

# TOYOTA FINANCIAL SERVICES

## Unlocking Alternative Sources of Capital

Toyota Financial Services (TFS) started in 1983 with the approval of a finance contract for a used Toyota Corolla - since then, it has grown to a 3,800 strong team with over \$150 billion in managed assets as of September 30, 2025, making it one of the largest auto finance providers in the world. Over the decades, TFS has helped millions of Toyota customers with flexible financing, leasing and protection plans to help secure the vehicle of their dreams, all while delivering exceptional customer service that is commensurate with the Toyota brand.

### CHALLENGE

Prior to the inception of the Toyota IncomeDriver Notes<sup>®</sup> program in 2018, global economic conditions, including improving growth, rising interest rates, and heightened competition for financing within dealerships, presented challenges for Toyota Financial Services (TFS).

As benchmark interest rates increased, TFS faced higher borrowing costs, while large U.S. banks, leveraging their retail deposit bases, maintained lower funding costs, creating a competitive advantage.

To address such challenges, TFS diversified its funding sources by launching Toyota IncomeDriver Notes<sup>®</sup> in collaboration with BNY. The Toyota IncomeDriver Notes<sup>®</sup> program taps into TFS's strong brand loyalty, attracting retail investors, including customers, employees, and dealership networks, to invest in short-term, unsecured debt.

Unlike traditional debt instruments, these demand notes:

- Offer flexibility in scaling funding through adjustable interest rates
- Reduce capital costs by avoiding underwriting and re-issuance fees
- Provide investors with attractive yields that surpass traditional savings accounts

To support the recent growth of the IncomeDriver Notes<sup>®</sup> program, TFS sought to gain deeper insights into the average duration and behavior of deposits to optimize and expand the initiative across various retail investor groups.

### ENGAGEMENT

BNY Treasury Services Client Advisory team conducted a thorough analysis of Toyota's IncomeDriver Notes<sup>®</sup> program, starting with descriptive analytics to understand trends in portfolio balances relative to peer growth, geographic and demographic concentration. These insights unlocked new ideas for optimizing marketing spend for targeted retail investor groups.

In collaboration with TFS, BNY TS Client Advisory along with TS Client Analytics developed an advanced statistical model that explores the underlying behavior of investor deposits to look at the weighted average maturity across retail investor groups. This statistical modelling aims to quantify liquidity risk across a holistic range of portfolio risk (concentration of balances), withdrawal risk (speed, size, frequency), and maturity risk (stability of balances) to produce a balanced scorecard that can be benchmarked against peer programs.

### SOLUTION

The new risk model offered:

- **Valuable insights into portfolio risk**
- **Identified growth drivers across the investor base**

This enabled TFS to evaluate strategies for accelerating portfolio expansion.

This analysis supported the continued development of the IncomeDriver Notes<sup>®</sup> program as a strategic funding source for enterprise initiatives.



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