

# **AO Toyota Bank**

Interim Condensed Consolidated Financial Statements  
for the six months ended 30 June 2019

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# Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

## To the Shareholders and Supervisory Board of AO Toyota Bank

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of AO Toyota Bank (the "Bank") and its subsidiary (the "Group") as at 30 June 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: AO Toyota Bank.

Registration No. in the Unified State Register of Legal Entities № 1077711000058.

Moscow, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.



### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information as at 30 June 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

### Other matter

The review of the information for the three-month period ended 30 June 2019 and comparative information for the three-month period ended 30 June 2018 was not performed.



Shevarenkov E.V.

JSC "KPMG"  
Moscow, Russia  
29 August 2019

**AO Toyota Bank**  
**Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Three and Six**  
**Months Ended 30 June 2019**  
*(in thousands of Russian Roubles)*

	Notes	For the six months ended 30 June <i>(unaudited)</i>		For the three months ended 30 June <i>(unaudited, unreviewed)</i>	
		2019	2018	2019	2018
Interest income calculated using the effective interest rate method	4	3 928 734	3 373 136	2 001 652	1 716 497
Interest expense	4	(2 226 870)	(1 948 746)	(1 136 031)	(973 904)
<b>Net interest income</b>		<b>1 701 864</b>	<b>1 424 390</b>	<b>865 621</b>	<b>742 593</b>
Fee and commission income		17 693	18 642	9 721	9 785
Fee and commission expense		(41 572)	(33 305)	(21 880)	(17 990)
<b>Net fee and commission expense</b>		<b>(23 879)</b>	<b>(14 663)</b>	<b>(12 159)</b>	<b>(8 205)</b>
Net foreign exchange income		1 304	477	982	60
Other operating income		123 173	126 770	49 579	62 319
<b>Operating income</b>		<b>1 802 462</b>	<b>1 536 974</b>	<b>904 023</b>	<b>796 767</b>
Charge for expected credit losses	5	(317 576)	(247 859)	(199 619)	(136 059)
Personnel expenses		(265 264)	(270 485)	(143 649)	(154 006)
Provision under buy-back program		-	(7 344)	-	(7 344)
Other general and administrative expenses		(561 569)	(404 299)	(262 150)	(202 056)
<b>Profit before income tax</b>		<b>658 053</b>	<b>606 987</b>	<b>298 605</b>	<b>297 302</b>
Income tax expense		(169 340)	(126 087)	(79 475)	(35 359)
<b>Profit and total comprehensive income for the period</b>		<b>488 713</b>	<b>480 900</b>	<b>219 130</b>	<b>261 943</b>

The interim condensed consolidated financial statements were approved by the Management Board on 28 August 2019.

Koloshenko A.V.  
President



Ryabinina S.I.  
Chief Accountant

The interim condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

**AO Toyota Bank**  
**Interim Condensed Consolidated Statement of Financial Position as at 30 June 2019**  
*(in thousands of Russian Roubles)*

	Notes	30 June 2019 (unaudited)	31 December 2018
<b>ASSETS</b>			
Cash and cash equivalents		3 056 891	3 466 743
Mandatory reserve deposit with the Bank of Russia		312 236	262 602
Loans to banks		1 001 627	2 501 041
Loans to customers	5	68 225 276	62 406 590
Property, equipment and intangible assets		345 390	256 257
Current tax asset		33 576	-
Deferred tax asset		913	-
Other assets		255 082	173 663
<b>Total assets</b>		<b>73 230 991</b>	<b>69 066 896</b>
<b>LIABILITIES</b>			
Loans from banks		34 650 615	31 557 608
Other borrowings and customers' accounts	6	15 940 016	18 584 946
Bonds issued	7	8 120 089	5 024 475
Subordinated borrowings	7	860 887	862 097
Deferred tax liability		205 126	104 521
Current tax liability		-	38 263
Other liabilities		411 675	341 116
<b>Total liabilities</b>		<b>60 188 408</b>	<b>56 513 026</b>
<b>EQUITY</b>			
Share capital		5 440 000	5 440 000
Additional paid-in capital		1 343 400	1 343 400
Retained earnings		6 259 183	5 770 470
<b>Total equity</b>		<b>13 042 583</b>	<b>12 553 870</b>
<b>Total liabilities and equity</b>		<b>73 230 991</b>	<b>69 066 896</b>

Koloshenko A.V.  
President



Ryabinina S.I.  
Chief Accountant

The interim condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

**AO Toyota Bank**

**Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2019**  
(in thousands of Russian Roubles)

	Notes	For the six months ended 30 June (unaudited)	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest receipts		3 963 197	3 325 175
Interest payments		(2 212 291)	(2 058 144)
Fee and commission receipts		17 793	18 124
Fee and commission payments		(41 572)	(33 305)
Net cash provided from / (used in) foreign exchange transactions		267	(134)
Other operating income receipts		121 477	128 688
Personnel expenses		(271 614)	(259 534)
Other general and administrative expenses		(520 248)	(346 294)
<b>(Increase) decrease in operating assets</b>			
Mandatory reserve deposit with the Bank of Russia		(49 634)	24 346
Loans to banks		1 500 000	2 391 240
Loans to customers		(6 176 066)	(5 495 560)
Other assets		(39 665)	(5 365)
<b>Increase (decrease) in operating liabilities</b>			
Loans from banks		3 134 240	7 045 691
Other borrowings and customers' accounts		(2 603 701)	(1 088 382)
Other liabilities		-	3 539
<b>Net cash (used in) / provided from operating activities before income tax paid</b>		<b>(3 177 817)</b>	<b>3 650 085</b>
Income tax paid		(147 518)	(123 216)
<b>Cash flows (used in) / provided from operating activities</b>		<b>(3 325 335)</b>	<b>3 526 869</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, equipment and intangible assets		(50 979)	(52 979)
Sales of property, equipment and intangible assets		9 085	9 557
<b>Cash flows used in investing activities</b>		<b>(41 894)</b>	<b>(43 422)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of subordinated borrowings	7	-	(550 000)
Proceeds from / (repayment of) bonds issued	7	3 000 000	(3 000 000)
Repayment of lease liability		(43 229)	-
<b>Cash flows provided from / (used in) financing activities</b>		<b>2 956 771</b>	<b>(3 550 000)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(410 458)</b>	<b>(66 553)</b>
Effect of changes in exchange rates on cash and cash equivalents		606	-
Cash and cash equivalents as at 1 January		3 466 743	1 202 696
<b>Cash and cash equivalents as at 30 June</b>		<b>3 056 891</b>	<b>1 136 143</b>

Koloshenko A.V.  
President



Ryabinina S.I.  
Chief Accountant

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

**AO Toyota Bank**

**Interim Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2019**  
(in thousands of Russian Roubles)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
<b>Balance as at 1 January 2018</b>	5 440 000	1 343 400	4 633 240	11 416 640
<b>Total comprehensive income</b>				
Profit for the period (unaudited)	-	-	480 900	480 900
<b>Balance as at 30 June 2018 (unaudited)</b>	5 440 000	1 343 400	5 114 140	11 897 540
<b>Balance as at 1 January 2019</b>	5 440 000	1 343 400	5 770 470	12 553 870
<b>Total comprehensive income</b>				
Profit for the period (unaudited)	-	-	488 713	488 713
<b>Balance as at 30 June 2019 (unaudited)</b>	5 440 000	1 343 400	6 259 183	13 042 583

Koloshenko A.V.  
President



Ryabinina S.I.  
Chief Accountant

The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

## 1. Background

These interim condensed consolidated financial statements include the interim condensed financial statements of AO Toyota Bank (the "Bank") and interim condensed financial statements of its subsidiary OOO Toyota Leasing (together referred to as the "Group").

The Bank was established on 3 April 2007 in the Russian Federation. The Bank has license № 3470 to carry out banking operations in rubles and foreign currencies and to attract deposits from individuals. Its principal activities are credit operations, customer account maintenance and interbank transactions. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the Bank of Russia). The majority of the Bank's assets and liabilities are located in the Russian Federation.

The Bank's registered address is floor 3, 29, Serebryanicheskaya nab., Moscow, 109028, Russian Federation.

The Group is part of Toyota Motor Corporation (Japan), one of Japan's largest diversified financial conglomerates. As at 30 June 2019 and 31 December 2018, the main shareholder of the Group is Toyota Kreditbank GmbH (Germany) with 99.94% share.

The Group's operating income is not subject to seasonal and cyclical industry fluctuations during the financial year. As at 30 June 2019 the Group's risk profile has not changed significantly compared to that as at 31 December 2018.

The subsidiary of the Bank – OOO Toyota Leasing was registered at 18 February 2019. The Bank's share in the subsidiary is 100%.

The financial statements of subsidiary are included in the interim condensed consolidated financial statements starting from interim condensed consolidated financial statements for three-month period ended 31 March 2019.

**Russian business environment.** The economic and financial markets of the Russian Federation display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. Current economic and politic situation increases local risks for banking operations in the Russian Federation. The Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

## 2. Basis of preparation

**Statement of compliance.** The accompanying interim condensed consolidated financial statements are prepared in accordance with the International Financial Reporting Standard (the IFRS) IAS 34 *Interim Financial Reporting*. They do not include all of the disclosures required in a complete set of the consolidated financial statements and should be read in conjunction with the Bank's financial statements for 2018, as these interim condensed consolidated financial statements provide an update of previously reported financial information.

**Basis of measurement.** The interim condensed consolidated financial statements are prepared on the historical cost basis.

**Functional and presentation currency.** The functional currency of the Bank and its subsidiary is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The RUB is also the presentation currency for the purposes of these interim condensed consolidated financial statements. All financial information presented in the interim condensed consolidated financial statements is rounded to the nearest RUB thousand.

**Use of estimates and judgements.** Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these interim condensed consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements, estimates and assumptions, that impact the application of the accounting policy and the key sources of estimating uncertainty, used in preparation of these interim condensed consolidated financial statements, are the same as those used in the preparation of the financial statements as at 31 December 2018, except for new judgements related to lessee accounting under IFRS 16, which are described in Note 3.

### **3. Significant accounting policies**

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the last annual financial statements, except for accounting policies related to consolidation of subsidiary and described below accounting policies related to adoption of IFRS 16 by the Group, effective from 1 January 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

#### **IFRS 16**

The Group has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### **Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### **As a lessee**

The Group is the lessee of the office located in: 109028, Russia, Moscow, Serebryanicheskaya naberezhnaya 29 (legal and postal address).

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, equipment and intangible assets”, the same line item as it presents underlying assets of the same nature that it owns. The carrying amount of right-of-use assets are RUB 169 916 thousand as at 1 January 2019 (unaudited), RUB 127 437 thousand as at 30 June 2019 (unaudited).

The Group presents lease liabilities in “other liabilities” in the interim condensed consolidated statement of financial position.

### **Significant accounting policies**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

### **Transition**

Previously, the Group classified property leases as operating leases under IAS 17.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### **Impacts on interim condensed consolidated financial statements**

#### **(i) Impacts on transition**

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. Right-of-use assets amounted to RUB 169 916 thousand (unaudited), lease liabilities amounted to RUB 147 481 thousand (unaudited).

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. Applied weighted average rate equals 7,72%.

	<b>As at 1 January 2019 (unaudited)</b>
Operating lease commitment at 31 December 2018	248 531
- Exclusion of non-lease components	(77 400)
Operating lease commitment at 1 January 2019	171 131
Effect of discounting using the incremental borrowing rate at 1 January 2019	(23 650)
Lease liabilities recognised at 1 January 2019	147 481

**(ii) Impacts for the period**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RUB 127 437 thousand of right-of-use assets (included in “property, equipment and intangible assets”) and RUB 125 083 thousand of lease liabilities (included in “other liabilities”) as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RUB 42 479 thousand of depreciation charges and RUB 1 074 thousand of interest expense from these leases.

**Notes**

These interim condensed consolidated financial statements do not include all notes mandatory for disclosure in the complete set of consolidated financial statements.

**Standards issued but not yet effective**

The Group has no updates to the information provided in the last annual financial statements about the standards issued but not yet effective and not early adopted by the Group, that may have significant impact on the Group’s interim condensed consolidated financial statements.

#### 4. Interest income and expense

	For six months ended 30 June <i>(unaudited)</i>		For three months ended 30 June <i>(unaudited, unreviewed)</i>	
	2019	2018	2019	2018
<b>Interest income calculated using the effective interest rate method</b>				
Loans to customers	3 810 662	3 270 792	1 966 632	1 675 498
Loans to banks	118 072	102 344	35 020	40 999
<b>Total interest income calculated using the effective interest rate method</b>	<b>3 928 734</b>	<b>3 373 136</b>	<b>2 001 652</b>	<b>1 716 497</b>
<b>Interest expense</b>				
Loans from banks	(1 244 723)	(1 005 516)	(646 201)	(546 879)
Other borrowings and customers' accounts	(632 905)	(629 377)	(299 573)	(306 196)
Bonds issued	(311 676)	(268 633)	(170 991)	(102 482)
Subordinated borrowings	(36 492)	(45 220)	(18 347)	(18 347)
Lease liabilities	(1 074)	-	(919)	-
<b>Total interest expense</b>	<b>(2 226 870)</b>	<b>(1 948 746)</b>	<b>(1 136 031)</b>	<b>(973 904)</b>
<b>Net interest income</b>	<b>1 701 864</b>	<b>1 424 390</b>	<b>865 621</b>	<b>742 593</b>

#### 5. Loans to customers

	30 June 2019 <i>(unaudited)</i>	31 December 2018
Retail auto loans	58 723 158	56 348 002
Loans to auto dealers	10 605 563	6 971 699
<b>Gross carrying amount of loans to customers</b>	<b>69 328 721</b>	<b>63 319 701</b>
Allowance for ECL	(1 103 445)	(913 111)
<b>Total loans to customers net of allowance for ECL</b>	<b>68 225 276</b>	<b>62 406 590</b>

Movements in allowance for ECL during the six months period ended 30 June 2019 (unaudited) and 30 June 2018 (unaudited), are analyzed below:

	Retail auto loans	Loans to auto dealers	Total
<b>Balance as at 1 January 2018</b>	<b>742 103</b>	<b>156 663</b>	<b>898 766</b>
Net charge of allowance during the period	200 591	47 268	247 859
Write-offs	(181 026)	(54 954)	(235 980)
<b>Balance as at 30 June 2018</b>	<b>761 668</b>	<b>148 977</b>	<b>910 645</b>

**AO Toyota Bank**

**Notes to the Interim Condensed Consolidated Financial Statements for the Six Months Ended 30 June 2019**  
(in thousands of Russian Roubles)

	6 months 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortised cost – retail customers</b>				
Balance as at 1 January 2019	141 508	373 530	276 440	791 478
Transfer to Stage 1	16 321	(16 321)	-	
Transfer to Stage 2	(9 014)	14 110	(5 096)	
Transfer to Stage 3	(400)	(42 312)	42 712	
Net remeasurement of loss allowance	(94 151)	134 368	145 700	185 917
New financial assets originated or purchased	99 081	-	-	99 081
Write-offs	-	-	(127 242)	(127 242)
<b>Balance as at 30 June 2019</b>	<b>153 345</b>	<b>463 375</b>	<b>332 514</b>	<b>949 234</b>

	6 months 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortised cost – auto dealers</b>				
Balance as at 1 January 2019	16 782	1 390	103 461	121 633
Transfer to Stage 1	221	(221)	-	
Transfer to Stage 2	-	-	-	
Transfer to Stage 3	-	-	-	
Net remeasurement of loss allowance	(17 067)	(407)	11 944	(5 530)
New financial assets originated or purchased	38 108	-	-	38 108
<b>Balance as at 30 June 2019</b>	<b>38 044</b>	<b>762</b>	<b>115 405</b>	<b>154 211</b>

## Credit quality of loans to customers

Information on credit quality of loans to customers as at 30 June 2019 is provided in the table below:

	Gross carrying amount of loans to customers	Allowance for ECL	Loans to customers net of allowance for ECL	Allowance for ECL to gross carrying amount, %
<b>Retail auto loans</b>				
<b>12-month ECL</b>				
Good quality	48 947 301	(88 662)	48 858 639	0,18
Average quality	5 803 696	(49 207)	5 754 489	0,85
Below average quality	452 810	(15 476)	437 334	3,42
	<b>55 203 807</b>	<b>(153 345)</b>	<b>55 050 462</b>	<b>0,28</b>
<b>Life-time ECL for non-credit impaired assets</b>				
Good quality	113 181	(1 455)	111 726	1,29
Average quality	295 550	(10 547)	285 003	3,57
Below average quality	2 632 056	(451 373)	2 180 683	17,15
	<b>3 040 787</b>	<b>(463 375)</b>	<b>2 577 412</b>	<b>15,24</b>
<b>Life-time ECL for credit impaired assets</b>				
Default	478 564	(332 514)	146 050	69,48
<b>Total retail auto loans</b>	<b>58 723 158</b>	<b>(949 234)</b>	<b>57 773 924</b>	<b>1,62</b>
<b>Loans to auto dealers</b>				
<b>12-month ECL</b>				
Good quality	7 704 190	(14 907)	7 689 283	0,19
Average quality	2 168 782	(13 397)	2 155 385	0,62
Below average quality	445 405	(9 740)	435 665	2,19
	<b>10 318 377</b>	<b>(38 044)</b>	<b>10 280 333</b>	<b>0,37</b>
<b>Life-time ECL for non-credit impaired assets</b>				
Average quality	147 957	(762)	147 195	0,52
<b>Life-time ECL for credit impaired assets</b>				
Default	139 229	(115 405)	23 824	82,89
<b>Total loans to auto dealers</b>	<b>10 605 563</b>	<b>(154 211)</b>	<b>10 451 352</b>	<b>1,45</b>
<b>Total loans to customers</b>	<b>69 328 721</b>	<b>(1 103 445)</b>	<b>68 225 276</b>	<b>1,59</b>

**AO Toyota Bank**

**Notes to the Interim Condensed Consolidated Financial Statements for the Six Months Ended 30 June 2019**  
(in thousands of Russian Roubles)

Information on credit quality of loans to customers as at 31 December 2018 is provided in the table below:

	Gross carrying amount of loans to customers	Allowance for ECL	Loans to customers net of allowance for ECL	Allowance for ECL to gross carrying amount, %
<b>Retail auto loans</b>				
<b>12-month ECL</b>				
Good quality	47 428 179	(85 826)	47 342 353	0,18
Average quality	5 587 382	(47 044)	5 540 338	0,84
Below average quality	297 255	(8 638)	288 617	2,91
	<b>53 312 816</b>	<b>(141 508)</b>	<b>53 171 308</b>	<b>0,27</b>
<b>Life-time ECL for non-credit impaired assets</b>				
Good quality	117 442	(1 534)	115 908	1,31
Average quality	328 166	(11 336)	316 830	3,45
Below average quality	2 173 107	(360 660)	1 812 447	16,60
	<b>2 618 715</b>	<b>(373 530)</b>	<b>2 245 185</b>	<b>14,26</b>
<b>Life-time ECL for credit impaired assets</b>				
Default	416 471	(276 440)	140 031	66,38
<b>Total retail auto loans</b>	<b>56 348 002</b>	<b>(791 478)</b>	<b>55 556 524</b>	<b>1,40</b>
<b>Loans issued to auto dealers</b>				
<b>12-month ECL</b>				
Good quality	5 907 004	(9 789)	5 897 215	0,17
Average quality	805 255	(6 993)	798 262	0,87
	<b>6 712 259</b>	<b>(16 782)</b>	<b>6 695 477</b>	<b>0,25</b>
<b>Life-time ECL for non-credit impaired assets</b>				
Below average quality	119 856	(1 390)	118 466	1,16
<b>Life-time ECL for credit impaired assets</b>				
Default	139 584	(103 461)	36 123	74,12
<b>Total loans to auto dealers</b>	<b>6 971 699</b>	<b>(121 633)</b>	<b>6 850 066</b>	<b>1,74</b>
<b>Total loans to customers</b>	<b>63 319 701</b>	<b>(913 111)</b>	<b>62 406 590</b>	<b>1,44</b>

The table below provides information on the overdue structure of loans to customers as at 30 June 2019:

	<u>Gross carrying amount of loans to customers</u>					Allowan- ce for ECL to gross carrying amount, %	
	<u>Good quality</u>	<u>Average quality</u>	<u>Below average quality</u>	<u>Default</u>	<u>Total</u>		
<b>Retail auto loans</b>							
- not overdue	48 969 676	5 913 580	1 820 137	5 552	56 708 945	(355 560)	0,63
- overdue less than 30 days	90 805	185 666	1 066 715	6 468	1 349 654	(209 551)	15,53
- overdue 30-59 days	-	-	150 179	9 586	159 765	(51 195)	32,04
- overdue 60-89 days	-	-	47 834	10 963	58 797	(21 676)	36,87
- overdue 90-179 days	-	-	-	130 068	130 068	(76 356)	58,70
- overdue more than 180 days	-	-	-	315 929	315 929	(234 896)	74,35
<b>Total retail auto loans</b>	<b>49 060 481</b>	<b>6 099 246</b>	<b>3 084 865</b>	<b>478 566</b>	<b>58 723 158</b>	<b>(949 234)</b>	<b>1,62</b>
<b>Loans to auto dealers</b>							
- not overdue	7 704 190	2 316 739	445 406	-	10 466 335	(38 806)	0,37
- overdue more than 180 days	-	-	-	139 228	139 228	(115 405)	82,89
<b>Total loans to auto dealers</b>	<b>7 704 190</b>	<b>2 316 739</b>	<b>445 406</b>	<b>139 228</b>	<b>10 605 563</b>	<b>(154 211)</b>	<b>1,45</b>
<b>Total loans to customers</b>	<b>56 764 671</b>	<b>8 415 985</b>	<b>3 530 271</b>	<b>617 794</b>	<b>69 328 721</b>	<b>(1 103 445)</b>	<b>1,59</b>

The table below provides information on the overdue structure of loans to customers as at 31 December 2018:

	<u>Gross carrying amount of loans to customers</u>					Allowan- ce for ECL to gross carrying amount, %	
	<u>Good quality</u>	<u>Average quality</u>	<u>Below average quality</u>	<u>Default</u>	<u>Total</u>		
<b>Retail auto loans</b>							
- not overdue	47 521 935	5 846 581	1 655 221	9 488	55 033 225	(338 056)	0,61
- overdue less than 30 days	23 686	68 967	659 785	2 008	754 446	(135 445)	17,95
- overdue 30-59 days	-	-	113 484	5 693	119 177	(37 440)	31,40
- overdue 60-89 days	-	-	41 872	9 123	50 995	(19 589)	38,41
- overdue 90-179 days	-	-	-	80 182	80 182	(46 341)	57,80
- overdue more than 180 days	-	-	-	309 977	309 977	(214 607)	69,20
<b>Total retail auto loans</b>	<b>47 545 621</b>	<b>5 915 548</b>	<b>2 470 362</b>	<b>416 471</b>	<b>56 348 002</b>	<b>(791 478)</b>	<b>1,40</b>
<b>Loans to auto dealers</b>							
- not overdue	5 907 004	805 255	119 856	-	6 832 115	(18 172)	0,27
- overdue more than 180 days	-	-	-	139 584	139 584	(103 461)	74,12
<b>Total loans to auto dealers</b>	<b>5 907 004</b>	<b>805 255</b>	<b>119 856</b>	<b>139 584</b>	<b>6 971 699</b>	<b>(121 633)</b>	<b>1,74</b>
<b>Total loans to customers</b>	<b>53 452 625</b>	<b>6 720 803</b>	<b>2 590 218</b>	<b>556 055</b>	<b>63 319 701</b>	<b>(913 111)</b>	<b>1,44</b>

## Analysis of collateral

### Retail auto loans

Auto loans are secured by the pledge of the underlying cars.

The Group assesses the fair value of collateral as at date of loan issue. The management believes that the fair value of collateral is at least equal to the carrying amount of individual loans as at the reporting date.

### Loans to auto dealers

The table below shows the analysis of loans to auto dealers net of allowance for ECL by collateral types as at 30 June 2019 and 31 December 2018:

	<u>30 June 2019 (unaudited)</u>	<u>Share in loans to auto dealers</u>	<u>31 December 2018</u>	<u>Share in loans to auto dealers</u>
Motor vehicles	10 451 352	100,00	6 850 066	100,00
	<b>10 451 352</b>	<b>100,00</b>	<b>6 850 066</b>	<b>100,00</b>

The amounts shown in the table above represent the carrying amount of the loans, and do not necessarily represent the fair value of the collateral.

For non-credit impaired loans to auto dealers the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral. The current value of the collateral does not impact the impairment assessment.

For credit impaired loans to auto dealers the fair value of collateral is not less than carrying amount of these loans.

As at 30 June 2019 and 31 December 2018 the Group does not have loans for which ECLs are not recognized in connection with the collateral.

### **Significant credit risk exposures**

Loans were issued primarily to retail customers and auto dealers operating in the Russian Federation.

As at 30 June 2019 and 31 December 2018, the Group has no borrowers or groups of related borrowers whose loan balances individually exceed 10% of total loans to customers.

## 6. Other borrowings and customers' accounts

	<b>30 June 2019</b> (unaudited)	<b>31 December</b> <b>2018</b>
Borrowings from Toyota Motor Finance (Netherlands) B. V.	14 573 396	17 064 625
Settlement accounts of auto dealers	564 410	377 119
Current accounts of individuals	802 210	1 143 202
	<b>15 940 016</b>	<b>18 584 946</b>

## 7. Bonds issued and subordinated borrowings

On 30 November 2017, the Group issued coupon documentary bearer bonds totaling RUB 5,000,000 thousand and maturing on 2 December 2020. An annual coupon rate for 1-6 coupon payments is 8.05%. The Fitch Ratings rated the issue as "A-", the ACRA (AO) – as "AAA (RU)".

On 19 February 2019 the Group issued coupon documentary bearer bonds totaling RUB 3,000,000 thousand and maturing on 21 February 2022. An annual coupon rate for 1-6 coupon payments is 8.75%. The Fitch Ratings rated the issue as "A-", the ACRA (AO) – as "AAA (RU)" (unaudited).

Subordinated borrowings are provided by Toyota Motor Finance (Netherlands) B.V., mature on 1 August 2019 and carry an annual interest rate of 8.66% as at 30 June 2019 (unaudited) and 31 December 2018. In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Group. During the six months ended 30 June 2019, the Group had no new subordinated borrowings or repaid borrowings (unaudited). In 2018 the Group had no new subordinated borrowings and repaid borrowings in the amount of RUB 550,000 thousand.

## 8. Contingencies

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans.

As at 30 June 2019, the contractual amount of unused credit lines is RUB 300,000 thousand (unaudited) (31 December 2018: RUB 300,000 thousand). The stated commitments do not represent the expected outflow, as these liabilities may be terminated without being fully or partially performed. As at 30 June 2019 and 31 December 2018 these commitments are referred to Stage 1.

## 9. Related party transactions

**Transactions with the parent companies.** The Group's parent company is Toyota Kreditbank GmbH (Germany). Non-controlling shareholder is Toyota Leasing GmbH (Germany). The party with ultimate control over the Group is Toyota Motor Corporation (Japan).

As at 30 June 2019 and 31 December 2018, there are no outstanding balances with the parent companies. Income and expenses from transactions with the parent companies for the six months ended 30 June 2019 include other general and administrative expenses in the amount of RUB 23 372 thousand (unaudited), for the six months ended 30 June 2018 - other general and administrative expenses in the amount of RUB 9 972 thousand (unaudited).

**Transactions with other related parties.** Other related parties comprise affiliates and subsidiaries of the parent company.

The outstanding balances and average effective interest rates on transactions with other related parties are as follows:

	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount	Average effective interest rates, %	Carrying amount	Average effective interest rates, %
Other borrowings and customers' accounts in RUB	14 797 673	7.85	17 064 625	8.29
Subordinated loans in RUB	860 887	8.66	862 097	8.66
Other assets:				
- in RUB	6 067	-	8 379	-
- in Euro	-	-	-	-
Other liabilities:				
- in RUB	28 962	-	2 142	-
- in USD	178	-	176	-

As at 30 June 2019 and 31 December 2018 Toyota Motor Finance (Netherlands) B.V. guarantees payments on bonds issued by Group under bonds issuance program with a nominal value of RUB 100 billion, end date – 2032 year (guarantee was received at 7 November 2017). Group pays commission for the guarantee to related party, which amounts to 0.17% of weighted average outstanding amount of bonds.

Income and expenses from transactions with other related parties is as follows (unaudited):

	For the six months ended 30 June	
	2019	2018
Interest expense	(669 397)	(674 597)
Fee and commission expense	-	(216)
Expenses on guarantee	(6 032)	(5 193)
Other general and administrative expenses	(31 733)	(16 245)

**Transactions with the members of the Supervisory and Management Boards.** The total amount of remuneration for the six months ended 30 June 2019 and 2018 included in the personnel expenses is presented as follows (unaudited):

	For the six months ended 30 June	
	2019	2018
Wages and salaries	20 281	23 200
Bonuses	4 325	3 556
Apartment rent	390	1 207
Others	5 200	4 694
	<b>30 196</b>	<b>32 657</b>

## 10. Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Fair value of financial assets is determined using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset, or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

As at 30 June 2019 и 31 December 2018, the carrying amounts and fair values of financial assets and liabilities are as follows:

	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	3 056 891	3 056 891	3 466 743	3 466 743
Loans to banks	1 001 627	1 001 627	2 501 041	2 501 041
<b>Loans to customers:</b>				
Loans to auto dealers	10 451 352	10 394 259	6 850 066	6 674 557
Retail auto loans	57 773 924	58 172 542	55 556 524	55 752 493
	<b>72 283 794</b>	<b>72 719 219</b>	<b>68 374 374</b>	<b>68 394 834</b>
Loans from banks	34 650 615	35 103 940	31 557 608	31 544 526
Other borrowings and customers' accounts	15 940 016	15 950 692	18 584 946	18 888 034
Bonds issued	8 120 089	8 204 589	5 024 475	5 027 771
Subordinated borrowings	860 887	861 611	862 097	862 919
	<b>59 571 607</b>	<b>60 120 832</b>	<b>56 029 126</b>	<b>56 323 250</b>

The following assumptions are used by management to estimate the fair values of financial assets and liabilities:

- discount rates of 12.09% are used for discounting future cash flows in RUB from retail auto loans to customers, which represent average interest rates for auto loans issued by the Group during 2nd quarter 2019 (31 December 2018: 12.24% and 9.0% in RUB and USD accordingly, which represent average interest rates for auto loans issued by the Bank during 4th quarter 2018);
- discount rate of 11.0% is used for loans to auto dealers (31 December 2018: 11.6%) and is estimated with reference to MosPrime non-deliverable forwards rates for respective tenor and currencies plus 3.0% (31 December 2018: 3.0%);
- discount rates on loans from banks are determined based on MosPrime rate under non-deliverable forwards on the corresponding terms and currencies;
- discount rate of 7.56% is used for other borrowings and customers' accounts, which represent average interest rates for borrowings attracted by the Bank during 2nd quarter of 2019 (31 December 2018: 7.20%, which represent average interest rates for borrowings attracted by the Bank during 3rd quarter of 2018);
- discount rate for subordinated borrowings is equal to MosPrime non-deliverable forwards rates for respective tenor and currencies plus premium for subordinated instruments.

The Group measures fair values for financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of loans to retail customers and loans from banks and customers is classified to the Level 2. Fair value of loans to auto dealers and subordinated borrowings is classified to the Level 3 of fair value hierarchy. The fair value of the issued debt securities refers to Level 1 in the fair value hierarchy.

## 11. Operational segments

The Group has two principal reporting segments – retail credit operations and lending to auto dealers. The segments are determined based on organizational structure and types of customers. A description of operations of each segment is provided below:

- **retail credit operations** comprise origination of auto loans to retail customers to facilitate acquisition of “Toyota” and “Lexus” vehicles, and maintenance of customers’ current settlement accounts used for issuing and repaying of loans;
- **lending to auto dealers** comprises issuing of credit lines and auto loans to official “Toyota” and “Lexus” auto dealers, and maintenance of current settlement accounts of auto dealers.

The Group’s operations are located in the Russian Federation and the Group primarily issues loans to retail customers and auto dealers, being residents of the Russian Federation and conducting business in the Russian Federation. Due to that, a geographic analysis is not conducted.

The Management measures segment results based on information about net interest margin and the level of assumed credit risk. The financial result by segments consists of interest, net commission and other operating income and of the change of allowance for ECL and provision under buy-back program.

Analysis of the results of each reporting segment as at 30 June 2019 and for the six months ended thereon is presented below (unaudited):

	<b>Retail auto loans</b>	<b>Loans to auto dealers</b>	<b>Unallocated</b>	<b>Total</b>
<b>Segment financial result</b>				
Interest income	3 344 888	465 774	118 072	3 928 734
Interest expense	(1 748 822)	(369 239)	(108 809)	(2 226 870)
<b>Net interest income</b>	<b>1 596 066</b>	<b>96 535</b>	<b>9 263</b>	<b>1 701 864</b>
Fee and commission income	1 602	16 091	-	17 693
Fee and commission expense	(36 948)	-	(4 624)	(41 572)
<b>Net fee and commission (expense) income</b>	<b>(35 346)</b>	<b>16 091</b>	<b>(4 624)</b>	<b>(23 879)</b>
Other operating income	122 333	229	611	123 173
Charge for allowance for ECL	(284 998)	(32 578)	-	(317 576)
<b>Total segment result</b>	<b>1 398 055</b>	<b>80 277</b>	<b>5 250</b>	<b>1 483 582</b>
<b>Segment assets</b>				
Cash and cash equivalents	-	-	3 056 891	3 056 891
Loans to banks	-	-	1 001 627	1 001 627
Loans to customers	57 773 924	10 451 352	-	68 225 276
<b>Total assets</b>	<b>57 773 924</b>	<b>10 451 352</b>	<b>4 058 518</b>	<b>72 283 794</b>
<b>Segment liabilities</b>				
Loans from banks	23 541 218	9 145 879	1 963 518	34 650 615
Other borrowings and customers' accounts	15 375 606	564 410	-	15 940 016
Bonds issued	8 120 089	-	-	8 120 089
Subordinated borrowings	860 887	-	-	860 887
<b>Total liabilities</b>	<b>47 897 800</b>	<b>9 710 289</b>	<b>1 963 518</b>	<b>59 571 607</b>

Analysis by segments presented above is prepared using the following allocation principles:

- Loans to customers and the corresponding interest income and customers' accounts are allocated to the relevant segment directly depending on the customer type.
- The Group's available liquidity includes cash and cash equivalents and loans to banks. These assets are presented as 'unallocated' as they may be used to finance both retail auto loans and loans to auto dealers.
- Other segments' liabilities and corresponding interest expenses are allocated based on the liquidity management model used by the Group's Treasury Department, which presents the sources of financing for each segment.
- Equity components are not considered in the analysis by segments.

**AO Toyota Bank**  
**Notes to the Interim Condensed Consolidated Financial Statements for the Six Months Ended 30 June 2019**  
*(in thousands of Russian Roubles)*

Analysis of results of each reportable segment as at 31 December 2018 and for the six months ended 30 June 2018 (unaudited), is presented below:

	Retail auto loans	Loans to auto dealers	Unallocated	Total
<b>Segment financial result</b>				
Interest income	2 879 866	390 926	102 344	3 373 136
Interest expense	(1 601 033)	(294 155)	(53 558)	(1 948 746)
<b>Net interest income</b>	<b>1 278 833</b>	<b>96 771</b>	<b>48 786</b>	<b>1 424 390</b>
Fee and commission income	2 071	16 571	-	18 642
Fee and commission expense	(33 305)	-	-	(33 305)
<b>Net fee and commission (expense) income</b>	<b>(31 234)</b>	<b>16 571</b>	<b>-</b>	<b>(14 663)</b>
Other operating income	115 051	7 700	4 019	126 770
Charge for impairment allowance	(200 591)	(47 268)	-	(247 859)
Provision under buy-back program	(7 344)	-	-	(7 344)
<b>Total segment results</b>	<b>1 154 715</b>	<b>73 774</b>	<b>52 805</b>	<b>1 281 294</b>
<b>Segment assets</b>				
Cash and cash equivalents	-	-	3 466 743	3 466 743
Loans to banks	-	-	2 501 041	2 501 041
Loans to customers	55 556 524	6 850 066	-	62 406 590
<b>Total assets</b>	<b>55 556 524</b>	<b>6 850 066</b>	<b>5 967 784</b>	<b>68 374 374</b>
<b>Segment liabilities</b>				
Loans from banks	19 775 138	6 854 694	4 927 776	31 557 608
Other borrowings and customers' accounts	18 584 569	377	-	18 584 946
Bonds issued	5 024 475	-	-	5 024 475
Subordinated borrowings	862 097	-	-	862 097
<b>Total liabilities</b>	<b>44 246 279</b>	<b>6 855 071</b>	<b>4 927 776</b>	<b>56 029 126</b>

A reconciliation of segment financial result to profit before income tax is set out below (unaudited):

	For the six months ended 30 June	
	2019	2018
<b>Total segment result</b>	1 483 582	1 281 294
Net foreign exchange income	1 304	477
Personnel expenses	(265 264)	(270 485)
Other general and administrative expenses	(561 569)	(404 299)
<b>Profit before income tax</b>	<b>658 053</b>	<b>606 987</b>

Koloshenko A.V.  
President



Ryabinina S.I.  
Chief Accountant