, as well as the subsidiary in Poland. In Germany, leasing business is handled by the subsidiary, Toyota Leasing GmbH.

New business developed positively in general terms. Overall, more contracts were concluded than in the previous year. The number of contracts signed in Germany continued to grow, boosted among other factors by the successful continuation of the Trade-Cycle-Management (TCM) product “NEU bleibt NEU”. Despite the discontinuation of the government subsidy programme in Spain, the number of new contracts increased in particular as a result of the successful continuation of the TCM product “Pay Per Drive”. In France, the TCM programme “La combinaison“ resulted in an overall increase in the number of contracts signed, in this case involving a shift between financing and leasing. In Sweden and Norway, the Group continues to mainly offer financing arrangements at attractive interest rates. Despite achieving a better penetration rate, the slight decline in new registrations in both of these countries resulted in a small decrease in the number of new contracts overall. Leasing business in Norway continued to benefit from the branch's private leasing programme. The Polish subsidiary increased the number of leasing contracts signed, mainly by expanding its fleet business activities.

Dealership financing

As part of the range of services offered to contract dealerships, the Toyota Kreditbank Group provides loans to finance showroom cars, working capital and investments. In the field of inventory financing, the Toyota Kreditbank Group is an important financing partner for dealerships with operations focused on Germany, France, Spain, Italy and Russia.

Dealership financing

	31/03/2019 TEUR	31/03/2018 TEUR	Variance TEUR	Variance %
Working capital/investment loans				
— Germany	77,512	75,514	1,998	2.6
— Foreign	96,155	116,056	-19,901	-17.1
Total	**173,667**	**191,570**	**-17,903**	**-9.3**
Showroom vehicle financing				
— Germany	474,814	417,373	57,441	13.8
— Foreign	1,064,755	1,212,081	-147,326	-12.2
Total	**1,539,569**	**1,629,454**	**-89,885**	**-5.5**
Total dealership financing	**1,713,236**	**1,821,024**	**-107,788**	**-5.9**

Inventory financing volumes in Germany rose by 13.8% year-on-year in line with sales, whereas working capital and investment loans rose only slightly due to the good earnings generated by dealerships. The lower volume outside Germany is mainly attributable to the sale of the dealership financing business in Italy to the newly established Toyota Financial Services Italia S.p.A., part of the Toyota Financial Services United Kingdom Group, as of 29 March 2019. Adjusted for the sale of the Italian business, the volume of dealership financing outside Germany increased by EUR 145.7 million.

Excluding the one-off impact of the sale in Italy, Toyota Kreditbank GmbH further strengthened its position as the most important financing partner for dealerships.

3. Analysis of net assets, financial position and results of operations

a. Results of operations

Group net income for the year increased from EUR 63.9 million to EUR 123.3 million. Even before adjustments for exceptional items, the forecast that profit from ordinary activities would be “up on the previous financial year” was therefore achieved.

The share of net income generated by the branches amounted to EUR 85.3 million (2017/2018: EUR 34.0 million), while that of the foreign subsidiaries amounted to EUR 25.8 million (2017/2018: EUR 18.1 million). The increase mainly resulted from higher earnings contributions from business expansions and a positive one-off effect from the conversion of the risk provisioning methodology, especially in Spain and France.

Contrary to expectations, the number of new registrations in the operating territory increased slightly, resulting in higher business volumes and improved earnings. Despite the low interest environment, the Toyota Kreditbank Group is able to report good earnings for the year ended 31 March 2019.

Results of operations

	31/03/2019 TEUR	31/03/2018 TEUR	Variance TEUR	Variance %
Net interest result	285,468	262,395	23,073	8.8
Result from investments	0	0	0	0.0
Commission result	-55,102	-46,582	-8,520	18.3
Other operating income/expenses (net)	450,992	346,128	104,864	30.3
Administrative expenses	156,606	140,076	16,530	11.8
Amortisation and depreciation	353,866	282,461	71,405	25.3
Risk provisioning expense	-9,613	29,255	-38,868	-132.9
Profit before tax	**180,499**	**110,149**	**70,350**	**63.9**
Tax expense	57,169	46,218	10,951	23.7
Net income for the year	**123,330**	**63,931**	**59,399**	**92.9**

Net interest result

Net interest result comprises:

	31/03/2019 TEUR	31/03/2018 TEUR	Variance TEUR	Variance %
Interest and similar income				
— Retail business	342,667	311,081	31,586	10.2
— Dealership financing business	35,234	41,473	-6,239	-15.0
— Other	4,179	4,003	176	4.4
Total	**382,081**	**356,557**	**25,524**	**7.2**
Interest expenses				
— Bank and other interest expenses	53,845	54,228	-383	- 0.7
— Affiliates	42,767	39,934	2,833	7.1
Total	**96,612**	**94,162**	**2,450**	**2.6**
Net interest result	**285,468**	**262,395**	**23,073**	**8.8**

The net interest result improved by EUR 23.1 million to EUR 285.5 million. Within an unfavourable low-interest market environment, interest income was increased by growing business in areas that earn interest, while interest expense remained relatively stable thanks to favourable refinancing conditions.

Net commission result

Net commission expense in the financial year under review totalled EUR 55.1 million (2017/2018: EUR 46.6 million). Commission income rose to EUR 83.4 million (2017/2018: EUR 75.8 million). The increase in commission income mainly reflected the slightly higher level of commission earned on insurance brokerage services in connection with lending and leasing business. Commission expense amounted to EUR 138.5 million (2017/2018: EUR 122.4 million). The increase in commission expense was mainly due to higher bonus payments and commission expenses for contract dealerships. The main factors contributing to higher expenses were the higher level of credit and leasing business in Germany, leasing business growth in France and further expansion of the credit and leasing portfolio in Portugal.

General administrative expenses

General administrative expenses can be summarised as follows:

	31/03/2019 TEUR	31/03/2018 TEUR	Variance TEUR	Variance %
Personnel expenses	63,563	58,332	5,231	9.0
Other expenses	93,043	81,744	11,299	13.8
Total	**156,606**	**140,076**	**16,530**	**11.8**

General administrative expenses totalled EUR 156.6 million. The increase in personnel expenses primarily reflected a slight increase in the size of the workforce and the general trend in salary levels. The increase in other administrative expenses mainly reflects the higher level of investment in future-oriented business lines, such as digital online business and new mobility-related ideas. In addition, regulatory-related increases arose in conjunction with the implementation of various compliance projects as well as a further increase in the bank levy.

Other operating income and expenses

The net positive amount of other operating income and expenses was EUR 451.0 million (2017/2018: EUR 346.1 million), whereby the increase mainly related to higher leasing income on the back of volume growth.

Amortisation and depreciation

Amortisation and depreciation on intangible assets, property plant and equipment, and leasing assets increased to EUR 353.9 million (2017/2018: EUR 282.5 million), mainly reflecting the expanded volume of leasing assets in France and Norway.

Risk provisioning expense

Net income from reversals of write-downs and allowances on receivables and specific marketable securities, together with reversals of accruals and provisions relating to lending business amounted to EUR 9.6 million (2017/2018: net expenses EUR 29.3 million). The year-on-year turnaround from a net expense to net income was mainly attributable to the exceptional impact of changing the calculation methodology for risk provisioning. The non-recurring change resulted in reversals of risk provisions, particularly in Spain, France and Germany.

Tax expense

The tax expense for the financial year went up by EUR 10.9 million to EUR 57.2 million. The effective tax rate was 31.2%, compared to 41.4% one year earlier. The positive development of the tax rate resulted primarily from reversal effects for risk provisioning expenses reported in the previous year, which exceeded the tax-recognized values, combined with the option to not recognize deferred tax assets. In addition, effects resulted from the contributions of the individual countries and the related taxes.

Please refer to the note on segment information for a regional breakdown of the Group’s net income for the year.

b. Net assets and financial position

The balance sheet total (total assets/total equity and liabilities) of the Toyota Kreditbank Group increased over the course of the financial year 2018/2019 by EUR 2,184.3 million to EUR 12,093.3 million. Customer receivables and leasing assets increased overall compared to the end of the previous financial year.

Customer receivables remained the most significant item on the assets side of the balance sheet, accounting for 68.7% of total assets at the end of the reporting period. Leasing assets accounted for 17.2% of total assets.

Receivables from customers (before allowances) went up from EUR 7,859.7 million to EUR 8,494.2 million. The volume of receivables outside Germany increased over the twelve-month reporting period from EUR 5,557.9 million to EUR 5,987.8 million.

Leasing assets continued to develop positively overall, rising during the financial year 2018/2019 by EUR 515.8 million, of which the branches in France and Norway accounted for EUR 178.4 million and EUR 141.0 million respectively and the subsidiary in Poland for EUR 82.0 million. The increase reflected the fact that the higher volume of new business exceeded depreciation and disposals.

On the equity and liabilities side, the principal items are liabilities to customers and liabilities to banks.

Liabilities

	31/03/2019 TEUR	31/03/2018 TEUR	Variance TEUR	Variance %
— to banks	4,165,763	3,227,765	937,998	29.1
— to customers	4,884,274	3,854,915	1,029,359	26.7
— securitised liabilities	862,820	672,394	190,426	28.3
Total liabilities	**9,912,857**	**7,755,074**	**2,157,783**	**27.8**

Liabilities to banks increased over the twelve-month reporting period. The excellent refinancing conditions available to the main branch in Germany were also used in part to finance demand for lending outside Germany. Liabilities to customers went up by EUR 1,029.4 million to EUR 4,884.3 million, reflecting the fact that the main branch in Germany and all foreign branches – with the exception of Italy and the subsidiary in Poland – increased the volume of financing loans due to Toyota Motor Finance, Netherlands. Toyota Kreditbank GmbH and Toyota Leasing GmbH continue to participate in a groupwide commercial paper issue programme which places securitised liabilities on the market. The subsidiary in Russia has securitised liabilities relating to a bond issue.

The Toyota Kreditbank Group refinances its operations primarily via bank loans, commercial paper and borrowings from Toyota Motor Finance (based in the Netherlands), which in turn refinances itself primarily via the capital markets. Toyota Kreditbank GmbH’s asset-backed securities programme enables instruments issued by the European Central Bank (ECB) to be used for refinancing purposes. This source of funding continues to be used primarily as a liquidity reserve. Refinancing transactions in place with the ECB amounting to EUR 675.0 million have been offset against the credit line with the ECB. The unused facility with the ECB at the end of the reporting period amounted to EUR 151.7 million.

The parent company carried out one capital increase totalling EUR 37.4 million during the year under review. The proceeds from the capital increase were passed on to the Polish subsidiary in order to strengthen the equity base of that entity. Equity also increased due to the fact that net income for the year exceeded the dividend paid to the parent company. The Toyota Kreditbank Group’s equity for accounting purposes totalled EUR 1,088.0 million at the end of the reporting period (31 March 2018: EUR 960.5 million).

All entities included in the consolidated financial statements were solvent at all times during the year under review thanks to their balanced and well-planned access to liquid funds. Appropriate amounts of cash are deposited with the Deutsche Bundesbank in order to comply with applicable minimum reserve requirements and the Liquidity Coverage Ratio (LCR). In order to comply with the LCR requirements at a Group level, the Toyota Kreditbank Group also has access to the relevant portions of the Polish bonds held by the Polish subsidiary and balances held by the Russian subsidiary with the Central Bank of Russia.

With regard to the presentation of the sources of finance and derivative financial instruments, please refer to the notes to the consolidated financial statements.

Given the current economic environment and interest rate structure, management is satisfied with the business situation and performance of the Toyota Kreditbank Group. The financial condition of the bank as a whole remained stable at the date of issue of this report.

4. Key performance indicators

The key financial performance indicators used are based on groupwide requirements stipulated by the parent company, Toyota Financial Services in Japan. To a certain extent, the specific performance indicators are stipulated and managed on a decentralised basis for each country.

The following table sets out the key performance indicators of the Toyota Kreditbank Group:

Financial indicators

	New car penetration rate		Number of new and used car contracts		Operating income EUR million		ROMA		Operating cost ratio	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Germany	46.9%	45.4%	190,052	183,868	45.9	41.7	1.51%	1.51%	1.44%	1.68%
France	39.0%	36.8%	127,257	114,707	60.0	42.5	3.28%	2.78%	1.28%	1.38%
Spain	42.6%	44.6%	124,249	107,208	48.7	27.0	2.84%	1.96%	0.81%	0.89%
Norway	60.3%	53.0%	46,161	41,736	9.6	9.8	1.07%	1.18%	1.01%	1.14%
Sweden	48.5%	46.2%	62,331	57,777	10.0	8.0	1.39%	1.19%	1.32%	1.29%
Italy	n. a.	n. a.	n. a.	n. a.	0.0	0.5	n. a.	n. a.	1.04%	0.78%
Portugal	31.6%	13.4%	6,446	2,140	-3.1	-3.5	-3.86%	-16.25%	4.76%	16.39%
Poland	33.9%	30.7%	46,161	41,736	9.7	6.7	1.17%	1.08%	1.68%	1.79%
Russia	19.3%	22.9%	60,202	55,109	21.2	23.3	2.43%	2.75%	2.37%	2.59%
Total	**36.4%**	**36.1%**	**662,859**	**604,281**	**202.0**	**156.0**	**1.81%**	**1.63%**	**1.45%**	**1.60%**

General administrative expenses increased in line with expectations. Due to an increase in the credit and leasing portfolio and the resulting improved earnings situation, and despite investments in strategic business areas, the overall operating cost ratio improved slightly, in line with budget.

The forecast year-on-year increase in the number of contracts was achieved thanks to the improved penetration rate and a higher volume of business with pre-owned vehicles.

The combination of good products and strong demand for hybrid vehicles meant that the actual penetration rate and number of new retail contracts were better than predicted in all countries except Spain and Russia. In the previous year, a slight year-on-year increase in the penetration rate had been forecast. As expected, the profit from ordinary activities increased as a result of higher business volumes.

The Return on Managed Assets (ROMA) is calculated by dividing the profit from ordinary activities by the average amount of assets under management. The year-on-year increase was mainly attributable to higher profitability as a result of favourable refinancing conditions and an improved operating cost ratio.

D. Events after the end of the reporting period

Please see note 6.12 to the consolidated financial statements for information on significant events which have occurred after the end of reporting period and which have a significant impact on the Group's net assets, financial and earnings position.

E. Opportunities and Risks Report

The Toyota Kreditbank Group has applied a stable, strategic business model for years. Its success is attributable firstly to its conservative risk profile combined with effective risk management, and secondly, to its strategic business model of a manufacturer-tied financing company, offering financing for the vehicles of the Toyota Group within its operating territory.

Responsibility for the early recognition and control of business risks and opportunities lies with the Executive Management of the parent company.

The Toyota Kreditbank Group is exposed to various risks which are normal for the sector in which it operates, as reported on in the section on risk-bearing capacity.

At the same time, it is important for the Toyota Kreditbank Group to identify and exploit potential opportunities with a controlled management process with a view to safeguarding and developing its competitive position. An opportunity refers to the possibility of using events, current developments or actions to achieve or exceed planned targets.

Business performance is dependent to a large extent on the volume of group-brand car sales within the operating territory. The extent to which opportunities can be exploited is highly dependent on this situation.

Opportunities for further profitable growth are identified and included in the decision-making process as part of the overall strategic process as well as the medium- and long-term business planning process. Business opportunities are recorded in conjunction with strategic and medium-term forecasts and monitored during the year as part of the periodic reporting process.

A stronger economic upturn may boost business, thus, in turn, generating additional growth in group-brand sales volumes and therefore increased new business for the Toyota Kreditbank Group.

Further opportunities arise for the Toyota Kreditbank Group through the creation of additional products for end-user customers and by moving into growth segments in which customers' needs are focused on even more closely. This approach also helps to improve the penetration rate in the long-term.

In relation to credit business risks, an opportunity may also present itself if actual losses incurred within the bank's core business turn out to be lower than the previously calculated level of expected losses. On account of the general economic conditions, the bank has applied a conservative approach to risk provisioning in recent years.

1. Risk management

a. Risk management organisation

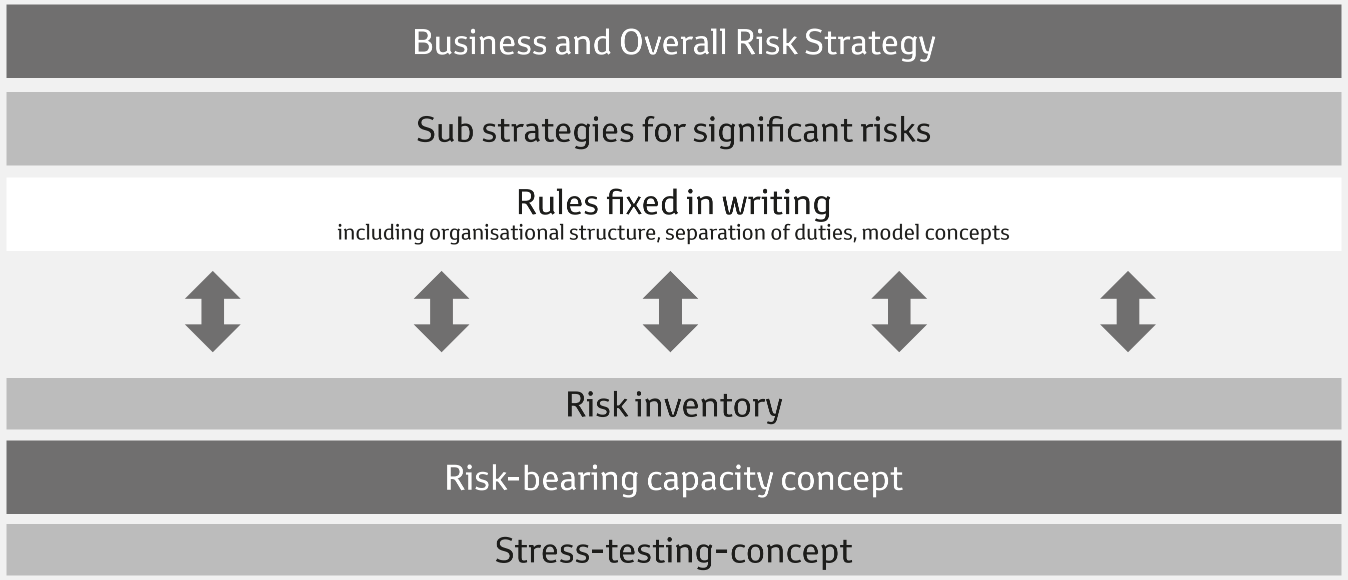
Decisions are taken by the Toyota Kreditbank Group (and its foreign branches and affiliates) on the basis of an ongoing assessment of the balance between realisable returns and risks to be incurred within the framework of the risk-bearing capacity.

The Executive Management of the parent company is responsible for the organisation of risk management throughout the Toyota Kreditbank Group, including its foreign branches and affiliates. A risk management organisation has been set up which forms the basis for risk and cost-oriented management of Toyota Kreditbank as a whole (overall bank management).

The Group Risk Controlling Committee and the Group Risk Controlling Function play key roles within the risk management organisation. Whereas the Group Risk Controlling Function is responsible for all operational aspects of risk controlling, the Group Risk Controlling Committee is responsible for monitoring and communicating the risk strategy set by the Executive Management. The Group Risk Controlling Function assesses the Toyota Kreditbank Group's specific and overall risk situation, specifically taking into account the limits established in conjunction with the assessment of its risk-bearing capacity and gives recommendations to the Group Risk Controlling Committee. The aim is to identify risks at the earliest possible stage and to stipulate a set of suitable risk mitigation measures.

Risk reporting is addressed directly to the Executive Management and to the members of the Group Risk Controlling Committee. Risk trends and the current situation are reported on at the quarterly meetings of the Group Risk Controlling Committee and, based on the results of those discussions, appropriate decisions are taken. The Toyota Kreditbank Group has also set up independent anti-money laundering and data protection officer functions.

Consideration of stress tests is a key component of the risk management to control the overall risk profile of the Toyota Kreditbank Group. Stress tests, along with the maintenance of a risk inventory and the assessment of risk-bearing capacity, are further components of risk management concept, helping the Toyota Kreditbank Group to manage its overall risk portfolio.



The task of risk control is carried out in decentralised management units. The actual monitoring of risks – identification, assessment and monitoring of risks and countermeasures, reporting and specification of methods – is also organised on a decentralised basis. In particular, the subsidiaries of the Toyota Kreditbank Group are required to meet local and groupwide requirements for risk management (e.g. in terms of risk-bearing capacity).

In order to allow a thorough assessment of the risk impact of new products (including the potential impact on the overall bank risk profile), all relevant organisational units are integrated into the new product development process.

Internal Audit reviews and assesses all activities of the Toyota Kreditbank Group. Audits are planned and conducted using a risk-based approach. The assessment of the risk situation, the proper processing of transactions and the effectiveness of the internal control system are important audit criteria.

Reports on the audits conducted during the financial year, together with audit findings, were submitted to the Executive Management.

b. Risk management process

The business strategy of the Toyota Kreditbank Group provides the framework for the risk strategy. One important aspect of this risk strategy is that risks will only be entered into after due regard of the level of economic and regulatory capital, while at the same time ensuring liquidity, and maintaining a prudent risk profile. The risk management system is therefore a key component of managing business performance.

The objective of the risk management system is to assume customary banking risks within a defined framework, including strict compliance with risk-bearing capacity requirements. The core elements of the risk management system are the risk strategy, the management of risk-bearing capacity and the internal control system. The internal control system consists of a set of defined rules and an organisational structure, including in particular the specific processes applied to manage and control risks.

Over the years, the risk management process has been refined, as a result of which the Toyota Kreditbank Group now has a full range of tried and tested tools at its disposal. In addition to organisational rules, such as competency guidelines and process/system documentation, methods have been continuously developed to identify, measure and manage risks and expanded to take account of other risk-relevant factors.

c. Risk strategy

The risk strategy – in conjunction with the risk-bearing capacity concept – provides the overall framework for risk management. The risk profile and underlying approach to risk-taking are determined after aking account of all risks identified in the various lines of business and in accordance with all relevant statutory and regulatory requirements.

The focus of the risk strategy lies in ensuring the long-term going concern status and an appropriate balance between return and risk. Consciously choosing to take risks – having given due consideration to economic and regulatory capital levels – is a component of the risk strategy and is derived from the overall banking strategy.

The Toyota Kreditbank Group, as a financial services provider whose primary function is to support the sale of cars, provides financing for Toyota dealerships and private customers. The resulting overall banking risk is therefore significantly lower than that of banks offering a full range of banking services. Under the Toyota Kreditbank Group's business model, concentration risks are assumed knowingly within reasonable limits. Within the retail portfolio, concentration risks are only of secondary importance in view of the overall customer structure. By contrast, concentration risks are higher in the business customer and dealership financing portfolio due to the relatively small number of customers.

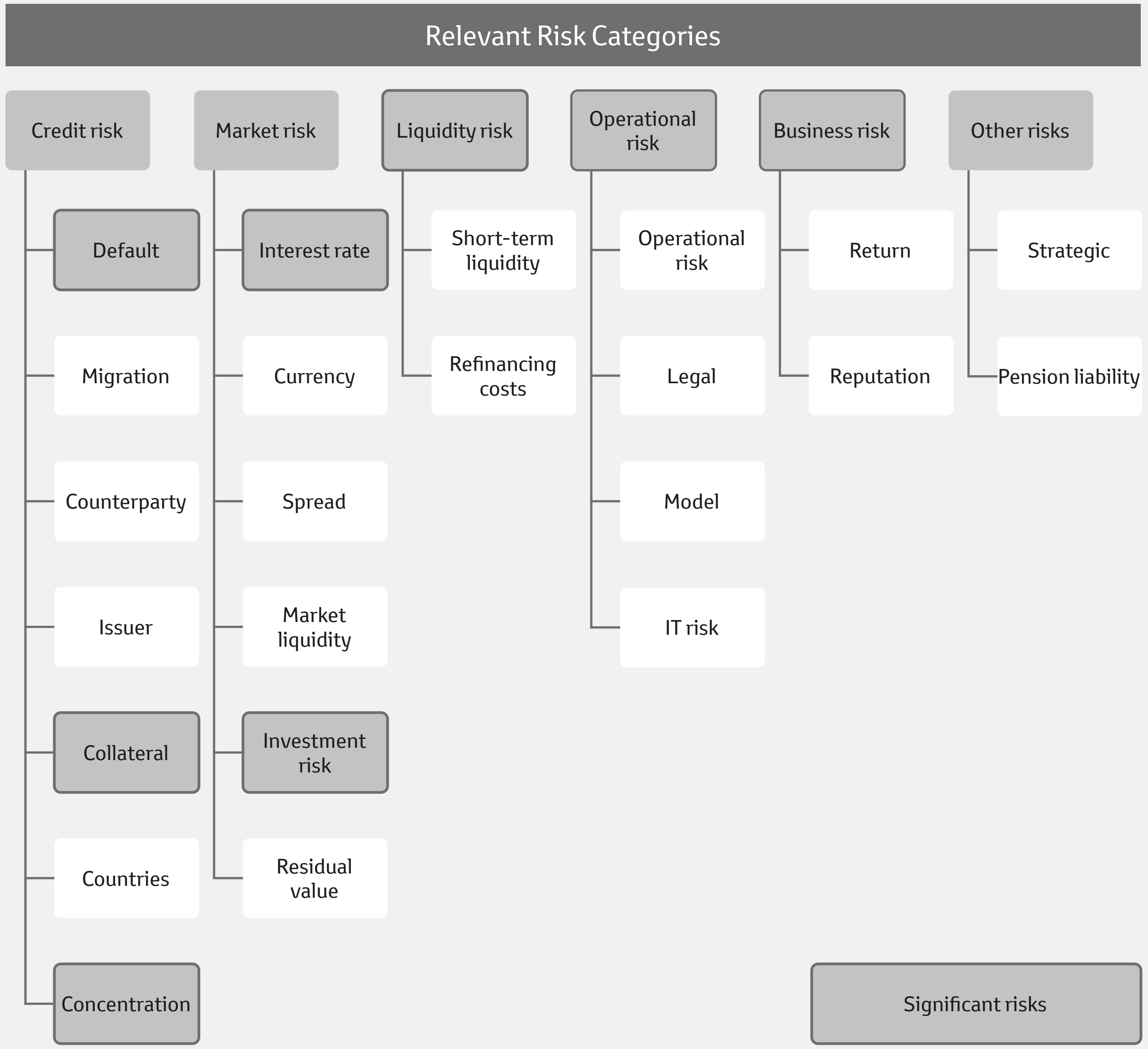
In line with the overall risk strategy, specific sub-strategies are defined for each main risk category, which, together with the risk inventory, the risk-bearing capacity concept, the stress testing concept and the organisational rules, form the basis for the Toyota Kreditbank Group's risk management system.

d. Relevant risk categories

As part of the process of drawing up the risk inventory, the next step – after identifying all risks – is to perform a quantitative and qualitative analysis of the various risk categories as the basis for determining materiality. The main risk categories result directly from banking operations and are of particular importance for the ongoing management of the Toyota Kreditbank Group.

The following risks were identified as material risk categories in conjunction with the annual risk inventory:

Compared to the previous year, the investment/share price risk has been renamed "investment risk". Due to the first-time inclusion of the equity capital of subsidiaries in the risk-bearing capacity as at 31 March 2019, the investment risk for Toyota Kreditbank GmbH (Bank) was classified as material as part of the annual inventory of risks performed at the beginning of the financial year 2019/2020.



e. Risk-bearing capacity concept
The Toyota Kreditbank Group has implemented a risk-bearing capacity concept for the regular assessment of the risk situation both at a total bank level and at a Group level. The risk-bearing capacity specifies the extent to which the risks assumed can be covered by the defined risk coverage amounts. The following modifications were made during the financial year 2018/2019.

The Toyota Kreditbank Group increased its planned minimum capital ratio to 12.5% for Pillar I purposes. In addition, risk management models were continuously improved. During the financial year 2018/2019 for instance, a new credit portfolio model – based on a default-only Merton model with country factors – was adopted to take account of the relationship between the various countries involved, thereby resulting in improved risk management for the Toyota Kreditbank Group. The methodology used to determine risk-bearing capacity was further developed during the financial year 2018/2019 in the areas described below. The new methodology went live at the beginning of the financial year 2019/2020.

The defined scope of the institution (bank) has been changed. All relevant values are now calculated excluding Toyota Leasing GmbH and based on total equity (previously the equity capital of the foreign subsidiaries in Poland and Russia was not taken into account). This change in defined scope necessitates the inclusion of investment risk (i.e. risks arising from shareholdings in subsidiaries) in the risk-bearing capacity calculation. The ability to take account of different scenarios for risk-bearing capacity and capital planning purposes has been increased.

Determining risk-bearing capacity sets the framework for risk management and control within the Toyota Kreditbank Group. Measuring and ensuring the appropriateness of the capacity to bear risks is therefore a fundamental aspect of overall bank management.

Under the current concept, both a balance-sheet-based going concern approach and a liquidation approach at a bank and Group level are considered to assess the risk-bearing capacity.

The going concern approach assumes that operations will be continued, whereas the liquidation approach focuses more on the protection of creditors. The Toyota Kreditbank Group considers both approaches. The Executive Management has concluded that the going concern approach is relevant for managing the business, supplemented where appropriate by the liquidation approach.

The risk coverage potential totalling EUR 342.7 million at Group level comprises subscribed capital, capital surplus, retained earnings and current year earnings. Under the going concern approach, the part of the regulatory capital which is necessary as a minimum to comply with the minimum capital requirements pursuant to the Capital Requirement Regulation (CRR) is not taken into account for risk coverage purposes. Furthermore, under the going concern approach, a budgeted profit is also taken into consideration. In order to comply with MaRisk requirements and take into account only a prudently budgeted profit, the amount of business risk is deducted from the risk coverage potential as a corrective factor. At the end of the reporting period (31 March 2019), the investment risk is also taken into account from the bank's perspective as an adjustment to the equity capital of subsidiaries.

Risk Bearing Capacity	31/03/2019 Limit EUR million	31/03/2019 Amount Utilised EUR million	31/03/2019 Amount Utilised %	31/03/2018 Limit EUR million	31/03/2018 Amount Utilised EUR million	31/03/2018 Amount Utilised %
Required capital in economic terms	308.4	182.8	59.3	343.5	239.9	69.8
— thereof for customer credit risk	133.2	92.8	69.7	172.7	133.2	77.1
— thereof for interest rate risk	58.9	27.0	45.8	60.8	38.6	63.5
— thereof for liquidity risk	13.1	6.1	46.6	13.0	4.6	35.4
— thereof for operational risks	20.0	11.0	55.0	25.0	14.8	59.2
— thereof cushion for market fluctuations	83.2	45.9	55.2	72.0	48.8	67.8
Risk coverage potential utilisation	**90.0%**		53.3	**90.0%**		62.9
Maximum risk appetite	**90.0%**			**90.0%**		

In both the going concern and liquidation approaches, only part of the risk coverage potential counts towards the risk coverage amount. The respective risk coverage amount allocated, the risk appetite, the overall limit and the limit allocation among the different risk categories are stipulated each year by the Executive Management and are based on the business strategy and the associated willingness to assume risk.

Part of the risk coverage potential available was not allocated to offset potential losses from the significant risk categories, thus taking account of the risks not limited in the risk-bearing capacity concept.

In order to ensure the Group's risk-bearing capacity, risks (quantified by appropriate instruments) and stipulated limits are compared for each risk category.

In addition, stress scenarios are also tested, based on scenario and sensitivity analyses which take into account institution-specific and general market factors for all material risk categories, thus ensuring an overall consideration of the situation across all risk categories shown in table 21. The normal case for considering risk-bearing capacity takes account of the current economic environment. The historical recession used simulates the stress that a severe economic downturn would trigger for all major risk categories. The ability to take account of different scenarios was improved at the balance sheet date and, based on the bank's own experience in credit risk, it was decided to test a scenario similar to the European recession in 2012/2013, given that, in terms of credit risk, this scenario had impacted Toyota Kreditbank GmbH more severely than the Lehman crisis.

Risk category correlation effects are not taken into account to measure the amount of limit utilised. Likewise, the Toyota Kreditbank Group does not consider any correlation effects between the various risk categories. Within risk categories, correlation effects are only taken into account in the credit portfolio model and in the investment risk. In view of the nature and scale of business transactions, the Toyota Kreditbank Group assumes a correlation coefficient of one within the material risk categories. As a result, potential capital-saving diversification effects are not taken into account, thus reflecting the enterprise's prudent approach to risk assessment.

The Toyota Kreditbank Group's ability to bear risk (i.e. its risk-bearing capacity) was ensured at all times during the financial year 2018/2019.

f. Capital planning
In addition to the risk-bearing capacity concept, the Toyota Kreditbank Group also has a process for planning the funding of future capital requirements, in order to ensure that sufficient capital will also be available to cover future risks.

In conjunction with the changes made in relation to risk-bearing capacity and stress tests at the end of the reporting period, capital planning procedures were also changed:

In the base case scenario, future strategies and changes in the economic environment are taken into account. Appropriate consideration is given in three additional scenarios to potential adverse developments that differ from actual expectations, namely:

— declining new sales of Toyota brand vehicles
— increasing competition and hence lower net margins
— declining new sales of Toyota brand vehicles with support measures

With effect from 31 March 2019, these three scenarios will be replaced by the following two scenarios:

— declining new sales of Toyota brand vehicles with support measures
— a gradual (medium-term) slide into recession for Europe

The reasons for and the pattern of the various scenarios are determined anew each year, depending on recent developments and expectations for the future.

2. Risk categories
A risk is defined as the danger of incurring a loss or damage by an outcome that is less favourable than originally expected. The following risks were identified as significant risks in conjunction with the annual risk inventory:

a. Credit risk
Credit risk is defined as the risk of a possible loss arising from deterioration in the creditworthiness rating or payment default of a counterparty. Within credit risk, the following distinctions can be made depending on the underlying transaction:

Default risk is defined as the traditional credit business risk – i.e. the core business of the Toyota Kreditbank Group. Default risk refers here to the possible loss arising from deterioration in creditworthiness rating or payment default of a borrower.

Issuer risk is defined as the default risk in the case of a securities transaction.

Counterparty risk is defined as the risk of default by the contracting party in the case of a derivative instrument or treasury transactions entered into with other banks.

Collateral risk refers to the risk that the value of an item of collateral may not be appropriate and hence does not provide sufficient protection.

Credit concentration risk is defined as the risk of realisation of multiple default risks, issuer risks or trading counterparty risks resulting from concentration of the portfolio on a few individual contracting parties, groups of contracting parties or concentrations on individual market sectors.

The Toyota Kreditbank Group's core business consists of dealer financing and vehicle financing for end-user customers in the retail and corporate lines of business. Default and credit concentration risk (dealership financing and corporate end-user customer exposures) are therefore the principal sources of credit risk. The principal focus of credit risk management is therefore placed on the assessment and control of these risks. Counterparty risks arise on account of the hedging of market price risks. Since the securities portfolio is currently very small, issuer risk only plays a minor role at present.

Organisation of credit risk management

The Executive Management is responsible for effective, sound management of credit risks. Furthermore, the Executive Management and Group Risk Controlling Function have joint responsibility for introducing appropriate tools to measure credit risk.

Toyota Kreditbank GmbH's Risk Management Department is responsible for implementing and applying these measurement tools as well as for other operational credit risk control measures. Risk monitoring is the key component here. As an independent function within the risk management system, risk monitoring concentrates on the identification, analysis, measurement, control and monitoring of the default and credit concentration risks throughout the Toyota Kreditbank Group as a whole. The Treasury Department is responsible for monitoring issuer and trading counterparty risks.

Credit risk strategy

The Toyota Kreditbank Group considers credit risk to be a key component of its operations. As such, credit risks are entered into in full knowledge of the facts and are subject to proactive control, measurement and monitoring. This is particularly true in the case of default and credit concentration risks. Generally, the materiality of default risks is assessed in conjunction with the annual risk inventory. The credit risk strategy conforms to the guidelines set out in the bank's business and general risk strategy, thus reflecting the prudent approach adopted by the bank.

As a general rule, default risks are only entered into in accordance with the general risk strategy. Credit decisions and exposure amounts are always determined on the basis of creditworthiness. This involves an analysis of the borrower's ability to service debts currently and in the future.

The Toyota Kreditbank Group recognises appropriate levels of risk provision to take account of losses from credit business.

Elements of credit risk management

The Toyota Kreditbank Group uses a range of instruments to manage credit risk, as described in detail below.

Instruments used to manage credit risk			
Strategic components	Credit risk measurement	Operational components	Monitoring and communication
- allocation of risk coverage amount	Internal procedures for assessing creditworthiness - exposure at default - probability of default - loss ratio - expected loss - unexpected loss - stress tests	- credit decision processes - limits - collaterals and guarantees - intensive management - risk provisioning	- management reporting - risk monitoring

In addition, risk indicators for the individual credit portfolios are monitored throughout the Toyota Kreditbank Group for controlling purposes.

Risk coverage amount

The Executive Management of the parent company and Group Risk Controlling Function jointly assign the risk coverage amount available for credit risks. The risk coverage amount is determined at group and institution level as well as for each subsidiary and branch individually. The risk coverage amount is assigned as part of the general capital planning process in line with the general risk appetite.

Credit risk measurement

Internal creditworthiness assessment procedures and stress tests are applied to measure and assess credit risks. The Toyota Kreditbank Group has opted to use the Advanced Internal Ratings Based Approach (A-IRBA) for the purposes of measuring and assessing credit risks. An application to apply the A-IRBA approach was submitted as of 31 March 2008. In order to be able to use the A-IRBA approach on a permanent basis, the regulator requires at least 92% of the portfolio to be measured through appropriately certified internal rating procedures. The remaining 8% may continue to be measured using the Credit Risk Standardised Approach (CRSA). In order to achieve this coverage rate, the Toyota Kreditbank Group has successively switched over the various sub-portfolios to the A-IRBA approach by developing rating procedures specific to each of them. These sub-portfolios are defined for each country as follows:

- Small-sized customers (end-user customer vehicle financing): end-user customers with an exposure of less than TEUR 250. In the small-sized customer segment, a further distinction is drawn between retail (private individuals and sole traders) and corporate customers.
- Major customers (end-user customer vehicle financing): end-user customers with an exposure or limit of more than TEUR 250.
- Dealerships: dealership financing.

Other lending transactions which do not relate to the bank's core business are combined across countries in the “Other lending transactions” sub-portfolio. Treasury transactions are also shown separately.

Measurement approach by country

Country	Type of business	Customer Group	Measurement approach	Permitted since
Germany	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	04/2008
		Major customers	A-IRBA	04/2008
	Dealership financing	**Dealerships**	**A-IRBA**	**04/2008**
France	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	02/2011
		Small-sized customers (businesses)	A-IRBA	10/2014
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**06/2012**
Spain	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	02/2011
		Small-sized customers (businesses)	A-IRBA	07/2013
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	-
Norway	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	10/2010
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**CRSA**	-
Sweden	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	09/2009
		Small-sized customers (businesses)	A-IRBA	09/2009
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**CRSA**	-
Italy	**Dealership financing**	**Dealerships**	**A-IRBA**	**07/2013**
Portugal	End-user customers (vehicle financing)	Small-sized and major customers	CRSA	-
Poland	End-user customers (vehicle financing)	Small-sized customers (retail and leasing)	A-IRBA	04/2015
		Small-sized customers (retail PK-/Ekfm loan)	A-IRBA	04/2015
		Small-sized customers (retail business loan)	CRSA	-
		Major customers	CRSA	-
	End-user customers (others)	Small-sized and major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**04/2015**
Russia	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	12/2013
	End-user customers (others)	Major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**12/2013**
Over-arching	Other lending transactions	Various	CRSA	-
	Treasury	Bank	CRSA	-

Rating procedures are developed methodologically throughout the Toyota Kreditbank Group. The procedures used are based mainly on statistical models. Rating procedures are calibrated individually for each sub-portfolio. Responsibility for the development, quality and monitoring of the use of rating procedures for risk management purposes lies with the Risk Monitoring Department.

The values calculated using the various rating procedures serve as the basis for the credit portfolio model which is incorporated in the bank's internal controlling system and made available to the Group Risk Controlling Function in order to measure the risk-bearing capacity. Risk premiums and credit risk costs are calculated in conjunction with the Controlling Department on the basis of past empirical values on the one hand and planned changes in the credit portfolio on the other.

The accuracy of the statistical models is checked monthly by back-testing against actual amounts realised. Anomalies identified during this process are examined further in detailed analyses. Furthermore, the models are validated each year in accordance with a pre-defined procedure. Where necessary, the rating procedures are recalibrated with the approval of the Executive Management.

The main technical terms relevant for the A-IRBA-certified rating procedure are explained below.

The definition of **loss** is based on the Capital Requirement Regulation (CRR). This defines loss as "economic loss, including material discount effects, and direct and indirect costs associated with the recovery of outstanding balances for the transaction".

With respect to the Toyota Kreditbank Group's core business, the loss therefore corresponds to receivables outstanding after all recovery efforts. This includes discounting effects and costs arising in conjunction with recovery efforts.

Exposure at default (EAD) is defined as the expected amount of the credit exposure at the time of default.

A uniform definition of **default**, complying with the CRR, is applied at Group level. According to this definition, an exposure is considered to be in default when either or both of the following events have occurred:

— The Toyota Kreditbank Group considers it to be very unlikely that the borrower will repay its debt without further action by the institution.

— The borrower has been in arrears for more than 90 days in succession with respect to a material proportion of its total debt.

An exposure which is not in default is referred to as an active exposure.

The **probability of default** expresses the probability of at least one default by a borrower over a one-year period. The probability of default of a borrower is determined in conjunction with the relevant internal rating procedure.

For this purpose, each exposure is first assigned to a creditworthiness class, based on the rating procedure allowed for the relevant sub-portfolio. The creditworthiness classes are defined uniformly across the various sub-portfolios on the basis of a so-called "master scale" that is valid throughout the Group.

The master scale comprises eleven classes for active exposures and three classes for exposures at default. For exposures at default, the three classes reflect the various stages in the default process. For the eleven creditworthiness classes for active exposures, the master scale indicates a minimum and a maximum probability of default. As part of the process of calibrating the models specific to the various sub-portfolios, the creditworthiness classes are each assigned a final default probability, specific to each sub-portfolio. This is based on the maximum and minimum default probabilities specified by the master scale. The default probability of an exposure results from the application of this final default probability by reference to the creditworthiness class and the sub-portfolio.

The **loss given default** (LGD) refers to the expected percentage of the exposure at default which will be lost in the event of default. As in the case of the default probability, the LGD of an exposure is determined using a statistical model. For the purposes of calibrating the statistical models used, particular consideration is given to proceeds historically realised.

The **expected loss** (EL) refers to the loss from credit risks which, at the relevant reporting date, is expected to be incurred within one year. This is a statistical average value which is calculated considering the default probability, the LGD and the EAD.

The **unexpected loss** (UL) refers to potential losses which exceed the expected loss. "Potential" for these purposes means that, based on a going concern approach, there is a 99% probability that actual losses incurred within one year will not exceed the UL, calculated on the basis of the regulatory requirements applicable to A-IRBA procedures with the aid of the credit portfolio model. More specifically, the calculation is based on the default probabilities and loss given defaults determined using the applicable rating procedure. Concentration risks that are taken into account on an overall basis within the credit portfolio model are addressed by considering portfolio granularity. Model-based default probabilities and loss given defaults are not available for portfolio components rated using the credit risk standardised approach (CRSA) and are therefore replaced by expert estimates. Counterparty risk is integrated into the credit portfolio model's calculation and is therefore also taken account of in the risk-bearing capacity.

Stress tests are carried out at least monthly. These serve on the one hand to check the capital adequacy calculated and on the other to identify events and market changes which could have an adverse impact on the Toyota Kreditbank Group so that countermeasures can be taken at an early stage. Firstly, the sensitivity of the risk model with respect to various risk factors is measured on the basis of stress tests. Secondly, scenario analyses are carried out to examine the effects of economic stress events on the portfolio. For this purpose, both historical events and fictitious synthetic events are considered.

In addition to the above parameters, and rounding off the picture of the scale of credit risk at the Toyota Kreditbank Group, the following key risk indicators are monitored for the individual portfolios:

— the relative scale of allowances and write-downs
— 31dpd+ and 91dpd+
— the distribution of score and rating classes
— the relative size of items in default in the portfolio

Operational components
The **credit decision-making process** relies on both credit application procedures and rating models. In the case of retail business, this process is largely automated. In the case of dealership financing business, credit approvals have to be confirmed manually by credit committees. Local credit committees at head office and at the individual branches and subsidiaries of the Toyota Kreditbank Group consist in each case of front and back office representatives. A European Credit Committee (ECC) is in place at Group level.

Depending on the amount of the underlying credit application, the relevant credit committee is stipulated and makes its decision with respect to the credit application. In the event that the front office and back office representatives within a local credit committee reach a different decision, the credit application is transferred to the ECC and the decision is taken there.

Credit exposure limits have been introduced to limit default and credit concentration risks. The limits are determined on the basis of the customer's creditworthiness. Limits are allocated both to individual borrowers and groups of borrowers. Where appropriate, partial limits are also authorised for specific products. For exposures to major customers, the amount of the limit used is monitored on a daily basis in accordance with the Banking Act (Kreditwesengesetz).

By way of analogy, limits are also defined and monitored for hedging and securities transactions at the level of individual counterparties and issuers.

A standardised process is in place within the section for dealerships and major customers to handle the measurement of **guarantees and collaterals.** These serve to compensate for losses in the event of default by the counterparty. The Credit Manual defines the type of guarantees or collateral that can be accepted. The extent to which guarantees and collateral are acceptable varies from portfolio to portfolio on account of differing regulatory requirements. In the case of retail customer business, primary collateral is provided in the form of the vehicles that are being financed. The amount of collateral taken into account for vehicles is based on specified standards. In the dealership segment, other collateral may also be accepted on a case-by-case basis.

An early warning system, based on internal credit ratings, has been installed for dealership and major customer business. The early warning system has the function of identifying borrowers with impending financial difficulties. A borrower identified to be in this position receives special attention in the form of **intensive management** so that measures are taken to reduce the risk and prevent default. Furthermore, a watch list is maintained showing borrowers directly under threat of default.

Provision for credit risk is recognised in the form of **specific allowances and portfolio-based allowances**. A specific allowance is required to be recognised if it is likely that the customer will be unable to fulfil all interest and repayment obligations in the future. In the case of contracts for which no specific allowances are recognised, allowances are calculated at portfolio level with the aid of the IRBA parameters. For the foreign subsidiaries of the Toyota Kreditbank Group, the parameters derived from the rating systems used locally are used to determine allowances on a portfolio basis.

Monitoring and communication
Risk Monitoring draws up a monthly **management report** for distribution to the Executive Management and the Group Risk Controlling Function. In addition to general information on the risk situation of the Toyota Kreditbank Group, this contains in particular aggregated quantitative information derived from the A-IRBA procedure. These reports represent a key component of the risk and management control system.

The reliability of the information derived from the A-IRBA procedure is examined monthly by Risk Monitoring and, where necessary, communicated to the Group Risk Controlling Function and the Executive Management. Risk Monitoring also monitors the credit risk of the individual sub-portfolios by means of detailed reports. The reports are communicated on a quarterly basis to the Group Risk Controlling Function and the Executive Management.

The tables below present the Toyota Kreditbank Group's **credit portfolio**, broken down according to various risk classes.

Exposure at default (EAD)

Risk classes	31/03/2019 EUR million	31/03/2019 %	31/03/2018 EUR million	31/03/2018 %
Low risk (creditworthiness classes 1-7)	9,815.88	90.3	8,813.62	89.5
At watch (creditworthiness classes 8-9)	460.05	4.2	410.92	4.2
At risk (creditworthiness classes 10-11)	528.80	4.9	537.16	5.5
Default	66.42	0.6	88.82	0.9
Total	**10,871.15**	**100.0**	**9,850.52**	**100.0**

Unexpected Loss (UL)

Country	31/03/2019 EUR million	31/03/2019 %	31/03/2018 EUR million	31/03/2018 %
Germany	28.03	30.2	36.41	27.3
France	32.69	35.2	39.72	29.8
Spain	9.94	10.7	14.27	10.7
Norway	2.37	2.6	4.62	3.5
Sweden	1.46	1.6	1.91	1.4
Italy	-	-	4.06	3.0
Portugal	2.15	2.3	0.41	0.3
Poland	3.38	3.6	8.46	6.4
Russia	12.74	13.7	23.31	17.5
Total	**92.76**	**100.0**	**133.17**	**100.0**

b. Market price risk

Market price risks are defined as risks which may arise as a result of changes in rates of return, exchange rates and prices on the financial markets. This can give rise to a loss since these risks have an impact on the measurement of open interest rate, equity investment and currency exposures. The main risks for the Toyota Kreditbank Group are interest rate risk and, to a lesser extent, exchange rate risk.

Strategy

The Toyota Kreditbank Group has set out a general framework for the management of its assets and liabilities as part of its current Group risk strategy. This framework takes the concrete form of internal Group instructions and other guidelines/manuals.

Derivative instruments have been entered into to hedge interest and currency risks. Currently, only forward currency contracts are used to hedge currency exposures. In each case, the hedging instruments are matched by a liabilities-side hedged item with a corresponding opposite risk profile. Derivatives are not currently employed to manage interest rate risks. Instead, such risks are managed directly by entering into refinancing arrangements with matching maturities and interest rates.

The Toyota Kreditbank Group does not run a trading book and does not engage in any commercial transactions in the sense of aiming to make a short-term profit by exploiting market price fluctuations. All trading transactions serve to ensure efficient refinancing of the bank book from the point of view of risk and return.

Money market transactions and the issue of own instruments are executed primarily with a view to securing the Toyota Kreditbank Group's liquidity. Surplus liquidity may be invested with selected credit institutions.

Investment risk

Investment risk refers to the risk that the bank's equity capital could decrease as a result of a write-down in the carrying amount of a subsidiary/participation. Toyota Kreditbank GmbH currently has three strategic investments, namely Toyota Leasing GmbH as well as the subsidiaries in Poland and Russia, which are managed directly in a similar way to branch offices, i.e. using the same methods as described in this report for portfolio management, unless other local requirements apply.

Currency risk

It is not one of the Toyota Kreditbank Group's strategic objectives to take up foreign currency positions. For this reason, Treasury endeavours where possible to hedge foreign currency balances and/or future foreign currency cash flows arising from trading contracts by appropriate offsetting transactions. Foreign currency risks arising from strategic investments (e.g. endowment capital) in the branches and subsidiaries of the Toyota Kreditbank Group are subject to continuous monitoring.

Interest rate risk

The Toyota Kreditbank Group uses various approaches to control and monitor interest rate risk. Monitoring and control are based on a value-at-risk indicator and the square hedge ratio. Limits/ranges, within which the respective figures should fall, are set for both the value-at-risk indicator and the square hedge ratio. In addition, the potential impact of changes in interest rates on earnings (scenario analyses) is measured.

The square hedge ratio is determined by dividing the sum of all refinancing amounts across all maturity ranges by the sum of the assets to be refinanced across all maturity ranges (in each case up to the end of the currently valid fixed interest rate period).

The value-at-risk model is based on a historic simulation. The parameters used for the calculation are a confidence level of 99%, a holding period of 250 days and a mirrored interest rate history of 1,001 days.

Monitoring Indicators as of 31.03.2019

Country	Square Hedge Ratio %	Value-at-Risk EUR million	Sensitivity of bank book EUR million
Germany	88	-4.3	-10.0
France	77	-3.4	-11.4
Spain	88	-4.1	-13.4
Norway	75	-2.4	-4.5
Sweden	135	-1.5	4.6
Italy	n. a.	n. a.	n. a.
Portugal	78	-0.8	-1.2
Poland	78	-1.3	-2.8
Russia	80	-9.1	-9.0

Management of market risks

The direction, timing and scope of future market price changes are, by their very nature, unknown. The Toyota Kreditbank Group manages market risks by limiting the impact of market price changes on earnings and the risk coverage amount. Limits are monitored systematically using sensitivity and present value analyses.

Monitoring and communication

The Treasury Department's Middle Office (Asset and Liability Management) in Cologne draws up the relevant reports on a monthly and/or quarterly basis for the Toyota Kreditbank Group. The reporting system contains the necessary information to ensure that stipulated limits and requirements are monitored.

c. Liquidity risk
Liquidity risk is defined as the risk that it may not be possible to meet present and future payment obligations on time or in full (short-term liquidity) or that, in the event of a liquidity crisis, funds are obtainable for refinancing only at higher market rates (refinancing costs).

In line with its overall banking strategy, the Toyota Kreditbank Group's liquidity risk strategy is aimed at ensuring a stable, comfortable liquidity position, thus – in particular – preventing insolvency and limiting any losses arising from refinancing on the money and capital markets.

The TKG Group manages this risk with the aid of overnight and term deposits, repo transactions with the European Central Bank, the issue of commercial paper, securities lending transactions and promissory notes (Schuldscheindarlehen).

As part of the risk measurement process, the refinancing cost risk (higher liquidity cost) is determined by means of regular scenario analyses (LVaR). The value measured constitutes the additional refinancing costs for the coming twelve months in the event of an ad hoc increase in refinancing costs around a specified number of basis points. An indicator (DAF2) is calculated for the short-term liquidity risk, reflecting the number of days for which secure sources of liquidity (confirmed bank credit lines, the relevant portion of the Master Credit Facility, ECB repo transactions) are currently available in order to cover future payment obligations (including new business).

The short-term liquidity risk is not taken into consideration in the calculation of risk-bearing capacity, since the liquidity risk relates to payments and not to earnings. By contrast, the refinancing cost risk is included in the risk-bearing capacity calculation.

The risk relating to short-term refinancing is managed primarily via the LCR (Liquidity Coverage Ratio) and, over the full refinancing term, via the Balance Sheet Liquidity Ratio. An in-house Liquidity Contingency Plan is in place for crisis scenarios, describing the procedures required to be undertaken to enable coverage of liquidity requirements. Stress tests (e. g. a downgrade) are also performed.

d. Operational risk
Operational risks are defined as the danger of incurring losses as a result of the inappropriateness or failure of internal procedures, employees, the internal infrastructure, or as a result of external factors.

The Toyota Kreditbank Group's definition of operational risk also includes model risks arising from inappropriate models, legal risks arising from contractual agreements or the general legal framework as well as IT risks arising due to the inadequacy or failure of hardware and software relevant for the enterprise's infrastructure.

The principal objective in terms of the management of operational risks is to identify potential causes for losses in good time and to avoid operational interruptions (e.g. through serious damage to key equipment). For this reason, a comprehensive and integrated approach is applied to identifying, analysing and assessing the full range of the Group's operational risks.

Responsibility for the management and control of operational risks lies with the centralised Risk Management Department. OpRisk managers at branches and subsidiaries have the job of ensuring close cooperation between head office and local departments and are responsible for assessing operational risks and implementing operational risk management processes locally.

The remit of the centralised Risk Management Department includes the specification of methods to be used to identify, quantify and control operational risks as well as appropriate reporting to the OpRisk Committee, which, in turn, reports to the Executive Management and the Group Risk Controlling Function on the risk situation and measures taken.

As part of the annual scenario-based OpRisk inventory, operational risks are allocated to four levels of risk using a risk matrix, depending on frequency and loss potential. In the case of risks in the top two levels, risk mitigation strategies must be devised and the resulting measures implemented in order to reduce the risks to an acceptable level.

Risk capital requirements for the purpose of measuring risk-bearing capacity are calculated with the aid of a Monte Carlo simulation after aggregating the results of individual scenarios applied in conjunction with the OpRisk inventory. The OpRisk Committee notifies the Executive Management and the Group Risk Controlling Function if the groupwide limits are exceeded.

This combination of procedures ensures that the sum of all risks is always covered by the amount allocated to cover this particular risk category in accordance with the risk-bearing capacity concept, thus safeguarding the Group's going concern status.

In order to protect against legal risks, the Toyota Kreditbank Group requires the use of standardised framework agreements which have been checked in advance by the Legal Department. Legislation and court rulings that are relevant for the Toyota Kreditbank Group's business are monitored by the Compliance Function. Non-standard contractual provisions are examined by the Legal Department.

"Business Continuity Plan" and "Business Continuity Management" guidelines are in place for all locations in Germany and abroad, including communication plans, work instructions, system descriptions and rules of conduct. The effectiveness of the plan is tested regularly.

e. Business risk
Business risk is defined as the risk of unexpected decreases in earnings and negative variances from budget, which are not taken into account within other risk categories. Business risk can be caused by changes in customer behaviour or changes in economic conditions which do not have their origin in legislation. The Toyota Kreditbank Group plans income and expenses as part of its forecasting process. Forecasting, however, is always subject to a degree of uncertainty. For instance, fiercer competition or a poor reputation – either of the Toyota brand or of the Toyota Kreditbank Group – could have a negative impact on operating results.

In order to manage forecasting variances, the Toyota Kreditbank Group has created a scenario model based on key forecasting figures. This involves subjecting the key performance indicators "retail new vehicle sales", "average dealership financing", "retail penetration", "retail margin" and "dealership financing margin" to stress after gathering expert opinion and determining the negative impact on forecast earnings. Under the going concern approach, the forecast profit included in the risk coverage potential calculation is reduced by the business risk. Under the liquidation approach – in which forecast profit is not included in the risk coverage potential calculation – the business risk is deducted only if the scenario calculation gives rise to a forecast loss.

3. Summarised description of risk situation
At no stage during the financial year 2018/2019 did the total amount of risks entered into exceed the Toyota Kreditbank Group's risk coverage potential. The Toyota Kreditbank Group's ability to bear risk (i.e. its risk-bearing capacity) was therefore ensured during the financial year 2018/2019.

There are no indications of risks which could pose a threat to the going concern status or which could have a material adverse impact on the net assets, financial position or results of operations for the current year.

The Toyota Kreditbank Group's strategy of achieving a sustainable risk-conscious growth in business volumes is based on the intention to remain within the risk coverage potential. Based on current forecasts, risk-bearing capacity requirements will also be complied with in the financial year 2019/2020.

F. Outlook

As a financial services provider, the Toyota Kreditbank Group offers a range of financing products to Toyota dealerships and retail customers within a defined operating territory in order to support the sale of cars. In contrast to non-captive manufacturer-related banks, we are not only dependent on the economic development, but also – in part due to the business model – on the sales performance of our brands. Due to the dependence on the sales performance of Toyota and Lexus brand vehicles, it is not possible to assume directly that positive developments on the global automobile market will necessarily translate into good business prospects for the Toyota Kreditbank Group. However, the expansion of our pre-owned vehicle financing business has made us less dependent.

1. Future macroeconomic situation

Real GDP and consumer prices 2019 - 2021

	GDP[1] Change compared to previous year %			CPI[2] Change compared to previous year %		
Country	2019	2020	2021	2019	2020	2021
Euro zone	1.3	1.5	1.4	1.3	1.6	1.6
Germany	0.8	1.4	1.4	1.3	1.7	1.7
Poland	3.8	3.1	3.0	2.0	1.9	2.3
Russia	1.6	1.7	1.7	5.0	4.5	3.9

[1] Real gross domestic product
[2] Consumer Price Index covering all products

Source: IMF, Focus Economics

Real GDP in the euro zone increased by 1.8% in 2018. The forecast for 2019 is an increase of 1.3%. Uncertainty caused by the ongoing Brexit process and trade conflicts will continue to have an adverse impact on growth, particularly in the area of investments. Nevertheless, positive factors such as the strong labour market, a moderate rate of inflation (below 2%) and the ECB's supportive monetary policies are likely – after a weak second half-year in 2018 – to help the economy to stabilise at a low level over the course of 2019.

The interest rate turnaround announced by the ECB for 2019 was postponed due to signs of fatigue in the European economy. In addition to the decision of the ECB's Governing Council to leave key interest rates unchanged until the end of the year, new long-term tenders are to be launched in 2019 to support the supply of liquidity with a view to bolstering the economy.

In light of the ECB's decision not to implement an interest rate turnaround, Toyota Kreditbank does not now expect interest rates to rise before mid-2020. As a result, bank lending volumes and competition in the business fields in which Toyota Kreditbank operates are likely to increase.

Even though the IMF is currently predicting a slight slowdown in global economic growth for the calendar year 2019, the Automobile Industry Association (VDA) is currently forecasting a slight increase in global demand for passenger vehicles. The VDA forecasts that worldwide sales of passenger vehicle will grow by 1.0% to 85.9 million units. After a strong performance in 2018, the Russian automobile market is expected to continue to make good progress in 2019, albeit on a somewhat more moderate scale. A steady to positive trend is predicted for the passenger car market in Europe in 2019.

In light of the upcoming launch of numerous innovative Toyota and Lexus brand models, we are confident that the number of registrations will increase in the various individual markets in the medium-term. As the transition to all-electric mobility progresses, we stand to benefit from the fact that we started to focus on forward-looking drivetrain systems such as hybrid and fuel cell technology – rather than on diesel engines – at an early stage. We have therefore already amassed a great deal of experience in the volume production of key components for electric drivetrains, an advantage that is now paying off in the development of electric cars.

2. Review of operations of the Toyota Kreditbank Group

The following outlook is based on forecasts drawn up at the end of 2018 for the individual markets included in the Toyota Kreditbank Group's operating territory. The forecast period covers the current financial year 2019/2020. The forward-looking assertions contained therein are based partly on general expectations of future macroeconomic developments, with a primary focus on the automobile sector.

We expect to achieve slightly higher levels of lending by focusing on retail customers and offering a comprehensive range of services to dealerships. In comparison to the previous financial year, plans are in hand to expand the leasing portfolio in Germany by the addition of new products tailored to commercial customers' requirements and by focusing once again on retail customers, in both cases contributing to the continued growth of leasing business in Germany. Plans are also underway to operate parts of the full-service leasing and rental business in Spain and France via a newly founded fellow group company going forward.

In addition to a slight increase in new vehicle sales and a stable penetration rate, we also forecast that the number of new contracts with retail customers in the financial year 2019/2020 will be at a similar level to the previous year. Combined with an expansion in the volume of pre-owned car financing, the number of new contracts with retail customers is expected to grow.

Toyota Kreditbank invests continuously in the development of its business processes. At the same time, it is also important to establish new business solutions. Developing digital sales channels and offering innovative mobility solutions are particularly being focused on in order to take account of changed consumer behaviour and customer needs. Operating in parallel to the traditional point-of-sale model, a further highly promising sales channel is being created in close collaboration with the Toyota and Lexus dealerships.

The Toyota Kreditbank Group will continue to focus on efficiency improvement, while at the same time increasing expenditure on mobility concepts and digital processes. Administrative expenses are expected to rise slightly in the financial year 2019/2020. The operating cost ratio is nevertheless expected to fall as the business expands.

In view of the slightly less favourable economic conditions, exacerbated by political uncertainty in a number of markets, the level of risk provisioning expense in the financial year 2019/2020 is expected to remain at a similar level to the previous financial year. Appropriate levels of risk provision have been recognised to take account of macroeconomic developments in the territory in which the bank operates.

In view of the current macroeconomic situation, we expect the market in Russia to remain stable in the short term, with the Toyota brand achieving a growing market share and an improved sales volume performance. The portfolio in Russia is expected to grow slightly thanks to an expected slight increase in the penetration rate on the one hand and to additional finance leasing business generated by the newly founded Toyota Leasing Russia on the other. Taking into account the current business model and level of competition on the Russian market, we continue to forecast medium-term growth. We therefore consider the value of our investment in AO Toyota Bank, Moscow, to be stable.

We also forecast continued strong growth at our Polish subsidiary as a result of the continued focus on fleet business.

Taking into account the one-time impact of the change in methodology for calculating risk provisions adopted in the financial year 2018/2019, we expect the result from ordinary activities (operating income) to improve slightly and therefore remain satisfactory. In view of the current economic environment and market interest rate trends, we continue to work on the basis that competition will remain intense. In this context, we therefore also anticipate a slight decline in profitability (ROMA ratio) for forecasting purposes.

A strong partnership with the dealership network, a coherent business concept built on efficient organisational lines, combined with good liquidity and a resilient refinancing structure, provide a sustainable basis to enable the bank to rise to future challenges. Innovative mobility concepts, financing and leasing packages combined with service and insurance products, as well as new digital sales and marketing instruments are set to play a key role in the future strategic direction of the business.

Cologne, 28 August 2019

Toyota Kreditbank Group

Executive Management (Geschäftsleitung)

Country by Country Reporting as of March 31, 2019

	Turnover EUR	Average number of employees	Profit/loss before tax EUR	Income taxes on profit/loss EUR	Received governmental aid EUR
Germany	78,980,290.64	250	34,533,278.90	-14,873,545.99	0.00
France	19,119,704.00	89	47,083,414.01	-12,454,363.57	0.00
Spain	48,575,561.91	56	46,369,551.58	-13,396,404.86	0.00
Norway	18,756,595.66	30	13,216,832.49	0.00	0.00
Sweden	8,370,259.81	40	10,603,986.80	-278,598.13	0.00
Italy	7,737,279.10	12	1,599,565.85	-550,503.58	0.00
Portugal	-1,703,447.45	12	-6,823,830.49	-72,768.77	0.00
Poland	18,321,897.89	127	6,451,460.58	-2,970,022.81	0.00
Russia	41,476,047.98	124	25,903,963.45	-4,776,552.46	0.00

	Type of activity	Place of business	Country
Toyota Kreditbank GmbH	Banking	Cologne	Germany
Toyota France Financement	Banking	Vaucresson	France
Toyota Kreditbank GmbH, Sucursal en Espana	Banking	Madrid	Spain
Toyota Kreditbank GmbH, Norsk Filial	Banking	Drammen	Norway
Toyota Kreditbank GmbH Tyskland, Sverige Filial	Banking	Sundbyberg	Sweden
Toyota Kreditbank Germany, Filiale Italiana	Banking	Rome	Italy
Toyota Kreditbank GmbH, Sucursal em Portugal	Banking	Porto	Portugal
Toyota Leasing GmbH	Financial services	Cologne	Germany
Toyota Bank Polska S.A.	Banking	Warsaw	Poland
Toyota Leasing Polska SP. z o.o.	Financial services	Warsaw	Poland
AO Toyota Bank	Banking	Moscow	Russia
LLC Toyota Leasing	Financial services	Moscow	Russia

Reproduction of the Independent Auditors' Report

To Toyota Kreditbank GmbH, Cologne, Germany

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions
We have audited the consolidated financial statements of Toyota Kreditbank GmbH and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 March 2019, and the consolidated statement of profit and loss, consolidated statement of changes in equity, consolidated segment information and consolidated statement of cash flows for the financial year from 1 April 2018 to 31 March 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Toyota Kreditbank GmbH for the financial year from 1 April 2018 to 31 March 2019. In accordance with German legal requirements we have not audited the content of the non-financial statement which is included in section B of the Group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2019 and of its financial performance for the financial year from 1 April 2018 to 31 March 2019 in compliance with German Legally Required Accounting Principles, and

- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content of the non-financial statement and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditors' report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 April 2018 to 31 March 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of receivables from customers
For information on the accounting policies and valuation methods applied by Toyota Kreditbank GmbH with regard to the measurement of receivables from customers, please see section 3 of notes to the financial statements. For further explanatory comments, we refer to section C 3 (Analysis of net assets, financial position and results of operations) of the management report. A more detailed qualitative and quantitative description of credit risk management can be found in the risk report in section E 2 a) (Credit risk) of the Group management report.

The financial statement risk
Toyota Kreditbank GmbH offers its customers various financing models for vehicles. As at 31 March 2019, Toyota Kreditbank GmbH reports receivables from customers (net of allowances) totaling EUR 8.3 billion. These receivables relate mainly to financing of vehicles sold to end-user customers (retail business) and from financing provided to Toyota and Lexus dealers (dealership financing business).

Risk allowances are determined on the basis of expected credit losses. This methodology takes into account various factors including default probabilities and loss rates, the estimated amount of a receivable at the time of default, defined stage transfer criteria to determine any significant change in the default risk of borrowers and assumptions regarding future cash flows, the determination of which involves considerable judgement and uncertainty.

There is a risk for the annual financial statements that the evaluation of creditworthiness of dealerships and retail customers and the derivation of risk provisioning parameters may be erroneous and that any necessary impairment allowances on receivables from customers may not be recognised in accordance with the principles of commercial law applicable to banks.

Our audit approach
Based on our risk assessment and the assessment of the inherent risk of error, we have performed both control-based and substantive audit procedures in order to reach our audit opinion. Accordingly, in addition to other procedures, we performed the following audit procedures with the support of KPMG credit risk sepcialists.

As a first step, we gained a comprehensive overview of the development of the credit portfolios in the bank's retail and dealership financing lines of business by making inquiries and reviewing internal bank documents and evaluations. We also gained an insight into the related counterparty default risks and business processes used to identify, control and monitor default risks as well as into the methods and models used to evaluate default risks. As part of our observation of business processes, we also gained an understanding of how data streams relevant for the assessment of counterparty default risks are processed. Based on this work, we examined the appropriateness and effectiveness of the internal control system, particularly with regard to the procedures for identifying and monitoring risks and for modelling and validating value-relevant assumptions and parameters.

In this connection, we also assessed the IT systems and internal processes relevant for determining allowances. In addition to testing the proper functioning of the systems concerned and the associated interfaces to ensure completeness of data, our IT specialists also performed tests on automated data processing controls.

A key component of our audit was the assessment of the appropriateness of risk classification procedures, stage transfers and risk provisioning parameters used, the latter derived on the basis of historical probabilities of default and loss rates, taking into account the expected impact of future developments. In particular, we analysed parameter validations carried out in this context.

In a second step, we also performed the following substantive audit procedures:

- We assessed the correct risk classification of loans and credits on the basis of a random sample.

- In order to assess default risk, we also made a conscious selection on the basis of individual cases to satisfy ourselves that the attributes used to allocate items to the respective risk classes actually existed.

- We reperformed the system-generated calculation of allowances on receivables from customers on a sample basis. We also considered the appropriateness of stage transfers.

- We performed our model- and parameter-based audit procedures with the involvement of our credit risk specialists.

Our observation
The risk provisioning methodology, the internal processes and the assumptions and risk parameters used in determining risk provisions for receivables from customers are suitable for identifying credit risks and determining allowances in accordance with the applicable accounting standards.

Other information
Management is responsible for the other information. The other information comprises:

- the non-financial statements and

- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditors' report.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Groups's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

— Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

— Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

— Perform audit procedures on the prospective information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the forward-looking information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the future-oriented information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

In the event of the publication or transmission of a version of the consolidated financial statements and/or the consolidated management report which diverges from the version on which we delivered our opinion, including translations into other languages, in so far as our audit opinion is quoted or our audit referred to, a fresh opinion must be obtained from us. In this respect, the reader is referred to Section 328 of the German Commercial Code.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the annual general meeting on 25 July 2018. We have been the Group auditor of the Toyota Kreditbank GmbH without interruption since the financial year 1998.

We declare that the opinions expressed in this auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Volker Bormann.

Düsseldorf, 30 September 2019
KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Bormann, Wirtschaftsprüfer (German Public Auditor)
Hunstock, Wirtschaftsprüfer (German Public Auditor)

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