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Toyota Kreditbank Group puts its faith in integrated total bank controlling

Quality system for increasing result and risk transparency

“Toyota is endeavouring to further improve its global market position. The target is to sell 8.9 million vehicles worldwide in 2008.” In addition to a product range closely tailored to the market, attractive financial services also count amongst the essential prerequisites for such success. Toyota Kreditbank GmbH (TKG) is the financial services provider for the Toyota organisation in Germany and also handles vehicle and dealership financing via its branches and subsidiaries in Spain, France, Italy, Sweden, Norway, Poland and Russia. Overall, its main task is to promote sales and growth for the Toyota and Lexus brands.

Diversified range to ensure pan-European customer and dealership satisfaction

By specifically adapting to unique regional market conditions, the bank achieves an extremely high level of customer and dealership satisfaction as well as above-average sales performance. Concurrently, its diversified strategy and legal framework place high demands on consolidated management at group level. Against this backdrop and in cooperation with ifb AG, TKG has implemented an integrated total bank risk and return management system. The principal aims of the system included greater transparency in terms of displaying sales partner business results and enhanced reporting of the impact of the refinancing structure on total bank performance. At the same time, consideration was afforded to ensuring compliance with MaRisk supervisory legislation requirements. As a basis for the project, the bank formulated its business and risk strategies together with sub-strategies for specific risks. In doing so, an important aspect was to generate a risk-bearing capability concept, including ascertainment of the risk coverage potential and limitation of risk types. The concept considered risk measurement as well as the limitation of individual risks in regional units, while also incorporating procedures for calculating Value at Risk and risk measurement stress tests. In light of the increasing competition, ensuring that performance drivers

“We regard strong performance in the financial services sector as a prerequisite for the sustainable market success of Toyota and Lexus. This requires optimised products tailored to the market and a high level of transparency in relation to business with dealerships and customers. The information requirements of the TKG group are correspondingly demanding and are to be supported by an efficient total bank controlling system. The TKG group has consequently opted for solutions from the ifb group.”

Christian Ruben
 Managing Director
 Toyota Kreditbank GmbH

Customer business		+ Treasury result	+ Counterparty risk	+ Productivity result (back-office)	./. Overhead costs
	Wholesale Retail				
Loans	Contribution margin : ...	+ ./. Structural contribution	Risk premium	Standard unit cost	
Leasing		(+ ./. Trading result)	./. Actual default	./. Actual cost	
	Interest contribution	./. Direct costs	+ ./. Results of changes in credit standing		
	+ Commission contribution		./. Direct costs		
	./. Risk premium				
	./. Standard unit cost				
	./. Economic risk capital cost				
	= Contribution margin				
= Total bank result					

Calculation of control area results

ifb-OKULAR®
Users

5.000
Users

are transparent is of prime importance for TKG, with the measurement of sales performance playing a central role. Detailed information on the contribution margin of individual sales partners facilitates, for example, a performance-related terms policy with regard to dealership and sales financing. Consequently, the aim was to supplement the management of unit and volume figures with a contribution margin accounting system with which contribution margins could be ascertained at dealership, product and customer group level.

Efficient system solution with ifb-OKULAR®

The TKG group opted to implement its total bank controlling system with ifb-OKULAR®. The sales controlling module ifb-OKULAR® CBS provides the opportunity for calculating sales results on the basis of the Marktzinsmethode (current interest rate method), which takes into account the different commission and subsidy models that exist between Toyota, its sales partners and the bank. Using this solution, sales results can be reported in the form of interest contributions on the basis of matched maturity structured refinancing. Imputed risk costs, standard unit costs and economic risk capital costs round off the contribution margin accounting. New business results are determined with ifb-OKULAR® CBS using a present value contribution margin calculation, while the periodic display shows the relation to P&L. The pre-calculation function allows the TKG group to call up the contribution margin display to establish prices and lower price limits. Contribution margin planning occurs at present value, while target values are added into the sales result plan-actual comparison as anticipated new business performance. As a significant element of the risk coverage potential, these are afforded consideration in the risk-bearing capability concept, whereby the result impact of different target scenarios can be simulated through target parameter variation. In order to monitor the results achieved through term mismatches within the scope of refinancing, in addition to a market value oriented performance measurement the project team envisages P&L oriented allocation of the net interest revenue within the structure and sales result. This is also linked with the opportunity of simulating the P&L result on the basis of various interest and business structure scenarios. The subsequently introduced software modules ifb-OKULAR® ZIABRIS and ifb-OKULAR® ZIRIS implement the operational management concept, while also fulfilling supervisory legislation requirements in this area.

The total bank controlling solution implemented by the TKG group meets all the methodical and technical requirements to ensure the display and management of performance in consideration of the risk situation. Through the technical integration of its subsidiaries into the system, Toyota Kreditbank GmbH is currently laying the foundations for a pan-European integrated total bank controlling system.