

## SAUDI ORIX LEASING COMPANY

(a closed joint stock company incorporated under the laws of the Kingdom of Saudi Arabia on 15/09/1421H (corresponding to 11 December 2000) with Commercial Register Number 1010163957)



is offering

### SAR 240,000,000 SUKUK AL-ISTITHMAR EXPIRING 2015

The sukuk al-Istithmar expiring 2015 (the “**Sukuk**”) of Saudi ORIX Leasing Company (the “**Issuer**” or “**Saudi ORIX**”) are being issued at par, without discount or premium. In consideration for the payment of the sukuk proceeds, the Issuer will transfer to HSBC Saudi Arabia Limited (the “**Sukukholders’ Agent**”) (for, and on behalf of, the holders of the Sukuk (the “**Sukukholders**”)) its ownership interests, rights, title, benefits and other entitlements in and to certain Ijara assets (the “**Original Ijara Assets**”).

Quarterly in arrear on the twenty sixth (26<sup>th</sup>) of March, June, September and December, in each year, commencing on 26 March 2013 and up to and including 26 December 2015 or, if any such day is not a Business Day (as defined in the Conditions), the next day which is a Business Day, unless such day would fall in the next calendar month, in which case, the immediately preceding Business Day (each a “**Periodic Distribution Date**”), the Issuer is expected to pay an amount equal to the Periodic Distribution Amount (as defined in the Conditions) to Sukukholders, calculated on the basis of the applicable Saudi Interbank Offered Rate (SIBOR) plus the Margin (each as defined in the Conditions). The Periodic Distribution Amount will be paid from income received from the Original Ijara Assets and any New Ijara Assets (as defined in the Conditions) (the “**Sukuk Assets**”).

Unless previously redeemed, or purchased and cancelled, the Sukuk shall be redeemed on the last Periodic Distribution Date falling on or nearest to 26 December 2015 (the “**Expiry Date**”), pursuant to a purchase undertaking to be entered into by the Issuer for the benefit of the Sukukholders’ Agent on or about the Closing Date (as defined in below) (the “**Purchase Undertaking**”), under which the Issuer will undertake to purchase all of the Sukukholders’ Agent’s ownership interests, rights, title and other entitlements in and to the Sukuk Assets at a specified Purchase Price (as defined in the Conditions) on the Expiry Date.

Saudi ORIX has a paid up share capital of SAR340 million, divided into 34 million shares with a par value of SAR 10 each. As at the date of this Prospectus, the shareholders of Saudi ORIX and their respective shareholding percentages are as follows: The Saudi Investment Bank (“**SAIB**”) (37.995%), Trade Development & Investment Group (“**TDIG**”) (32.00%), The ORIX Corporation (“**ORIX Corporation**”) (27.50%), ORIX Leasing Pakistan Limited (“**OLP**”) (2.50%) and Mr. Musaed Al Mineefi (0.005%).

The investor presentation period for the Sukuk commences on 19/01/1434H (corresponding to 03/12/2012G) and will end in 14 Business Days after such date, as further described in “*Subscription and Sale*” section of this Prospectus, (the “**Investor Presentation Period**”) and the Sukuk will be issued on a date falling no later than 10 Business Days after the end of the Investor Presentation Period (the “**Closing Date**”). The offering, sale and delivery of the Sukuk is limited to persons who are Qualified Persons (as defined in the “*Terms and Conditions of Sukuk*” section of this Prospectus (the “**Conditions**”). In addition, the primary distribution of the Sukuk will be only to Institutional Investors (as defined in the “*Subscription and Sale*” section of this Prospectus), although Qualified Persons who are not Institutional Investors may subsequently be able to purchase Sukuk from Institutional Investors.

### Lead Manager and Bookrunner



**This Prospectus is dated 13/02/1434H (corresponding to 26/12/2012G)**

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the “**Authority**”). The Directors, whose names appear in the “*Management and Employees*” section of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange (“**Tadawul**”) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This unofficial English translation of the official Arabic Prospectus is provided for information purposes only. The Arabic prospectus published on the Authority’s website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

The Sukuk will be the subject of a declaration of agency (the “**Declaration of Agency**”) to be dated on or about the Closing Date between the Issuer and the Sukukholders’ Agent. Pursuant to the Declaration of Agency and the Conditions, the Sukukholders’ Agent will hold the Sukuk Assets for the benefit of the Sukukholders, *pro rata* according to the Nominal Amount of Sukuk held by each Sukukholder.

Pursuant to a sukuk assets sale and transfer agreement (the “**Sukuk Assets Sale and Transfer Agreement**”) to be dated on or about the Closing Date, between the Issuer and the Sukukholders’ Agent, upon payment of the proceeds of the sale of the Sukuk and subject to the other terms and conditions of the Sukuk Assets Sale and Transfer Agreement, the Issuer will sell and transfer to the Sukukholders’ Agent its ownership interests, rights, title, benefits and other entitlements in and to the Original *Ijara* Assets.

Under the Purchase Undertaking to be entered into by the Issuer for the benefit of the Sukukholders’ Agent (for, and on behalf of, the Sukukholders), the Issuer will undertake to purchase the Sukukholders’ Agent’s ownership interests, rights, title and other entitlements in and to Sukuk Assets at a specified Purchase Price on the Expiry Date or following the occurrence of certain events (see Condition 11 (*Exercise Events*)).

Under a sale undertaking to be dated on or about the Closing Date (the “**Sale Undertaking**”) to be entered into by the Sukukholders’ Agent for the benefit of the Issuer, the Sukukholders’ Agent will undertake to sell and transfer all of its ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for payment by the Issuer of a specified Purchase Price on the occurrence of a Tax Event (as defined in the Conditions).

Pursuant to a sukuk assets management agreement (the “**Sukuk Assets Management Agreement**”), to be dated on or about the Closing Date, between the Issuer and the Sukukholders’ Agent, the Issuer, in its capacity as sukuk assets manager (in such capacity, the “**Sukuk Assets Manager**”) shall provide certain services with respect to the Sukuk Assets in return for a Sukuk Assets Management Administration Fee (as defined in the Conditions), including among others: (i) managing the Sukuk Assets; (ii) maintaining appropriate collection procedures in relation to the amounts falling due in respect of the underlying *ijara* contracts relating to the Sukuk Assets; (iii) insuring, or procuring the insurance of, the underlying assets relating to the Sukuk Assets; and (iv) investing the Reinvestment Income (as defined below) in New *Ijara* Assets. Pursuant to the Sukuk Assets Management Agreement, the Sukuk Assets Manager shall accumulate all monies (net of the Sukuk Assets Management Administration Fee and the Agency Fees (as defined in the Conditions)) accruing under the Sukuk Assets (the “**Net Income**”).

- (a) Fifteen per cent. (15%) of the Net Income (the “**Retained Income**”) shall be credited when received to an account to be maintained by the Sukuk Assets Manager in its books for and on behalf of the Sukukholders (the “**Collection Account**”). The Periodic Distribution Amounts (together with any Partial Periodic Distribution Amount (as defined in the Conditions)) under the Sukuk will be paid by the Issuer deducting the relevant amount from the Collection Account and the Reserve Account (as defined below) and making payment of such amount to an account maintained by the Sukukholders’ Agent with HSBC Saudi Arabia Limited as payments administrator (the “**Payments Administrator**”) on or prior to 11:00 am (Riyadh time) one (1) Business Day prior to each Periodic Distribution Date.
- (b) Eighty five per cent. (85%) of the Net Income (the “**Reinvestment Income**”) shall be applied by the Sukuk Assets Manager to: (i) invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets at the Closing Date; and (ii) to the extent not applied to (i) above, credit any excess Reinvestment Income to the Collection Account.

If the Retained Income received under the Sukuk Assets in any Periodic Distribution Period (as defined in the Conditions), together with any Reinvestment Income which has been credited to the Collection Account in accordance with (b) above, exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Assets Manager as a reserve (the “**Reserve**”). The Reserve shall be recorded by the Sukuk Assets Manager through a book-entry notional account (the “**Reserve Account**”) and will not be maintained in a separate defined bank account. The Reserve Account is held for the benefit of the Sukukholders.

So long as no Event of Default (as defined in the Conditions) has occurred and is continuing and the Sukuk Assets Manager has complied with all its obligations under the terms of the Sukuk Documents (including its obligations to invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date), the Sukuk Assets Manager may withdraw any amounts standing to the credit of the Reserve Account from time to time (the amounts so withdrawn the “**Withdrawn Amounts**”). The Withdrawn Amounts are for the Sukuk Assets Manager’s own account and may be used by the Sukuk Assets Manager for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Sukuk Assets Manager. The Withdrawn Amounts shall be owed as a debt to the Sukukholders’ Agent (acting for and on behalf of the Sukukholders) and shall be repayable from the Sukuk Assets Manager’s own funds on demand to meet the amounts owing and due under the Sukuk. The Sukuk Assets Manager may record the Reserve as a liability of the Sukuk Assets Manager.

If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date, the Tax Redemption Date or the Event of Default Date (each as defined in the Conditions) is greater than the aggregate amount standing to the credit of the Collection Account and the Reserve Account, the Sukuk Assets Manager shall on or prior to 11:00 am (Riyadh time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Reserve Account either (x) the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or (y) the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Reserve Account, whichever is the lesser.

The Sukuk Assets Manager shall deliver to the Sukukholders’ Agent on the Closing Date order notes substantially in the form set forth in schedule 1 (*Form of Order Note*) of the Sukuk Assets Management Agreement (each an “**Order Note**”) in respect of the expected Withdrawn Amounts for the eleven (11) month period immediately following the Closing Date (the “**First Order Note Period**”) and as agreed with the Sukukholders’ Agent. For each successive eleven (11) month period immediately following the First Order Note Period (together with the First Order Note Period, each an “**Order Note Period**”), the Sukuk Assets Manager will deliver replacement Order Notes to the Sukukholders’ Agent in respect of the expected Withdrawn Amounts for such Order Note Period and as agreed with the Sukukholders’ Agent. Such replacement Order Notes will be delivered to the Sukukholders’ Agent by the end of each Order Note Period, and in substitution for the Order Notes held by the Sukukholders’ Agent in respect of that Order Note Period, and the Sukukholders’ Agent shall destroy any Order Note so substituted (including any Order Note held by the Sukukholders’ Agent on the day immediately following the redemption in full of the Sukuk).

Each Order Note shall evidence the relevant debt owed to the Sukukholders’ Agent for the Withdrawn Amounts and not be deemed to be any guarantee of any obligations of the Issuer with respect to any Periodic Distribution Amount, any Partial Periodic Distribution Amount, the Total Loss Shortfall Amount or the Purchase Price. The Sukukholders’ Agent shall hold each Order Note on behalf of the Sukukholders and each Order Note constitutes direct, unconditional and irrevocable obligations of the Sukuk Assets Manager, subject to the terms of the Sukuk Documents.

The delivery to the Sukukholders' Agent of each Order Note shall not limit, restrict, prejudice or otherwise affect in any way or to any extent the obligations of the Issuer or the Sukuk Assets Manager under the Sukuk Documents.

The Sukukholders' Agent shall not present any Order Note for payment or permit the presentation thereof to any person other than to the Negotiable Instruments Committee (the "**Negotiable Instruments Committee**") in the Kingdom of Saudi Arabia (the "**Kingdom**"). Order Notes may also only be presented for payment in respect of a claim for an amount no greater than the amounts which are then due and payable by the Issuer under the Sukuk and in the event any greater amount is awarded by the Negotiable Instruments Committee, the Sukukholders' Agent undertakes to pay any amount in excess of the amount due and payable under the Sukuk to the Issuer.

Pursuant to a sukuk assets substitution undertaking (the "**Sukuk Assets Substitution Undertaking**") to be dated on or about the Closing Date between the Issuer and the Sukukholders' Agent: (i) the Sukukholders' Agent will have the right, to the extent that the Sukuk Assets Manager has failed to comply with its obligations under the Sukuk Assets Management Agreement to use the Reinvestment Income to invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date and providing there has not been a Total Loss Event (as defined in the Conditions), to require the transfer on any substitution date ("**Substitution Date**") specified in a substitution notice ("**Substitution Notice**"), of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for the grant and transfer by the Issuer to the Sukukholders' Agent of New *Ijara* Assets; and (ii) the Issuer will have the right to require the Sukukholders' Agent to sell, transfer and convey, on any Substitution Date, all of the Sukukholders' Agent's ownership interests, rights, title, benefits and other entitlements in and to any of the Sukuk Assets to the Issuer, in consideration for which the Issuer will sell and transfer to the Sukukholders' Agent all its ownership interests, rights, title, benefits and other entitlements in and to New *Ijara* Assets. In each case, the Issuer will be obliged to certify that: (i) the value of the New *Ijara* Assets is equal to or greater than the value of the Sukuk Assets that are being substituted (the "**Substituted Ijara Assets**"); and (ii) following such substitution, the value of the Sukuk Assets is equal to, or more than, the value of the Sukuk Assets as at the Closing Date.

Upon the occurrence of: (i) the total loss or destruction of, or damage to, the whole, or substantially the whole, of an underlying asset relating to the Sukuk Assets or any event or occurrence that renders the whole, or substantially the whole, of an underlying asset relating to the Sukuk Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, confiscation, attachment, sequestration or execution of any legal process in respect of the whole, or substantially the whole, of an underlying asset relating to the Sukuk Assets (each a "**Total Loss Event**"), the Sukuk Assets Manager will be required to apply the proceeds of insurance payable in respect of the Total Loss Event or, if a Total Loss Event occurs and an amount (if any) less than an amount equal to the amount required to reinstate or replace such underlying asset (the "**Insurance Coverage Amount**") is received by the Sukuk Assets Manager (the difference between the Insurance Coverage Amount and the amount received by the Sukuk Assets Manager from the proceeds of the insurance being the "**Total Loss Shortfall Amount**"), the aggregate of the insurance proceeds payable in respect of the Total Loss Event and the Total Loss Shortfall Amount funded by the Sukuk Assets Manager in accordance with the terms of the Sukuk Assets Management Agreement (collectively the "**Insurance Proceeds**"), to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event.

If the Insurance Proceeds have not been applied to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event, the Sukuk Assets Manager is required to apply the Insurance Proceeds as Net Income and credit such amounts to the Collection Account.

The Sukuk will be in registered form in the nominal amount of SAR 100,000 (the “**Nominal Amount**”). The aggregate Nominal Amount, together with the anticipated net proceeds, of the Sukuk to be issued and the Margin will be determined by agreement between the Issuer and the Lead Manager and Bookrunner (as defined in the Conditions) and announced on a date expected to be around 22 December 2012 (see the “*Subscription and Sale*” section of this Prospectus).

The Sukuk will be registered at all times by interests in a registered form global suk, without coupons attached (the “**Global Suk**”), which will be deposited with the Sukukholders’ Agent. The Sukuk may only be held in book entry dematerialized form and definitive certificates will not be issued to Sukukholders in relation to their holdings of Sukuk.

Application has been made to register the Sukuk on the Official List maintained by the Authority and all of the requirements to list under the Listing Rules of the Authority issued on 4th October 2004, as amended on 22 January 2012, have been met (the “**Listing Rules**”). Tadawul will be appointed as registrar (the “**Registrar**”, which expression includes any successor registrar) of the Sukuk and the Sukuk will be admitted to the clearing and settlement system of Tadawul, as described in “*Terms and Conditions of the Sukuk – Register, Title and Transfers*” and “*Subscription and Sale*” sections of this Prospectus, respectively.

**Investing in the Sukuk involves certain risks and uncertainties. For a discussion of certain factors to be considered in connection with an investment in the Sukuk, see “*Important Notice*” and “*Risk Factors*” on pages vi and 26 of this Prospectus respectively.**

## IMPORTANT NOTICE

This Prospectus provides details of information relating to the Issuer and the Sukuk being offered. In applying for the Sukuk, investors will be treated as applying on the basis of the information contained in this Prospectus, copies of which are available for collection from the Issuer and the Lead Manager and Bookrunner (as defined herein) or by visiting their respective websites ([www.saudiorix.com.sa](http://www.saudiorix.com.sa) and [www.sambacapital.com](http://www.sambacapital.com)).

Samba Capital & Investment Management Company has been appointed by the Issuer to act as the Lead Manager and Bookrunner (the “**Lead Manager and Bookrunner**”) in relation to the Sukuk described herein.

This Prospectus includes information given in compliance with the Listing Rules. The Directors, whose names appear in the “*Management and Employees*” section of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and Tadawul do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Issuer has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither the Issuer, the Lead Manager and Bookrunner, the Lead Manager and Bookrunner’s advisers nor the Issuer’s advisers have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Issuer and the value of the Sukuk may be adversely affected by future developments in inflation, financing charges, taxation, calculation of zakat or other economic and other factors, over which the Issuer has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Sukuk is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Issuer, the Lead Manager and Bookrunner or any of their advisers to purchase the Sukuk. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the offering of the Sukuk and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

References herein to “**this Prospectus**” shall be deemed to include this document dated 18/01/1434H (corresponding to 02/12/2012G) together with any supplements and amendments hereto. This Prospectus contains a summary of the key provisions of each of the drafts as of the date of this Prospectus of the Declaration of Agency, the Payments Administration Agreement, the Sukuk Assets Sale and Transfer Agreement, the Sukuk Assets Management Agreement, the Sukuk Assets Substitution Undertaking, the Purchase Undertaking and the Sale Undertaking (each as defined in the Conditions).

## **Important Dates for Subscribers and Method of Application**

The investor presentation period for the Sukuk will commence on 19/01/1434H (corresponding to 03/12/2012G) and end in 14 days after such date, unless the Issuer and the Lead Manager and Bookrunner notify investors otherwise (the “**Investor Presentation Period**”).

During the Investor Presentation Period, the Lead Manager and Bookrunner may solicit expressions of interest from potential investors for acquiring the Sukuk, during which time the Issuer and the Lead Manager and Bookrunner shall consult and agree on the Margin.

Persons wishing to purchase the Sukuk will be required to submit a duly completed form (an “**Investor Application Form**”) to the Lead Manager and Bookrunner before the end of the Investor Presentation Period and shall make payment for the Sukuk in accordance with the instructions contained in the Investor Application Form. Investor Application Forms will be available from the Lead Manager and Bookrunner. Applications to purchase Sukuk for less than SAR 1,000,000 or in amounts which are not higher integral multiples of SAR 100,000, thereafter, or from applicants who are not Institutional Investors, will not be accepted.

Only natural persons who are nationals of the Kingdom or other legal persons with a permanent establishment in the Kingdom holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in either case, maintain a bank account in the Kingdom (“**Qualified Persons**”) may be registered as Sukukholders. However, while Qualified Persons may be registered as Sukukholders, the primary distribution of the Sukuk will be only to Institutional Investors. An “**Institutional Investor**” means a Qualified Person who is also one of the following:

- (a) a person who is authorised to carry on securities business by the Authority;
- (b) an exempt person as specified in Annex 1 to the Securities Business Regulations of the Authority;
- (c) any of the following:
  - (i) any company which owns, or which is a member of a group which owns, net assets of not less than SAR 50 million;
  - (ii) any unincorporated body, partnership or other organisation which has net assets of not less than SAR 50 million; or
  - (iii) any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”) falling within sub-paragraphs (i) or (ii) where A is responsible for B undertaking any securities activity;
- (d) an institution that has received a licence to engage in banking business in accordance with the laws of the Kingdom; or
- (e) any other person who purchases Sukuk through an authorised person (as defined in the Securities Business Regulations of the Authority).

Qualified Persons who are not Institutional Investors may be able to subsequently purchase Sukuk from Institutional Investors.

The distribution of this Prospectus and the offering, sale and delivery of the Sukuk in any jurisdictions other than the Kingdom may be restricted by law. Any person who comes into possession of this Prospectus is required by the Issuer and the Lead Manager and Bookrunner to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales

and deliveries of the Sukuk and on distribution of this Prospectus and other offering material relating to the Sukuk, see the “*Subscription and Sale*” section of this Prospectus.

Allocation of Sukuk will be at the discretion of the Issuer and the Lead Manager and Bookrunner and will be made following the end of the Investor Presentation Period. Once the allocation of Sukuk has been completed, the Issuer shall cause the Margin and the aggregate Nominal Amount, together with the anticipated aggregate net proceeds of the Sukuk to be issued, to be published on the Issuer’s and Lead Manager and Bookrunner’s website.

All potential investors must carefully read the Conditions of the Sukuk prior to completing an application for the purchase of the Sukuk since the execution of the Investor Application Form constitutes acceptance of and agreement to the Conditions.

### **Financial Information**

The audited financial statements as at and for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the notes thereto and the audited interim financial statements for the six months ended 30 June 2012 and the notes thereto, each of which are set out elsewhere in this Prospectus, have been prepared in conformity with the Saudi Organization for Certified Public Accountants (“**SOCPA**”) Generally Accepted Accounting Principles.

The Issuer publishes its financial statements in Saudi Arabian Riyals. In this Prospectus, unless otherwise specified, references to “**SAR**”, “**Saudi Riyal**” and “**Riyal**” are to the currency of the Kingdom and references to “**halalah**” are to the sub-unit of the Riyal.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **Forecasts and Forward Looking Statements**

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute “forward-looking-statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “projects”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “expected”, “would be” or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Issuer with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Issuer to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see the “*Risk Factors*” section of this Prospectus). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Issuer does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Issuer expects, or at all. Prospective purchasers should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.



### **Supplementary Prospectus**

The Issuer shall prepare a supplement to this Prospectus in accordance with the requirements of the Authority if, at any time after the date of this Prospectus but before the Sukuk are admitted to listing on the Official List maintained by the Authority, the Issuer becomes aware that:

- (i) there has been a significant change in material matters contained in this Prospectus or any other document required by the Listing Rules of the Authority; or
- (ii) additional significant matters have become known which would have been required to be included in this Prospectus.




Except in the aforementioned circumstances, the Issuer does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not eventuate in the manner anticipated by the Issuer and might not occur at all. Potential investors should consider all forward-looking statements in this context and, accordingly, should not place undue reliance on any forward-looking statements.



## PARTIES AND ADVISERS

<p><b>ISSUER</b></p> <p><b>Saudi ORIX Leasing Company</b></p> <p>343 Al Ma'ather Street P.O. Box 22890 Riyadh 11416 Kingdom of Saudi Arabia</p> <p>Tel: + 966 1 299 7777 Fax: +966 1 299 7770 Email: <a href="mailto:groupfinance@saudiorix.com.sa">groupfinance@saudiorix.com.sa</a> <a href="http://www.saudiorix.com.sa">www.saudiorix.com.sa</a></p>	
<p><b>AUTHORISED REPRESENTATIVES OF THE ISSUER</b></p> <p><b>Dr. Saleh Abdulaziz Al Omair (Chairman)</b></p> <p>343 Al Ma'ather Street P.O. Box 22890 Riyadh 11416 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 299 7777 Fax: +966 1 299 7770 Email: <a href="mailto:s.omair@cagksa.com">s.omair@cagksa.com</a></p> <p><b>Shaheen Amin (General Manager)</b></p> <p>343 Al Ma'ather Street P.O. Box 22890 Riyadh 11416 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 299 7777 Fax: +966 1 299 7770 Email: <a href="mailto:shaheen@saudiorix.com.sa">shaheen@saudiorix.com.sa</a></p>	
<p><b>FINANCIAL ADVISER</b></p> <p><b>Samba Capital &amp; Investment Management Company</b></p> <p>Kingdom Tower P.O. Box 220007 Riyadh 11311 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 211 7700 Fax: +966 1 211 7799 Email: <a href="mailto:projecteast@samba.com">projecteast@samba.com</a> <a href="http://www.sambacapital.com">http://www.sambacapital.com</a></p>	

<p><b>LEAD MANAGER AND BOOKRUNNER</b></p> <p><b>Samba Capital &amp; Investment Management Company</b></p> <p>Kingdom Tower P.O. Box 220007 Riyadh 11311 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 211 7700 Fax: +966 1 211 7799 Email: <a href="mailto:projecteast@samba.com">projecteast@samba.com</a> <a href="http://www.sambacapital.com">http://www.sambacapital.com</a></p>	
<p><b>SHARI'AH ADVISOR</b></p> <p><b>Shari'ah Supervisory Board of Samba Financial Group (represented by the Shari'ah Executive Committee of the Shari'ah Supervisory Board)</b></p> <p>Kingdom Tower P.O. Box 220007 Riyadh 11311 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 477 4770 Fax: +966 1 479 9402 Email: <a href="mailto:Sohail.Masood@samba.com">Sohail.Masood@samba.com</a> <a href="http://www.samba.com">http://www.samba.com</a></p>	
<p><b>SUKUKHOLDERS' AGENT</b></p> <p><b>HSBC Saudi Arabia Limited</b></p> <p>HSBC Building Olaya Road Al-Murooj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 299 2313 Fax: +966 1 299 2348 Email: <a href="mailto:saudiarabia@hsbc.com">saudiarabia@hsbc.com</a> <a href="http://www.hsbcSaudi.com">http://www.hsbcSaudi.com</a></p>	

<p><b>PAYMENTS ADMINISTRATOR</b></p> <p><b>HSBC Saudi Arabia Limited</b></p> <p>HSBC Building Olaya Road Al-Murooj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia</p> <p>Tel: +966 800 124 1212 Fax: +966 1 299 2348 Email: <a href="mailto:saudiarabia@hsbc.com">saudiarabia@hsbc.com</a> <a href="http://www.hsbcSaudi.com">http://www.hsbcSaudi.com</a></p>	
<p><b>REGISTRAR</b></p> <p><b>The Saudi Stock Exchange Company (Tadawul)</b></p> <p>NCCI building – North Tower – King Fahd Rd P.O. Box 60612 Riyadh 11555 Kingdom of Saudi Arabia</p> <p>Tel: + 966 1 218 9999 <a href="http://www.tadawul.com.sa/">http://www.tadawul.com.sa/</a></p>	
<p><b>INTERNATIONAL LEGAL ADVISER TO THE ISSUER</b></p> <p><b>Allen &amp; Overy LLP</b></p> <p>Level 2 The Gate Village Building GV08 Dubai International Financial Centre PO Box 506678 Dubai United Arab Emirates</p> <p>Tel: +971 4 426 7100 Fax: +971 4 426 7199 Email: <a href="mailto:projecteast@allenoverly.com">projecteast@allenoverly.com</a> <a href="http://www.allenoverly.com">http://www.allenoverly.com</a></p>	<p><b>ALLEN &amp; OVERY</b></p>

<p><b>SAUDI LEGAL ADVISERS TO THE ISSUER</b></p> <p><b>Abdulaziz AlGasim Law Firm</b></p> <p>7758 - King Fahad Road Olaya Unit No.3 Riyadh 12333-4187 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 218 2900 Fax: +966 1 460 0602 Email: info@algasim.com http://www.algasim.com</p>	 <p>عبد العزيز القاسم محاسبون و مستشارون ABDULAZIZ ALGASIM Law Firm</p>
<p><b>LEGAL ADVISERS TO THE LEAD MANAGER AND BOOKRUNNER</b></p> <p><b>Law Office of Salman M. Al-Sudairi in association with Latham &amp; Watkins LLP</b></p> <p>7<sup>th</sup> Floor, Tower 1, Al-Tatweer Towers King Fahad Highway P.O. Box 17411 Riyadh 11484 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 207 2500 Fax: +966 1 207 2577 Email: salman.al-sudairi@lw.com http://www.lw.com</p>	<p>Law Office of Salman M. Al-Sudairi in association with</p>  <p><b>LATHAM &amp; WATKINS</b> LLP</p>
<p><b>AUDITORS TO THE ISSUER FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 AND 2011 AND THE SIX MONTH PERIOD ENDED 30 JUNE 2012</b></p> <p><b>Ernst &amp; Young</b></p> <p>Leve 6 &amp; 14, Al Faisaliah Office Tower King Fahad Road P.O. Box 2732 Riyadh 11461 Kingdom of Saudi Arabia</p> <p>Tel: +966 1 273 4740 Fax: +966 1 273 4730 Email: riyaadh@sa.ey.com Website: www.ey.com</p>	 <p><b>ERNST &amp; YOUNG</b></p>

<p><b>AUDITORS TO THE ISSUER FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009</b></p> <p><b>KPMG Al Fozan &amp; Al Sadhan</b></p> <p>KPMG Tower  Salahuddin Ayoubi Road  P.O.Box 92876  Riyadh 11663  Kingdom of Saudi Arabia</p> <p>Tel: +966 (1) 874 8500  Fax: +966 (1) 874 8600  Email: marketingsa@kpmg.com  Website: www.kpmg.com.sa</p>	
<p><b>ISSUER'S MAIN COMMERCIAL BANK</b></p> <p><b>Samba Financial Group</b></p> <p>Kingdom Tower  PO Box 833  Riyadh 11421  Kingdom of Saudi Arabia</p> <p>Tel: +966 1 477 4770  Fax: +966 1 479 9402  Email: projecteast@samba.com  http://www.samba.com</p>	

All the above-mentioned advisors have consented in writing to the use of their names and logos and to publishing their statements (wherever quoted) in this Prospectus. Such consents were not withdrawn as at the date hereof.

## SUMMARY OF THE OFFERING

The summary of the offering set out below should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Prospectus. This summary may not contain all of the information that prospective investors should consider before deciding to invest in the Sukuk. Accordingly, any decision by a prospective investor to invest should be based on a consideration of this Prospectus as a whole. You should read this entire Prospectus carefully, including the financial statements and related notes and the information set forth under the headings “*Risk Factors*” and “*Important Notice*” before making any investment decision. Capitalised terms used but not defined in this summary have the meanings given to them in the “*Terms and Definitions*” section of this Prospectus.

<b>Issuer</b> .....	Saudi ORIX Leasing Company ( the “ <b>Issuer</b> ” or “ <b>Saudi ORIX</b> ”), a closed joint stock company incorporated under the laws of the Kingdom with commercial registration number 1010163957 and whose registered address is 343 Al Ma’ather Street, P.O. Box 22890, Riyadh 11416, Kingdom of Saudi Arabia.
<b>Issuer’s Business</b> .....	Saudi ORIX is a financial leasing company offering leasing services in respect of a range of economic sectors across the Kingdom, operating as a non-bank financial institution licensed by the Saudi Arabian Monetary Agency (“ <b>SAMA</b> ”).
<b>Issuer’s Substantial Shareholders</b> .....	<p>SAIB directly holds 12,918,300 shares of the Issuer, representing 37.995% of the Issuer’s issued share capital.</p> <p>TDIG directly holds 10,880,000 shares of the Issuer representing 32% of the Issuer’s issued share capital.</p> <p>ORIX Corporation directly holds 9,350,000 shares of the Issuer, representing 27.50% of the Issuer’s issued share capital. In addition, ORIX Corporation directly and indirectly owns 49.59% of OLP (see below) and therefore indirectly also holds 421,515 shares of the Issuer. ORIX Corporation therefore, directly and indirectly, holds 9,771,515 shares of the Issuer, representing 28.7% of the Issuer’s issued share capital.</p> <p>OLP directly holds 850,000 shares of the Issuer, representing 2.50% of the Issuer’s issued share capital.</p> <p>Mr Musaed Al Mineefi directly holds 1,700 shares of the Issuer, representing 0.005% of the Issuer’s issued share capital.</p>
<b>Share Capital</b> .....	Saudi ORIX’s share capital, at the date of this Prospectus, is SAR 340 million divided into 34 million shares with a par value of SAR 10 each.
<b>Sukuk</b> .....	Sukuk al-Istithmar expiring 26 December 2015. An Istithmar sukuk represents a structured investment by sukukholders in an existing business activity or cash flow generating asset(s) of an issuer.

<b>Aggregate Nominal Amount of Sukuk Offered</b> .....	SAR 240,000,000.
<b>Use of Proceeds</b> .....	The proceeds of the issue of the Sukuk, after deduction of the costs and expenses in relation to the issue of the Sukuk, will be used by the Issuer to meet its general funding requirements.
<b>Targetted Investors</b> .....	<p>The offering, sale and delivery of the Sukuk is limited solely to natural persons who are nationals of the Kingdom or other legal persons with a permanent establishment in the Kingdom holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in either case, maintains a bank account in the Kingdom (a “<b>Qualified Person</b>”). The distribution of this Prospectus and the offering, sale and delivery of the Sukuk in any jurisdictions other than the Kingdom may be restricted by law.</p> <p>In addition, the primary distribution of the Sukuk will be only to Institutional Investors (as defined in the “<i>Subscription and Sale</i>” section of this Prospectus), although Qualified Persons who are not Institutional Investors may be able to subsequently purchase Sukuk from Institutional Investors.</p>
<b>Minimum Number of Sukuk</b>	Applications to purchase Sukuk for less than SAR 1,000,000 or in amounts which are not higher integral multiples of SAR 100,000 will not be accepted. The minimum number of Sukuk will therefore be 10.
<b>Maximum Number of Sukuk</b>	Applications to purchase Sukuk for more than SAR 240,000,000 will not be accepted. The maximum number of Sukuk will therefore be 2,400.
<b>Allocation and Offering Restrictions</b>	Allocation of Sukuk will be at the discretion of the Issuer and the Lead Manager and Bookrunner and will be made following the end of the Investor Presentation Period. For a more detailed description of these and other restrictions on offers, sales and deliveries of Sukuk and on the distribution of offering material relating to the Sukuk, see the “ <i>Subscription and Sale</i> ” section of this Prospectus.
<b>Lead Manager and Bookrunner</b> .....	Samba Capital & Investment Management Company, whose registered address is Kingdom Tower, P.O. Box 220007, Riyadh 11311, Kingdom of Saudi Arabia.
<b>Offer Period</b> .....	The period commencing 19/01/1434H (corresponding to 03/12/2012G) and ending in 14 Business Days after such date.
<b>Issue Price</b> .....	100 per cent of the aggregate Nominal Amount (as defined in the Conditions) of the Sukuk.



<b>Term</b> .....	The Sukuk will expire on 26 December 2015.
<b>Currency</b> .....	Sukuk will be denominated in Saudi Riyals.
<b>Denominations</b> .....	Sukuk will be issued in denominations of SAR 100,000.
<b>Periodic Distribution Dates</b> .....	Quarterly in arrear on the twenty sixth (26 <sup>th</sup> ) of March, June, September and December, in each year, commencing on 26 March 2013 and up to and including 26 December 2015; provided however, that if any such day is not a Business Day (as defined in the Conditions), the Periodic Distribution Date will be the next Business Day, unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be the immediately preceding Business Day.
<b>Periodic Distribution Amount</b> .....	On each Periodic Distribution Date, the Issuer will pay to the Sukukholders, pro rata according to the face amount of Sukuk held by each Sukukholder, an amount equal to the product of: (i) the applicable Saudi Interbank Offered Rate (SIBOR) for the Periodic Distribution Period ending immediately before such Periodic Distribution Date, plus the Margin; (ii) the number of days in that Periodic Distribution Period; and (iii) the aggregate Nominal Amount of such Sukuk as are current on the Transfer Record Date immediately preceding the last day of that Periodic Distribution Period, divided by 360.
<b>Sukuk Assets Manager</b> .....	Saudi ORIX, whose registered address is 343 Al Ma'ather Street, P.O. Box 22890, Riyadh 11416, Kingdom of Saudi Arabia.
<b>Sukukholders' Agent</b> .....	HSBC Saudi Arabia Limited, whose registered address is HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia.
<b>Payments Administrator</b> .....	HSBC Saudi Arabia Limited, whose registered address is HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia.
<b>Registrar</b> .....	Tadawul, whose registered address is NCCI building – North Tower, King Fahd Rd, P.O. Box 60612, Riyadh 11555, Kingdom of Saudi Arabia.
<b>Net Income</b> .....	The gross income attributable to the Sukuk Assets less the Sukuk Assets Management Administration Fee and the Agency Fees as further described in the Conditions.
<b>Form of the Sukuk</b> .....	Sukuk will be issued in dematerialised registered form only and will be represented at all times by interests in a registered form Global Suk (as more particularly described in Condition 2 ( <i>Form and Denomination</i> )) without coupons attached, which, to the extent not otherwise required by the Registrar, will be deposited with the Sukukholders' Agent.

<b>Status of the Sukuk</b> .....	The Sukuk constitute undivided beneficial ownership interests in the Sukuk Assets and will rank <i>pari passu</i> without any preference or priority among themselves. The Sukuk will be issued on an unsecured and unsubordinated basis.
<b>Sukuk Assets</b> .....	The Original <i>Ijara</i> Assets and New <i>Ijara</i> Assets. The Original <i>Ijara</i> Assets are any <i>ijara</i> contracts for real estate, equipment, machinery or a motor vehicle entered into by the Issuer (as lessor) and a third party (as lessee) and identified in schedule 1 of the Sukuk Asset Sale and Transfer Agreement, provided that: (i) no amount due to the Issuer under any such <i>ijara</i> contract shall be outstanding for a period of thirty (30) days or more; and (ii) the aggregate value of Original <i>Ijara</i> Assets shall be no less than one hundred and twenty per cent. (120%) of the aggregate Nominal Amount of Sukuk
<b>Determined Redemption of the Sukuk</b> .....	Unless previously redeemed, or purchased and cancelled, the Sukuk shall be redeemed on the Expiry Date.
<b>Obligatory Redemption of the Sukuk Assets by Saudi ORIX</b> .....	The Issuer shall only be obliged to redeem the Sukuk on the Expiry Date (as defined in Condition 1 ( <i>Definitions</i> )) or otherwise in the limited circumstances set out in Condition 11.2 ( <i>Events of Default</i> ). In order to redeem the Sukuk, the Issuer will purchase the Sukuk Assets from the Sukukholders Agent at the Purchase Price.
<b>Optional Early Redemption of the Sukuk for Tax Reasons</b> .....	The Sukuk may be redeemed at the option of the Issuer in whole, but not in part, prior to the Expiry Date, on the occurrence of a Tax Event as set out in Condition 10.2 ( <i>Dissolution for Tax Reasons</i> ). In order to redeem the Sukuk, the Issuer will purchase the Sukuk Assets from the Sukukholders Agent at the Purchase Price. The Sukuk may not be redeemed early at the option of the Issuer under any other circumstances.
<b>Purchase Price</b> .....	An amount payable upon the purchase of the Sukuk Assets by the Issuer from the Sukukholders Agent. The Purchase Price for the Sukuk Assets (expressed as a percentage of the Nominal Amount of the Sukuk) will be one hundred per cent (100%).
<b>Total Loss Relating to an Underlying Asset</b> .....	<p>The Sukuk Assets Manager is responsible for ensuring that the underlying assets relating to the Sukuk Assets are properly insured. If a Total Loss Event occurs, the Sukuk Assets Manager will be obliged to ensure that all insurance proceeds in respect thereof are paid to reinstate or replace the underlying asset within thirty (30) days of the occurrence of a Total Loss Event.</p> <p>If a Total Loss Event occurs and an amount less than the Insurance Coverage Amount is paid to the Sukuk Assets Manager, then the Sukuk Assets Manager will undertake to pay the Total Loss Shortfall Amount.</p>

If the Insurance Proceeds have not been applied to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event, the Sukuk Assets Manager is required to apply the Insurance Proceeds as Net Income and credit such amounts to the Collection Account.

<b>Covenants and Undertakings</b> .....	The Sukuk will have the benefit of certain other covenants and undertakings as described in Condition 6 ( <i>Covenants and Undertakings</i> ), which includes the benefit of a negative pledge (Condition 6(b)(i)), pursuant to which the Issuer has agreed that it will not, and will not permit any of its Subsidiaries to, create or permit any Security Interest (other than a Permitted Security Interest) (each as defined in the Conditions) upon the whole or any part of its present or future undertakings, assets or revenues to secure any Indebtedness or Guarantee of Indebtedness (each as defined in the Conditions), without at the same time or prior to thereto securing equally and rateably with such Security Interest, the obligations of the Issuer to the Sukukholders' Agent (for and on behalf of the Sukukholders) under the Declaration of Agency and the Sukuk or providing such other security for those obligations as may be approved by an Extraordinary Resolution.
<b>Sukukholder Meetings</b> .....	A summary of the provisions for convening meetings of Sukukholders to consider matters relating to their interests as such is set out in Condition 14 ( <i>Meetings of Sukukholders; Modification</i> ).
<b>Transfers</b> .....	The Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar, by delivering to the Registrar such information as such regulations and procedures shall require. See Condition 3 ( <i>Register; Title and Transfers</i> ) and " <i>Subscription and Sale</i> " on pages 152 and 179 of this Prospectus, respectively.
<b>Taxation</b> .....	All payments in respect of the Sukuk will be made free and clear of withholding taxes of the Kingdom unless such withholding is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Sukukholders of such amounts as would have been received had no such withholding or deduction been required but only to the extent that such amounts are otherwise available for distribution to the Sukukholders from the Net Income and the Reserve.
<b>Governing Law</b> .....	The Sukuk and the Sukuk Documents are governed by, and are to be construed in accordance with, the laws of the Kingdom.

## SUMMARY OF BASIC INFORMATION

The summary of basic information set out below should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Prospectus. This summary may not contain all of the information that prospective investors should consider before deciding to invest in the Sukuk. Accordingly, any decision by a prospective investor to invest should be based on a consideration of this Prospectus as a whole. You should read this entire Prospectus carefully, including the financial statements and related notes and the information set forth under the headings “*Risk Factors*” and “*Important Notice*” before making any investment decision. Capitalised terms used but not defined in this summary have the meanings given to them in the “*Terms and Definitions*” section of this Prospectus.

### *Description of Saudi ORIX*

Saudi ORIX is a closed joint stock company incorporated in the Kingdom on 15/09/1421H (corresponding to 11 December 2000) pursuant to the Minister of Commerce and Industry’s resolution No. 1662 announcing its incorporation with commercial registration number No. 1010163957 dated 21/10/1421H (corresponding to 16 January 2001).

Saudi ORIX is a financial leasing company offering leasing services in respect of a range of economic sectors across the Kingdom. It operates as a non-bank financial institution licensed by SAMA and was the first general purpose finance leasing company licensed by SAMA (under licence No. 1452 MZ-MAT) to provide medium term asset financing with a focus on small and medium enterprises (“**SME**”), in the Kingdom. Saudi ORIX was issued with a non-industrial licence No.99 dated 27/02/1421H (corresponding to 31 May 2000) by the Ministry of Industry and Electricity, the predecessor of the Saudi Arabian General Investment Authority (“**SAGIA**”), the authority responsible for issuing foreign investment licences, in addition to a valid foreign investment licence No. 102030093785 issued by SAGIA on 11/9/1430H (corresponding to 1 September 2009).

Saudi ORIX’s share capital as at the date of the Prospectus is SAR 340 million divided into 34 million shares with a par value of SAR 10 each.

Saudi ORIX commenced commercial operations in May 2001 and has since grown to be one of the largest leasing companies in the Kingdom by total value of leased assets.

The assets financed by Saudi ORIX include equipment, industrial machinery, commercial vehicle, motor vehicles and commercial properties and real estate. Saudi ORIX generally leases any type of immovable property or movable equipment, including but not limited to factory buildings, warehouses and equipment used in the production, construction, agricultural, medical, transport and service sectors.

Saudi ORIX services customers in various industries including: manufacturing, construction and contracting, services, trading and others.

Initially operating out of its head office in Riyadh, Saudi ORIX now operates out of five branches in the Kingdom, with offices in Riyadh, Jeddah, Al-Khobar, Jubail and Khamis Mushaet.

### *Vision, mission, and overall strategy*

#### *Vision*

*“The vision of Saudi ORIX is to create value that is economically significant for its shareholders, customers, employees and other stakeholders and which maximises the benefit of financial intermediation for the society in general”.*

## *Mission*

*“Saudi ORIX’s mission is to provide medium term asset financing to all productive sectors of the Saudi Arabian economy with particular emphasis on serving the needs of the SME sector, thereby assisting in extending and expanding the credit delivery mechanism in the Kingdom. Saudi ORIX seeks to strive for progress and offer real and lasting value to its customers. Saudi ORIX also endeavours to benchmark professional business ethics and to create a culture of openness, promoting individual and societal growth by rewarding initiative and performance.”*

## Strategy

Saudi ORIX’s strategic objectives and the means by which such objectives are to be achieved are as follows:

- Continue to develop its core market in the Saudi Arabian SME sector by further developing its network of regional offices, so as to increase Saudi ORIX’s customer base and consequently its finance lease portfolio;
- Further diversify and expand its finance lease portfolio, through expanding into new sectors and asset classes and by introducing new products, such as syndicated lease financing, to meet the need of the market. Such diversification is expected to reduce Saudi ORIX’s exposure to a downturn in any particular sector;
- Further diversify and expand its client base, by expanding its presence in sectors other than the SME sector through (i) targeting “*big ticket*” transactions with large corporations; and (ii) leveraging its track record of successfully structuring tailored and often complex leasing arrangements;
- Further diversify its funding sources, by increasing its exposure to the domestic capital markets, including through the issue of debt securities such as the Sukuk, and by borrowing from a range of domestic and international financial institutions; and
- Continue to develop the experience and knowledge of its employees by focusing on staff training. Saudi ORIX believes that investing in the training of its staff to ensure an experienced and qualified workforce is a critical enabling factor for the successful execution of its above mentioned strategy.

## ***Key strengths and competitive advantages***

Saudi ORIX’s key strengths and competitive advantages include:

- Saudi ORIX enjoys the use of the globally recognised “ORIX” name in the leasing industry. In addition, since Saudi ORIX was the first lease finance company licensed by SAMA to operate in the Kingdom and has actively participated in the lease finance market in the Kingdom ever since, Saudi ORIX has become established as a recognised name in this market.
- Saudi ORIX has developed a well-diversified finance lease portfolio in terms of customers, economic sectors and asset types and is characterised by a low default rate, namely 0.91% as at 31 December 2011 and 0.74% as at 31 December 2010.
- Saudi ORIX benefits from its membership in the ORIX Corporation franchise and the substantial lease finance expertise and support of ORIX Corporation and its subsidiaries. Saudi ORIX has access to technical and management support from ORIX Corporation and OLP at no cost and benefits from their knowledge and experience in the development and execution of tailored finance lease transactions.

- Saudi ORIX was established as an independent lease finance company in the Kingdom and is not tied in to any exclusive arrangements with customers or vendors. As such, Saudi ORIX itself would not be viewed by a lease finance customer as a direct competitor or related to a direct competitor to its business.
- The senior management of Saudi ORIX has extensive experience in the leasing, banking and finance industries. Since the start of commercial operations, the senior management team has guided Saudi ORIX through a period of growth and diversification, has dealt with the challenges of the global financial crisis, and has the experience to continue to implement Saudi ORIX's strategic objectives.

### ***Overview of the market***

The finance leasing services sector in Saudi Arabia is regulated by SAMA (see "*Market and Industry Information – Overview of the Leasing Sector in the Kingdom*"). There are currently only 2 leasing companies that have been licensed by SAMA: Saudi ORIX and Al Amthal Financing and Leasing Company Limited ("**Al Amthal**"). All other leasing companies and installment companies are either licensed by the Ministry of Commerce and Industry ("**MOCI**") or are in-house operations/ departments of large suppliers which provide lease financing services related to their own products.

Key focus areas for the Kingdom's leasing industry include: the manufacturing sector (equipment and machinery leasing), the real estate sector (both commercial and residential properties), and the automotive sector (both commercial and retail vehicles).

## SUMMARY OF FINANCIAL INFORMATION

The summary of financial information set out below should be read in conjunction with the information contained in “*Management Discussion and Analysis of Financial Condition and Results of Operations*” on page 89 of this Prospectus and Saudi ORIX’s audited financial statements and related notes for the years ended 31 December 2009, 2010 and 2011, and for the six months ended 30 June 2012, which are set out in “*Appendix A - Financial Statements*” of this Prospectus. This summary of financial information has been extracted from the audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012. It is important to note that the comparative figures as at / for the six months ended 30 June 2011 are extracted from the unaudited comparative information presented in the audited financial statements for the six months period ended 30 June 2012. The fair value of derivatives and cash flow hedge reserve were not presented in the audited financial statements of Saudi ORIX for the year ended 31 December 2009 and are taken from the comparative information provided in the audited financial statements of Saudi ORIX for the year ended 31 December 2010.

References to “CAGR” refer to compound annual growth rate over the financial years ended 31 December 2009 to 31 December 2011. References to negative compound annual rate over the financial years ended 31 December 2009 to 2011 refer to a declining trend.

Summary statement of income	Year ended 31 December				6 months ended 30 June		
	2009	2010	2011	CAGR	2011	2012	Change
	SAR ‘000			%	SAR ‘000		%
<b>Income</b>							
Lease finance income	115,402	118,201	133,098	7.4%	63,322	77,890	23.0%
Investment Income	15	4	0	-100.0%	0	0	N.M.
Special commission expense (including amortization of transaction cost)	(32,705)	(25,059)	(15,973)	-30.1%	(8,596)	(11,478)	33.5%
<b>Net finance lease and investment income</b>	<b>82,712</b>	<b>93,145</b>	<b>117,126</b>	<b>19.0%</b>	<b>54,726</b>	<b>66,413</b>	<b>21.4%</b>
Other operating Income	1,936	1,330	829	-34.6%	502	749	49.2%
<b>Total operating income</b>	<b>84,648</b>	<b>94,475</b>	<b>117,954</b>	<b>18.0%</b>	<b>55,227</b>	<b>67,162</b>	<b>21.6%</b>
<b>Total operating expenses</b>	<b>41,761</b>	<b>40,544</b>	<b>44,189</b>	<b>2.9%</b>	<b>19,872</b>	<b>23,909</b>	<b>20.3%</b>
<b>Net Income</b>	<b>42,887</b>	<b>53,931</b>	<b>73,765</b>	<b>31.1%</b>	<b>35,356</b>	<b>43,253</b>	<b>22.3%</b>

“N.M.” refers to Not Meaningful

Summary balance sheet	As at 31 December			As at 30 June	
	2009	2010	2011	2011	2012
	SAR ‘000				
<b>Assets</b>					
Cash and cash equivalents	16,371	41,001	70,929	31,340	93,841
Net investment in finance leases	948,522	945,562	1,159,110	1,033,224	1,335,696
Advances, prepayments and other receivables	3,145	3,765	5,917	6,406	8,881
Fixed assets	2,129	1,732	1,795	1,613	1,787
<b>Total Assets</b>	<b>970,167</b>	<b>992,061</b>	<b>1,237,751</b>	<b>1,072,581</b>	<b>1,440,204</b>
<b>Liabilities</b>					
Short term loans (including current maturity of loan term loans)	162,104	122,930	314,261	260,486	616,986
Accounts payable	23,431	52,407	62,126	69,878	164,903

Summary balance sheet (continued)	As at 31 December			As at 30 June	
	2009	2010	2011	2011	2012
	SAR '000				
Accrued expenses and other liabilities	32,648	38,310	32,750	39,509	40,261
Long term loans	441,138	427,709	422,443	332,293	187,654
Employees' terminal benefits	3,266	4,132	5,332	4,661	5,916
Fair value of derivatives	604	287	77	154	134
<b>Total Liabilities</b>	<b>663,192</b>	<b>645,775</b>	<b>836,989</b>	<b>706,980</b>	<b>1,015,854</b>
<b>Total Shareholders' Equity</b>	<b>306,975</b>	<b>346,286</b>	<b>400,762</b>	<b>365,601</b>	<b>424,350</b>
<b>Total liabilities and equity</b>	<b>970,167</b>	<b>992,061</b>	<b>1,237,751</b>	<b>1,072,581</b>	<b>1,440,204</b>

Summary statement of cash flow	Year ended 31 December				6 months ended 30 June		
	2009	2010	2011	CAGR	2011	2012	Change
	SAR '000				%	SAR '000	
Net cash (used)/from operating activities	195,799	91,492	(136,871)	N.M.	(35,335)	(24,053)	-31.9%
Net cash used in investing activities	(386)	(287)	(706)	35.2%	(207)	(343)	65.7%
Net cash (used)/from financing activities	(227,409)	(66,575)	167,505	N.M.	25,880	47,309	82.8%
<b>Net change in cash and cash equivalents</b>	<b>(31,996)</b>	<b>24,631</b>	<b>29,927</b>	<b>N.M.</b>	<b>(9,662)</b>	<b>22,912</b>	<b>-337.1%</b>
Cash and cash equivalents at beginning of year	48,367	16,371	41,001	-7.9%	41,001	70,929	73.0%
<b>Cash and cash equivalents at the end of the year</b>	<b>16,371</b>	<b>41,001</b>	<b>70,929</b>	<b>108.1%</b>	<b>31,340</b>	<b>93,841</b>	<b>199.4%</b>

"N.M." refers to Not Meaningful

Key ratios	Year ended/As at 31 December			6 months ended/As at 30 June	
	2009	2010	2011	2011	2012
	% (unless otherwise stated)				
<b><i>Profitability</i></b>					
Net Commission Margin	6.75%	7.95%	9.31%	N.M.	N.M.
Cost to Income, gross	35.59%	33.92%	33.00%	31.14%	30.40%
Cost to income, net	49.34%	42.91%	37.46%	35.98%	35.60%
Net Margin	37.16%	45.63%	55.42%	55.83%	55.53%
Return on Average Assets	4.04%	5.50%	6.62%	N.M.	N.M.
Return on Average Equity	14.84%	16.51%	19.75%	N.M.	N.M.
<b><i>Portfolio Quality</i></b>					
NPLs/Lease Portfolio (pre-provision)	1.60%	0.74%	0.91%	1.08%	1.11%
Reserves for Lease Losses/NPLs (x)	3.05x	7.82x	6.03x	5.30x	4.70x
<b><i>Leverage and Capitalization</i></b>					
Total Liabilities/Shareholders' Equity (x)	2.16x	1.86x	2.09x	1.93x	2.39x
Total Debt/Shareholders' Equity (x)	1.97x	1.59x	1.84x	1.62x	1.90x
Total Debt/Total Capital	66.27%	61.39%	64.77%	61.85%	65.47%
Shareholders' Equity/Total Assets	31.64%	34.91%	32.38%	34.09%	29.46%
Tier 1 Ratio	28.09%	30.43%	28.68%	29.39%	26.86%
Total Capital Ratio	29.34%	31.68%	29.93%	30.64%	28.11%



Where:

- "Net Commission Margin" is (lease finance income plus investment income divided by net investment in finance leases) minus (total special commission expense divided by total borrowings);
- "Cost to Income, gross" is the ratio of total operating expenses divided by the sum of (lease finance and investment income plus other income);
- "Cost to Income, net" is the ratio of total operating expenses divided by total operating income;
- "Net Margin" is the ratio of net income divided by lease finance and investment income;
- "Return on Average Assets" is the ratio of net income for the year divided by average of total assets (i.e., opening and closing balance for the year);
- "Return on Average Equity" is the ratio of net income for the year divided by average of shareholders' equity (i.e., opening and closing balance for the year);
- "NPLs / Lease Portfolio (pre-provisions)" is the ratio of net non-performing lease contracts ("NPL") divided by net investments in finance leases (pre-provisions);
- "Reserves for Lease Losses / NPLs" is the ratio of reserves for lease losses divided by net non-performing lease contracts; and
- "Total Debt / Total Capital" is the ratio of total debt divided by the sum of (total debt and shareholders' equity).

## TABLE OF CONTENTS

	<b>Page</b>
TERMS AND DEFINITIONS.....	13
STRUCTURE DIAGRAM AND CASHFLOWS .....	23
RISK FACTORS .....	26
MARKET AND INDUSTRY INFORMATION.....	38
DESCRIPTION OF SAUDI ORIX.....	48
MANAGEMENT AND EMPLOYEES.....	74
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION .....	89
USE OF PROCEEDS AND EXPENSES .....	142
TERMS AND CONDITIONS OF THE SUKUK.....	143
SUMMARY OF THE SUKUK DOCUMENTS .....	168
SHARI'AH ADVISORY COMMITTEE AND PRONOUNCEMENT.....	175
TAXATION AND ZAKAT.....	176
SUBSCRIPTION AND SALE .....	179
LEGAL INFORMATION .....	181
GENERAL INFORMATION.....	192
APPENDIX A (FINANCIAL STATEMENTS).....	A-1

## TERMS AND DEFINITIONS

*In this Prospectus, the following terms shall have the meanings set out below.*

“ <b>Agency Fees</b> ”	means the on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders’ Agent for their services in connection with the Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency;
“ <b>Authorised Holding</b> ”	has the meaning given to it in Condition 2 ( <i>Form and Denomination</i> );
“ <b>Authority</b> ”	means the Capital Markets Authority of the Kingdom;
“ <b>Board</b> ”	means the Board of Directors of Saudi ORIX;
“ <b>Business Day</b> ”	means a day on which commercial banks are open for general business in the Kingdom;
“ <b>Closed Period</b> ”	has the meaning given to it in Condition 3(e) ( <i>Transfer Record Dates and Closed Periods</i> );
“ <b>Closing Date</b> ”	Means no later than 10 business days after the end of the Investor Presentation Period;
“ <b>Collection Account</b> ”	has the meaning given to it in Condition 5(b) ( <i>Application of Proceeds – Net Income</i> );
“ <b>Committee</b> ”	means the Committee for the Resolution of Securities Disputes, established pursuant to the Capital Market Law, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003) or any successor body;
“ <b>Companies Regulations</b> ”	means the regulations for companies in the Kingdom promulgated under Royal Decree No. M/6 dated 22/3/1385H (corresponding to 20 July 1965) as amended from time to time;
“ <b>Conditions</b> ”	means the terms and conditions of the Sukuk;
“ <b>Declaration of Agency</b> ”	means the Declaration of Agency dated on or about the Closing Date between the Issuer and the Sukukholders’ Agent.;
“ <b>DCM</b> ”	means domestic capital markets;
“ <b>Event of Default</b> ”	has the meaning given to it in Condition 11.2 ( <i>Events of Default</i> );
“ <b>Event of Default Date</b> ”	has the meaning given to it in Condition 11.2 ( <i>Events of Default</i> );
“ <b>Event of Default Notice</b> ”	has the meaning given to it in Condition 11.2 ( <i>Events of Default</i> );
“ <b>Exercise Event</b> ”	means an Event of Default Date or the Expiry Date;
“ <b>Exercise Notice</b> ”	has the meaning given to it in Condition 11.1 ( <i>Expiry Date</i> );

<b>“Exercise Period”</b>	has the meaning given to it in Condition 11.2 ( <i>Events of Default</i> );
<b>“Expiry Date”</b>	means the last Periodic Distribution Date falling on or nearest to 26 December 2015;
<b>“Extraordinary Resolution”</b>	means a resolution passed at a duly convened meeting of the Sukukholders by a majority of at least fifty-one per cent. (51%) of the aggregate Nominal Amount of the Sukuk represented;
<b>“First Order Note Period”</b>	means the eleven (11) month period immediately following the Closing Date;
<b>“Founding Shareholders”</b>	means SAIB, TDIG, IFC, ORIX Corporation and OLP;
<b>“GCC”</b>	means the Gulf Cooperation Council;
<b>“Global Suk”</b>	means the registered form global suk representing the Sukuk;
<b>“Government”</b>	means the Government of the Kingdom;
<b>“Guarantee”</b>	means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation): <ul style="list-style-type: none"> <li>(a) any obligation to purchase such Indebtedness;</li> <li>(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;</li> <li>(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and</li> <li>(d) any other agreement to be responsible for such Indebtedness;</li> </ul>
<b>“IFC”</b>	means International Finance Corporation;
<b>“Indebtedness”</b>	means any indebtedness for or in respect of: <ul style="list-style-type: none"> <li>(a) moneys borrowed;</li> <li>(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;</li> <li>(c) any amount raised pursuant to any debt instrument or any similar instrument;</li> <li>(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Issuer’s applicable accounting standards, be treated as a finance or capital lease;</li> <li>(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non recourse basis);</li> <li>(f) any amount raised under any other transaction (including any forward</li> </ul>

	<p>sale or purchase agreement) having the commercial effect of a borrowing;</p> <p>(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);</p> <p>(h) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution excluding any performance bonds;</p> <p>(i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance;</p> <p>(j) any obligations incurred in respect of any Islamic financing arrangements; and</p> <p>(k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;</p>
<b>“Insurance Coverage Amount”</b>	means an amount equal to the amount required to reinstate or replace an underlying asset relating to the Sukuk Assets which has suffered a Total Loss Event;
<b>“Insurance Proceeds”</b>	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );
<b>“Investor Application Form”</b>	means the form required to be submitted to the Lead Manager and Bookrunner before the end of the Investor Presentation Period by the Persons wishing to invest in the Sukuk;
<b>“Investor Presentation Period”</b>	means the investor presentation period for the Sukuk commencing 19/01/1434H (corresponding to 03/12/2012G) and ending in 14 Business Days after such date, unless notified otherwise by the Issuer and the Lead Manager and Bookrunner;
<b>“IRS”</b>	means interest rate swaps;
<b>“Issuer”</b>	means Saudi ORIX Leasing Company in its capacity as issuer of the Sukuk;
<b>“JVA”</b>	means the Joint Venture Agreement dated 17 June 2000 between the Founding Shareholders;
<b>“Kingdom”</b>	means the Kingdom of Saudi Arabia;
<b>“Late Payment Amount”</b>	means in relation to any Overdue Amount a late payment amount, to be paid to a charity chosen by the Sukukholders’ Agent, that is calculated on a daily basis in respect of the period from, and including, the due date for such Overdue Amount to, but excluding, the date of settlement in full of such Overdue Amount, as the product of: (i) two per cent. (2%) per annum; (ii) the Overdue Amount; and (iii) the number of days when such Overdue Amount is outstanding divided by 360;

<b>“Lead Manager and Bookrunner”</b>	means Samba Capital & Investment Management Company, acting as lead manager and bookrunner;
<b>“Leased Assets”</b>	means the assets generally leased by Saudi ORIX including: machinery and factory equipment, such as overhead cranes, oilfield equipment, fabrication and food processing machinery; vehicles and transportation equipment, such as tractors, trailers, fork-lifters, buses, cars, trucks, vans and prime movers; office and other equipment, such as photocopiers, computers, routers, air conditioners and medical equipment; and other assets, such as factory buildings, warehouses and sheds;
<b>“Margin”</b>	means 1.65 %;
<b>“MOCI”</b>	means The Ministry of Chamber of Commerce & Industry;
<b>“Negotiable Instruments Committee”</b>	means the Committee for the Settlement of Negotiable Instruments Disputes, established pursuant to the Minister of Commerce Decisions Number 353 and 354 dated 11/5/1388H. (corresponding to 5 August 1968) and Number 358 dated 16/5/1388H. (corresponding to 10 August 1968) or any successor body;
<b>“Net Income”</b>	has the meaning given to it in Condition 5(b) ( <i>Application of Proceeds – Net Income</i> );
<b>“New Ijara Assets”</b>	means any <i>ijara</i> contract for real estate, equipment, machinery or a motor vehicle entered into by the Issuer (as lessor) and a third party (as lessee) and identified in the schedule to the Substitution Notice, provided that no amount due to the Issuer under any such <i>ijara</i> contract shall be outstanding for a period of thirty (30) days or more;
<b>“Nominal Amount”</b>	means the nominal amount of the Sukuk, which is SAR 100,000;
<b>“OLP”</b>	means ORIX Leasing Pakistan Ltd;
<b>“Order Note”</b>	has the meaning given to it in Condition 5(c) ( <i>Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes</i> );
<b>“Order Note Period”</b>	means the First Order Note Period and each successive eleven (11) month period immediately following the First Order Note Period;
<b>“Original Ijara Assets”</b>	means any <i>ijara</i> contract for real estate, equipment, machinery or a motor vehicle entered into by the Issuer (as lessor) and a third party (as lessee) and identified in the schedule to the Sukuk Asset Sale and Transfer Agreement, provided that: (i) no amount due to the Issuer under any such <i>ijara</i> contract shall be outstanding for a period of thirty (30) days or more; and (ii) the aggregate value of Original <i>Ijara</i> Assets shall be no less than one hundred and twenty per cent. (120%) of the aggregate Nominal Amount of Sukuk;
<b>“ORIX Corporation”</b>	means The ORIX Corporation;
<b>“Overdue Amount”</b>	means any amount that the Issuer fails to pay that is due and payable in accordance with the Sukuk Documents;
<b>“Partial Periodic Distribution Amount”</b>	means, in relation to any day on which the Issuer is to redeem the Sukuk due to the occurrence of an Event of Default or a Tax Event, an amount calculated as

	<p>follows:</p> $\frac{P \times (S+M) \times D}{N}$ <p>where</p> <p>P = the aggregate Nominal Amount of such Sukuk as are current on the Transfer Record Date immediately preceding the date of such redemption;</p> <p>S = SIBOR for the Periodic Distribution Period in which the date of such redemption falls;</p> <p>M = the Margin;</p> <p>D = the number of days between the immediately preceding Periodic Distribution Date and the date of such redemption; and</p> <p>N = the number of days between the immediately preceding Periodic Distribution Date and the next scheduled Periodic Distribution Date calculated on the basis of a 360 day year;</p>
<b>“Payments Administration Agreement”</b>	means the payments administration agreement to be entered into on or about the Closing Date between, amongst others, the Sukukholders’ Agent, the Issuer and HSBC Saudi Arabia Limited;
<b>“Payments Administrator”</b>	means HSBC Saudi Arabia Limited, whose registered address is HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia and any successor or other payments administrator appointed in respect of the Sukuk;
<b>“Periodic Determination Date”</b>	has the meaning given to it in Condition 7(b) ( <i>Saudi Interbank Offered Rate (SIBOR)</i> );
<b>“Periodic Distribution Amount”</b>	has the meaning given to it in Condition 7(a) ( <i>Periodic Distribution Dates</i> );
<b>“Periodic Distribution Date”</b>	means twenty sixth (26 <sup>th</sup> ) of March, June, September and December in each year, commencing on 26 March 2013 and up to and including 26 December 2015; provided however, that if any such day is not a Business Day as defined in the Conditions, the Periodic Distribution Date will be the next Business Day, unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be the immediately preceding Business Day;
<b>“Periodic Distribution Period”</b>	means the period from and including the Closing Date to but excluding the first Periodic Distribution Date, and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date;
<b>“Permitted Security Interest”</b>	means a Security Interest over any of the Issuer’s present or future assets or revenues or any part thereof in connection with:

	<p>(a) Security Interests created pursuant to the Sukuk;</p> <p>(b) Security Interests existing on the Closing Date which have been disclosed to the Sukukholders' Agent;</p> <p>(c) any Security Interest existing on any property at the time of the acquisition of such property (or on the property of any Person at the time such Person becomes a Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Subsidiary of the Issuer), <i>provided</i> that such Security Interest was not created in contemplation of such event;</p> <p>(d) Security Interests for Taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, <i>provided</i> that any reserve or other appropriate provision as is required in conformity with the Issuer's applicable accounting standards has been made;</p> <p>(e) Security Interests imposed by law, in each case, incurred in the ordinary course of business;</p> <p>(f) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (d) (inclusive) above, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);</p> <p>(g) any other Security Interests (not covered in (a) to (e) (inclusive) above) entered into in the ordinary course of business on arm's length terms provided: (i) the Security Interest does not exceed one hundred and twenty per cent. (120%) of the value of the Indebtedness that is being secured; and (ii) the Issuer has not given notice to, or obtained any acknowledgment from, the relevant counter-party, registered or otherwise perfected such Security Interest, without at the same time or prior thereto having given notice to, and obtained an acknowledgment of, registered or perfected the Security Interest created pursuant to the Sukuk;</p>
<b>"Person"</b>	means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
<b>"Portfolio Report"</b>	has the meaning given to it in Condition 6 ( <i>Covenants and Undertakings</i> );
<b>"Prospectus"</b>	means the prospectus dated 13/02/1434H (corresponding to 26/12/2012G) relating to the Sukuk;
<b>"Purchase Price"</b>	means as of any date, the product of the aggregate Nominal Amount of all Sukuk as are current on such date;
<b>"Purchase Undertaking"</b>	means the purchase undertaking to be entered into by the Issuer and the Sukukholders' Agent on or about the Closing Date;
<b>"Qualified IPO"</b>	means any initial public offering and listing of no more than thirty per cent.



	(30%) of the issued share capital of the Issuer on a recognised stock exchange;
<b>“Qualified Person”</b>	means (a) a natural Person who is a national of the Kingdom or (b) another legal Person with a permanent establishment holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in the case of either (a) or (b), maintains a bank account in the Kingdom;
<b>“Register”</b>	means the registry system administered by the Registrar or any successor entity;
<b>“Registrar”</b>	means the Saudi Arabian Stock Exchange (“ <b>Tadawul</b> ”) (and includes any successor registrar as may be appointed in accordance with the provisions of the Registry Agreement), whose registered address is NCCI building – North Tower, King Fahd Rd, P.O. Box 60612, Riyadh 11555, Kingdom of Saudi Arabia;
<b>“Registry Agreement”</b>	means the registry and trading agreement to be entered into on or about the Closing Date between the Issuer and the Registrar in relation to the Sukuk;
<b>“Reinvestment Income”</b>	has the meaning given to it in Condition 5(b) ( <i>Application of Proceeds – Net Income</i> );
<b>“Relevant Indebtedness”</b>	means any Indebtedness which is in the form of, or represented or evidenced by, bonds, <i>sukuk</i> , notes, debentures, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;
<b>“Required Sukukholders”</b>	as of any date, means Sukukholders holding at least thirty-three and one-third per cent. (33⅓%) in aggregate Nominal Amount of the Sukuk as are current on such date;
<b>“Reserve”</b>	has the meaning given to it in Condition 5(b) ( <i>Application of Proceeds – Net Income</i> );
<b>“Reserve Account”</b>	has the meaning given to it in Condition 5(b) ( <i>Application of Proceeds – Net Income</i> );
<b>“Retained Income”</b>	has the meaning given to it in Condition 5(b) ( <i>Application of Proceeds – Net Income</i> );
<b>“SAGIA”</b>	means Saudi Arabian General Investment Authority;
<b>“SAIB”</b>	means The Saudi Investment Bank;
<b>“Sale Undertaking”</b>	means the sale undertaking to be entered into by the Issuer and the Sukukholders’ Agent on or about the Closing Date;
<b>“SAMA”</b>	means the Saudi Arabian Monetary Agency;
<b>“SAR” or “Saudi Riyals”</b>	means the lawful currency of the Kingdom;
<b>“Saudi Interbank Offered Rate”</b>	means, in relation to any Periodic Distribution Period, the rate (expressed as a percentage per annum) determined in accordance with Condition 7(b) ( <i>Saudi</i>

“(SIBOR)” or “SIBOR”	<i>Interbank Offered Rate (SIBOR)</i> in relation to such Periodic Distribution Period;
“Saudi ORIX”	means Saudi ORIX Leasing Company;
“Security Interest”	means any mortgage, charge (fixed or floating), pledge, encumbrance, lien or hypothecation, any taking of title, reservation of title, set-off or trust arrangement for the purpose of taking security, any assignment by way of security or any other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;
“Shortfall”	has the meaning given to it in Condition 5(d) ( <i>Application of Proceeds – Transaction Account</i> );
“SIMAH”	means the Saudi Credit Bureau;
“SME”	means small and medium enterprises;
“Subsidiary”	means any Person, company or corporation: <ul style="list-style-type: none"> <li>(a) which is controlled, directly or indirectly, by the Issuer;</li> <li>(b) more than fifty per cent. (50%) of the issued share capital or ownership or other equity interests of which is beneficially owned, directly or indirectly, by the Issuer; or</li> <li>(c) which is a Subsidiary of another Subsidiary of the Issuer;</li> </ul>
“Substituted <i>Ijara</i> Assets”	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );
“Substitution Notice”	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );
“Sukuk”	means the sukuk al-Istithmar expiring December 2015. An Istithmar sukuk represents a structured investment by sukukholders in an existing business activity or cash flow generating asset(s) of an issuer;
“Sukuk Assets”	means the Original <i>Ijara</i> Assets and any New <i>Ijara</i> Assets, but shall not include any Substituted <i>Ijara</i> Assets;
“Sukuk Assets Management Administration Fee”	means the administration fee of SAR1,000 per annum;
“Sukuk Assets Management Agreement”	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );
“Sukuk Assets Manager”	means Saudi ORIX in its capacity as manager of the Sukuk Assets;
“Sukuk Assets Substitution Undertaking”	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );
“Sukuk Assets Sale and Transfer”	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );

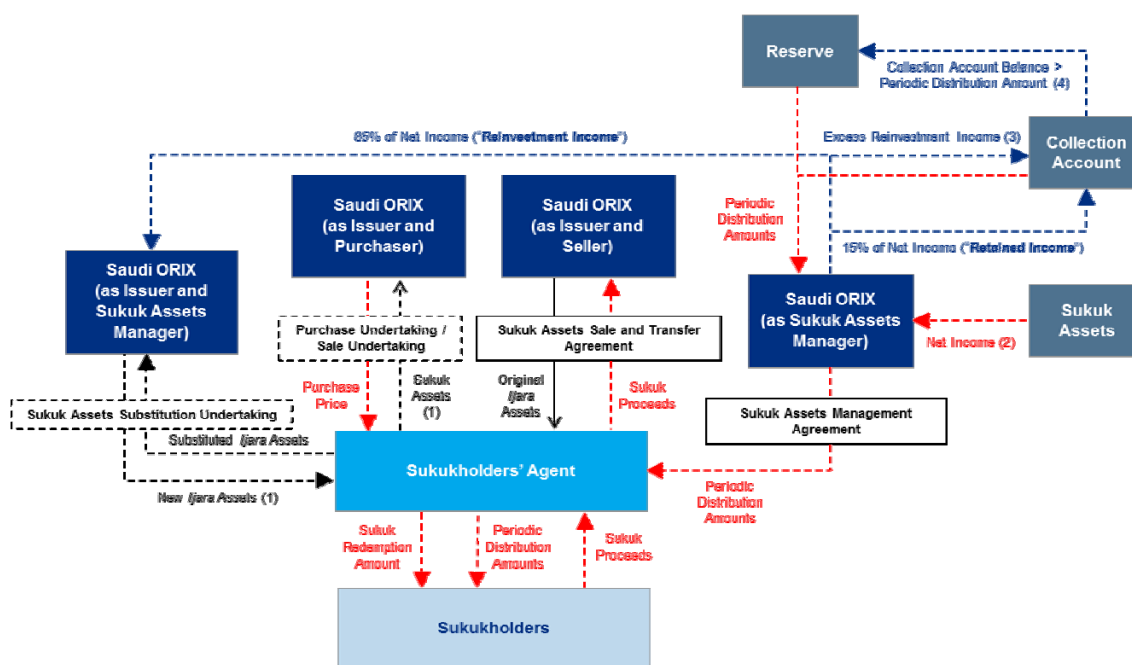
<b>Agreement”</b>	
<b>“Sukuk Documents”</b>	means the Sukuk Assets Sale and Transfer Agreement, the Sukuk Assets Management Agreement, the Purchase Undertaking, the Sale Undertaking, the Sukuk Assets Substitution Undertaking, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Sukuk (including the Global Suk) and the Investor Application Form and any other agreements and documents delivered or executed in connection therewith;
<b>“Sukukholders”</b>	means the registered holders of the Sukuk;
<b>“Sukukholders’ Agent”</b>	means HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia, which expression includes any successor Sukukholders’ Agent in relation to the Sukuk
<b>“Tangible Net Worth”</b>	<p>means at any time the aggregate of the amounts paid up or credited as paid up on the issued ordinary share capital of the Issuer and the aggregate amount of the reserves of the Issuer, including:</p> <p>(a) any amount credited to the share premium account;</p> <p>(b) any capital redemption reserve fund; and</p> <p>(c) any balance standing to the credit of the profit and loss account of the Issuer;</p> <p>but deducting:</p> <p>(i) any debit balance on the profit and loss account of the Issuer;</p> <p>(ii) (to the extent included) any amount shown in respect of goodwill or other intangible assets of the Issuer;</p> <p>(iii) (to the extent included) any amount set aside for taxation, deferred taxation or bad debts;</p> <p>(iv) (to the extent included) any amounts arising from an upward revaluation of assets made at any time after 31 December 2011; and</p> <p>(v) any amount in respect of any dividend or distribution declared, recommended or made by Issuer or any Subsidiary to the extent such distribution is not provided for in the most recent financial statements.</p> <p>and so that no amount shall be included or excluded more than once;</p>
<b>“Tax Redemption Date”</b>	has the meaning given to it in Condition 10.2 ( <i>Dissolution for Tax Reasons</i> );
<b>“Tax Redemption Notice”</b>	has the meaning given to it in Condition 10.2 ( <i>Dissolution for Tax Reasons</i> );
<b>“Tax Event”</b>	has the meaning given to it in Condition 10.2 ( <i>Dissolution for Tax Reasons</i> );
<b>“Taxes”</b>	means any present or future taxes, zakat, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom or any political subdivision thereof or any

	authority therein or thereof having power to tax;
“ <b>TDIG</b> ”	means Trade Development & Investment Group Ltd;
“ <b>Technical Assistance Agreement</b> ”	means the technical assistance agreement dated 15 January 2001 between Saudi ORIX, ORIX Corporation and OLP;
“ <b>Total Loss Event</b> ”	means: <ul style="list-style-type: none"> <li>(a) the total loss or destruction of, or damage to the whole, or substantially the whole, of an underlying asset relating to, the Sukuk Assets or any event or occurrence that renders the whole, or substantially the whole, of an underlying asset relating to, the Sukuk Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical; or</li> <li>(b) the expropriation, confiscation, attachment, sequestration or execution of any legal process in respect of the whole, or substantially the whole, of an underlying asset relating to the Sukuk Assets;</li> </ul>
“ <b>Total Loss Shortfall Amount</b> ”	has the meaning given to it in Condition 5(a) ( <i>Transfer of Sukuk Assets</i> );
“ <b>Transaction Account</b> ”	has the meaning given to it in Condition 5(d) ( <i>Application of Proceeds – Transaction Account</i> );
“ <b>Transfer Record Date</b> ”	has the meaning given to it in Condition 3 ( <i>Register, Title and Transfers</i> );
“ <b>Winding Up Proceeding</b> ”	has the meaning given to in Condition 11(f) ( <i>Events of Default</i> ); and
“ <b>Withdrawn Amounts</b> ”	has the meaning given to it in Condition 5(c) ( <i>Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes</i> ).

## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cashflow underlying the transaction. Potential investors are referred to (i) pages ii to v of this Prospectus, (ii) the terms and conditions of the Sukuk starting on page 143 of this Prospectus, and (iii) the description of the relevant transaction documents set out in the section of this Prospectus entitled “*Summary of the Sukuk Documents*” for a fuller description of certain cashflows and for an explanation of the meaning of certain capitalized terms used below.

### SUKUK AL-ISTITHMAR – STRUCTURE DIAGRAM



- (1) Sukuk Assets to consist of the "Original Ijara Assets" and the "New Ijara Assets"  
(2) "Net Income" equals (All monies accumulated from the Sukuk Assets) less (Sukuk Assets Management Administration Fee and Agency Fees)  
(3) If any Reinvestment Income is not applied to invest in New Ijara Assets, then the excess Reinvestment Income shall be credited to the Collection Account  
(4) If the Retained Income received from the Sukuk Assets in any Periodic Distribution Period, together with any Excess Reinvestment Income, which has been credited to the Collection Account (as per 3 above), exceeds the Periodic Distribution Amount, the surplus amount shall be retained as a Reserve

## CASHFLOWS

### Payments by the Sukukholders on the Closing Date

On the Closing Date, the issue proceeds of the Sukuk will be paid to the Issuer. Pursuant to the Sukuk Assets Sale and Transfer Agreement, upon payment of the proceeds of the sale of the Sukuk and subject to the other terms and conditions of the Sukuk Assets Sale and Transfer Agreement, the Issuer will sell and transfer to the Sukukholders' Agent its ownership interests, rights, title, benefits and other entitlements in and to the Original *Ijara* Assets.

### Payment by the Issuer on Periodic Distribution Amounts

Pursuant to the Sukuk Assets Management Agreement, the Sukuk Assets Manager shall accumulate all monies (net of the Sukuk Assets Management Administration Fee and the Agency Fees (as defined in the Conditions)) accruing under the Sukuk Assets (the “**Net Income**”) as follows:

- (a) Fifteen per cent. (15%) of the Net Income (the “**Retained Income**”) shall be credited when received to an account to be maintained by the Sukuk Assets Manager in its books for and on behalf of the Sukukholders (the “**Collection Account**”). The Periodic Distribution Amounts (together with any Partial Periodic Distribution Amount (as defined in the Conditions)) under

the Sukuk will be paid by the Issuer deducting the relevant amount from the Collection Account and the Reserve Account (as defined below) and making payment of such amount to an account maintained by the Sukukholders' Agent with HSBC Saudi Arabia Limited as payments administrator (the "**Payments Administrator**") on or prior to 11:00 am (Riyadh time) one (1) Business Day prior to each Periodic Distribution Date.

- (b) Eighty five per cent. (85%) of the Net Income (the "**Reinvestment Income**") shall be applied by the Sukuk Assets Manager to: (i) invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets at the Closing Date; and (ii) to the extent not applied to (i) above, credit any excess Reinvestment Income to the Collection Account.

If the Retained Income received under the Sukuk Assets in any Periodic Distribution Period (as defined in the Conditions), together with any Reinvestment Income which has been credited to the Collection Account in accordance with (b) above, exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Assets Manager as a reserve (the "**Reserve**"). The Reserve shall be recorded by the Sukuk Assets Manager through a book-entry notional account (the "**Reserve Account**") and will not be maintained in a separate defined bank account. The Reserve Account is held for the benefit of the Sukukholders.

So long as no Event of Default (as defined in the Conditions) has occurred and is continuing and the Sukuk Asset Manager has complied with all its obligations under the terms of the Sukuk Documents (including its obligations to invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date), the Sukuk Assets Manager may withdraw any amounts standing to the credit of the Reserve Account from time to time (the amounts so withdrawn the "**Withdrawn Amounts**"). The Withdrawn Amounts are for the Sukuk Assets Manager's own account and may be used by the Sukuk Assets Manager for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Sukuk Assets Manager. The Withdrawn Amounts shall be owed as a debt to the Sukukholders' Agent (acting for and on behalf of the Sukukholders) and shall be repayable from the Sukuk Assets Manager's own funds on demand to meet the amounts owing and due under the Sukuk. The Sukuk Assets Manager may record the Reserve as a liability of the Sukuk Assets Manager.

If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date, the Tax Redemption Date or the Event of Default Date (each as defined in the Conditions) is greater than the aggregate amount standing to the credit of the Collection Account and the Reserve Account, the Sukuk Assets Manager shall on or prior to 11:00 am (Riyadh time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Reserve Account either (x) the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or (y) the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Reserve Account, whichever is the lesser.

### **Substitution of Sukuk Assets**

Pursuant to the Sukuk Assets Substitution Undertaking (i) the Sukukholders' Agent will have the right, to the extent that the Sukuk Assets Manager has failed to comply with its obligations under the Sukuk Assets Management Agreement to use the Reinvestment Income to invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date and providing there has not been a Total Loss Event (as defined in the Conditions), to require the transfer on any substitution date ("**Substitution Date**") specified in a substitution notice ("**Substitution Notice**"), of

all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for the grant and transfer by the Issuer to the Sukukholders' Agent of New *Ijara* Assets; and (ii) the Issuer will have the right to require the Sukukholders' Agent to sell, transfer and convey, on any Substitution Date, all of the Sukukholders' Agent's ownership interests, rights, title, benefits and other entitlements in and to any of the Sukuk Assets to the Issuer, in consideration for which the Issuer will sell and transfer to the Sukukholders' Agent all its ownership interests, rights, title, benefits and other entitlements in and to New *Ijara* Assets. In each case, the Issuer will be obliged to certify that: (i) the value of the New *Ijara* Assets is equal to or greater than the value of the Sukuk Assets that are being substituted (the "**Substituted Ijara Assets**"); and (ii) following such substitution, the value of the Sukuk Assets is equal to, or more than, the value of the Sukuk Assets as at the Closing Date.

### **Redemption of the Sukuk by the Issuer**

Under the Purchase Undertaking, the Issuer will undertake to purchase the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to Sukuk Assets at a specified Purchase Price on the Expiry Date or following the occurrence of certain events (see Condition 11 (*Exercise Events*)).

## **RISK FACTORS**

*Prior to making an investment decision, prospective purchasers of the Sukuk should consider carefully, in light of the circumstances and their investment objectives, all of the information contained in this Prospectus, including (without limitation) the Risk Factors described below. The following Risk Factors are not exhaustive and other considerations or factors, including some which may not be presently known to Saudi ORIX, or which Saudi ORIX presently deems to be immaterial, may impact on any investment in the Sukuk. Accordingly, prospective purchasers should make their own independent assessment of the risk related to any purchase of the Sukuk and of the economic and regulatory environment in which Saudi ORIX operates.*

### **A. RISKS RELATING TO SAUDI ORIX'S BUSINESS**

#### **1. *The continued expansion of Saudi ORIX's lease portfolio depends to an increasing extent upon its ability to obtain adequate funding***

Saudi ORIX's continued growth depends, in part, on its ability to obtain adequate funding from a variety of sources. Saudi ORIX's primary source of funds from financing activities are loans from commercial banks and other lenders, including loans from one of its shareholders on ordinary commercial terms. As a result, Saudi ORIX is exposed to a number of risks in connection with its lease financing activities, including:

- As at 31 December 2011, 42.7 % of Saudi ORIX's outstanding loans were due to mature in less than 12 months. Accordingly, Saudi ORIX has significant refinancing risk and there is no assurance that Saudi ORIX will be able to refinance its existing debt on commercially acceptable terms or at all. As a result, Saudi ORIX's cost of funding may increase, its liquidity may be constrained or it may default on its outstanding obligations. Any of these outcomes could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.
- In connection with its ongoing financing requirements, Saudi ORIX intends to access the debt capital markets as an additional and alternative source of funding to bank loans. Saudi ORIX cannot, however, provide any assurance that it will be able to access the domestic or international capital markets to issue new debt or refinance its current borrowings, on commercially acceptable terms or at all. If Saudi ORIX is unable to do so, it may be constrained in its ability to increase the size of its lease portfolio and grow its business, which could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.
- Certain of Saudi ORIX's borrowings require it to comply with financial covenants. There is no assurance that Saudi ORIX will be able to comply with these covenants at all times and any failure to comply with such covenants could require Saudi ORIX to renegotiate the terms of the affected loans with its lenders or could result in a default. Although Saudi ORIX has never breached any financial covenants under any of its loan agreements in the last 11 years, either of these outcomes could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.
- In seeking to raise new finance, Saudi ORIX is exposed to the risk of adverse market conditions and inability or unwillingness on the part of its lenders to lend money. In particular, in recent years, there has been significant disruption in the international credit markets resulting, at times, in materially reduced availability of liquidity. Should similar conditions occur in the Saudi Arabian market, Saudi ORIX's ability to obtain financing could be materially constrained which could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.



**2. *Saudi ORIX may fail to properly manage its growth and expansion into new markets or products***

Saudi ORIX's operations have grown in recent years and are expected to continue to grow, both organically, introducing new financial products and, potentially, by acquisition, including acquisitions of lease portfolios. Growth, whether organic or by introducing new financial products or by acquisition, requires significant allocation of capital and, depending on the nature of the acquisition, management resources, further development of Saudi ORIX's financial and internal controls and information technology systems, continued upgrading and streamlining of its risk management systems and additional training and recruitment of management and other key personnel. In addition, Saudi ORIX is reliant to some extent on ORIX Corporation and OLP for the allocation and development of such resources. At the same time, Saudi ORIX must maintain a consistent level of customer service and current operations to avoid loss of business or damage to its reputation. There can be no assurance that Saudi ORIX will be able to sustain its current levels of growth in the future, or that ORIX Corporation and OLP will continue to provide the necessary support to enable it to do so. Any failure to properly manage its future growth could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

In addition, Saudi ORIX's strategy envisages its expansion through the development of new products and through accessing new geographic markets in the Kingdom. Such expansion may expose Saudi ORIX to new and complex risks, which it may be unable to fully control and, as a result, it may incur losses in connection with any such expansion. In addition, Saudi ORIX's efforts to develop new products may not achieve the expected results if business opportunities do not develop or increase as expected or if competitive pressures undermine the profitability of the available opportunities.

**3. *The nature of Saudi ORIX's business and the industry concentrations in Saudi ORIX's lease portfolio make it vulnerable to volatility and to downturns in certain sectors***

The nature of the finance lease transactions undertaken by Saudi ORIX, primarily the financing of equipment and assets, which customers do not necessarily acquire on a regular basis, means that Saudi ORIX's assets, revenues and ultimately net profit are subject to volatility from one period to the next.

Saudi ORIX's finance lease portfolio is broadly divided between the manufacturing, construction and contracting, services and trading sectors, with each such sector accounting for 34.9%, 25.6%, 24.2% and 14.4%, respectively, of its net investment in finance leases (pre provisions) at 31 December 2011. Within each such sector, there are additional, more specific, industry concentrations. As at 31 December 2011, total gross investment in leases to Saudi ORIX's ten largest customers amounted to SAR 280 million, representing 20% of Saudi ORIX's gross lease portfolio. As a result, Saudi ORIX is exposed to a material decline in specific industry segments, in particular the construction and contracting sector which has been materially adversely affected in other Middle East countries in past years and the financial condition of its largest customers. Although Saudi ORIX continues to take measures to diversify its lease portfolio, there can be no assurance that it will be able to achieve or maintain a greater level of diversification in its lease portfolio, and any failure to do so could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

**4. *Saudi ORIX could incur material losses as a result of the supply of defective equipment or if leased equipment supplied by it is not properly maintained***

Saudi ORIX is exposed to the risk of defects occurring in equipment supplied by it to lessees. Certain of the equipment which Saudi ORIX purchases may be used equipment, which carries an enhanced risk of defects resulting from its prior use. Although Saudi ORIX inspects the physical condition of used equipment, it does not carry out any testing on such equipment prior to purchase and there can be no assurance that such inspection will reveal any or all defects and problems with the equipment that may occur after it is acquired by Saudi ORIX. In addition, whilst Saudi ORIX may have contractual

rights against suppliers of defective equipment and insurance protection, there is no assurance that these rights or protection would cover all losses that Saudi ORIX might incur in respect of any defects arising in the equipment or assets, including legal costs, costs of repair and lost revenue from the delay in being able to sell or re-lease the equipment due to undetected problems or issues. As a result, the supply of defective equipment could result in a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

In addition, even if the equipment supplied is not defective, if a lessee fails to maintain leased equipment in accordance with the terms of its lease, Saudi ORIX may have to make unanticipated expenditures to repair the equipment in order to protect its investment. If Saudi ORIX does not or is unable to repair any such equipment, for example because it is unaware that the equipment concerned is not being properly maintained, the residual value of such equipment on termination of the lease may be materially lower than anticipated at the outset of the lease. Saudi ORIX has rights against lessees for a default under the lease for failure to maintain the leased asset. However, Saudi ORIX cannot ensure that these rights would make Saudi ORIX whole with respect to its entire investment in the equipment or Saudi ORIX's expected returns on the equipment, including legal costs, costs of repair and lost revenue from the delay in being able to sell or re-lease the equipment and as such, could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

**5. *If a lessee defaults on its lease or files for bankruptcy, Saudi ORIX could incur losses***

If a lessee does not make lease payments to Saudi ORIX when due, or violates the terms of its lease in another material way, Saudi ORIX may terminate the lease and attempt to recover the leased asset. If a lessee files for bankruptcy, the remaining term of the lease could be shortened or the lease could be rejected by the bankruptcy court, which could result in, among other things, any unpaid pre-bankruptcy lease payments being cancelled as part of the bankruptcy proceedings.

In all cases where a lease is terminated as a result of default or bankruptcy, Saudi ORIX bears the costs of retrieving and storing and, where necessary, repairing the asset, which may be high. Upon recovery of the asset, Saudi ORIX may not be able to arrange for a new lease or to sell the asset immediately, if at all and this risk is compounded by the fact that certain leased assets (particularly in the energy and manufacturing sectors) are illiquid assets that have been designed to meet a customer's specific requirements. In such cases, Saudi ORIX is exposed to lost lease revenues and may not be able to recover the full amount of its original investment in the equipment. Any or all of these factors could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk. See "*Description of Saudi ORIX - Defaults*" section of this Prospectus for further details on Saudi ORIX's non-performing lease agreements.

**6. *Saudi ORIX's impairment allowance may be insufficient and its credit-related costs might increase***

Saudi ORIX maintains an impairment allowance in relation to its finance leases which reflects its judgment of the loss potential of these items, after considering factors such as:

- the business characteristics and financial condition of the lessees;
- current economic conditions and trends;
- prior write-off experience;
- current delinquencies and delinquency trends; and
- the value of underlying collateral and guarantees pertaining to the leases.

Saudi ORIX cannot be sure that its impairment allowance will be adequate to cover future credit losses. The allowance may be inadequate due to adverse changes in the Saudi Arabian economy in which it operates or discrete events that adversely affect specific customers or industry segments. If Saudi ORIX needs to increase its impairment allowance, or if its credit-related costs increase, this could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk. See "*Description of Saudi ORIX – Defaults*" section of this Prospectus for further details on the Saudi ORIX's non-performing leases.

**7. *Saudi ORIX may not be able to obtain insurance for certain risks and would have to bear the cost of losses from non-insurable risks***

Leased assets may be damaged or lost. Fire, weather, accidents, theft or other events can cause damage or loss of leased assets. Saudi ORIX usually arranges for insurance coverage based on the full value of the funds invested in each asset prior to its delivery to the lessee (with the cost of such insurance being factored into the lease payments due from the lessee). In certain cases Saudi ORIX may allow the relevant asset to be insured by the lessee at the lessees' expense, providing the insurance company has been pre-approved by Saudi ORIX and the insurance policy is endorsed in favour of Saudi ORIX. However, some losses, such as from acts of war, terrorism, wilful acts, gross negligence or earthquakes may either be uninsurable or not economically feasible to insure. Not all possible liability claims or contingencies affecting equipment can be anticipated or insured against and, if insured, the insurance proceeds may not be sufficient to cover a loss in full. Also, it is possible that, in the case of bankruptcy of an insurer, insurance money may not be collectible. Furthermore, insurance coverage may not be available in the Kingdom at levels comparable to those customary in other countries for such assets. As a result of these factors, Saudi ORIX could suffer a total or significant loss of its investment in any affected asset.

Further, as the owner of the leased assets, in leasing some types of assets Saudi ORIX may be exposed to environmental liability. Although Saudi ORIX uses its best efforts to minimise the possibility and exposure of such liability, no assurance can be given that the customer will use the leased asset in a manner that avoids exposure to such liability or that its assets are fully protected against any such claims, and losses arising as a result could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

**8. *Saudi ORIX may not be able to achieve its strategic objectives***

Saudi ORIX's strategic objectives include strengthening its position in the Saudi Arabian leasing sector, diversifying and expanding its lease portfolio and diversifying its client base. In addition, Saudi ORIX aims to expand its lease finance business geographically into other parts of the Kingdom. Any failure by Saudi ORIX to achieve any or all of these strategic objectives could have a material adverse effect on its business, results of operations, financial condition and prospects and the value of the Sukuk. In addition, certain of these strategies entail additional specific risks, see "*Risk Factors - Saudi ORIX is exposed to Saudi Arabian economic risks*" and "*Risk Factors - Saudi ORIX may fail to properly manage its growth and expansion into new markets or products.*"

**9. *Saudi ORIX may be unable to recruit or retain experienced and/or qualified personnel***

Saudi ORIX's business and operations depends, in part, on its ability to continue to attract, retain and motivate qualified and experienced leasing and management personnel in the Kingdom. Competition in the Kingdom for personnel with relevant expertise is intense, due to the relatively small number of available qualified individuals. To recruit qualified and experienced employees and to minimise the possibility of their departure to other companies, Saudi ORIX provides compensation packages consistent with evolving standards in the Saudi Arabian labour market. However, any inability to recruit and retain qualified and experienced personnel or to manage Saudi ORIX's current personnel successfully could adversely affect its business, financial condition, results of operations or prospects and the value of the Sukuk.

**10. *Some related party transactions within the ORIX Group require the approval of disinterested directors or disinterested shareholders***

Saudi Arabian law requires a joint stock company that enters into transactions with certain related persons that are hereinafter referred to as “related party transactions” to comply with special approval procedures.

Under Saudi Arabian law, a director may not have any interest directly or indirectly, in the transactions or contracts made for the account of Saudi ORIX, except with an authorization from the regular general meeting, to be renewed annually. Transactions made by way of public bidding are, however, excluded from this restraint if the director has submitted the best offer. The interested director must declare to the Board of Directors any personal interest he may have in the transactions or contracts made for the account of the company. Such declaration must be recorded in the minutes of the Board meeting, and the interested director must not participate in voting on the resolution to be adopted in this respect. Further, a director may not, without authorization from the regular general meeting, to be renewed annually, participate in any business competitive with that of Saudi ORIX, or engage in any of the commercial activities carried on by Saudi ORIX; otherwise, Saudi ORIX shall have the right either to claim damages from him or to consider the operation he has conducted for his own account as having been conducted for the account of Saudi ORIX.

In Saudi ORIX’s ordinary course of activities, it transacts with ORIX Corporation, OLP and SAIB each of which is a shareholder and each of which has the power to nominate directors to Saudi ORIX’s Board of Directors. Failure to obtain the appropriate approval for any related party transaction may result in it being declared invalid upon a claim by Saudi ORIX or any of its shareholders.

**11. *Risks relating to relationship with its shareholders***

Saudi ORIX has entered into a Technical Assistance Agreement with ORIX Corporation and OLP, both of which are shareholders in Saudi ORIX. Under the terms of the Technical Assistance Agreement ORIX Corporation and OLP have agreed, at no cost, to provide to Saudi ORIX with technical assistance for developing leasing products, train their employees, prepare draft lease agreements, assist in establishing internal audit procedures and periodically review the same, and assist with such other matters which, in the opinion of ORIX Corporation and OLP, may be useful for Saudi ORIX.

In addition, under the Technical Assistance Agreement, Saudi ORIX is permitted to use the ORIX name, logo and symbol, which is globally recognised in the lease finance industry. This is considered as an important intangible asset on which Saudi ORIX is dependent. If ORIX Corporation or OLP withdraws their support of Saudi ORIX or cease to be shareholders in Saudi ORIX, it could have a material adverse effect on Saudi ORIX’s business, financial condition, results of operations and prospects and the value of the Sukuk. See “*Legal Information - Material Contracts - Technical Assistance Agreement*” section of this Prospectus for further details.

**12. *Failures in Saudi ORIX’s computer and other information systems could hinder its operations and damage its reputation and relationships with customers***

Saudi ORIX utilizes computer systems and other information systems for financial transactions, personal information management, business monitoring and processing and as part of its business decision making and risk management activities. System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees or third parties, or infection by a computer virus could adversely affect Saudi ORIX’s operations, for example by causing delay in the receipt and payment of funds, the leak or destruction of confidential or personal information, the generation of errors in information used for business decision making and risk management and the suspension of other services provided to its customers. Such events could have material adverse effects on Saudi ORIX’s operations, relationship with customers and reputation and financial condition.

Saudi ORIX's information system equipment could suffer damage from a large-scale natural disaster or from terrorism. Since information systems serve an increasingly important role in business activities, there is an increasing risk of stoppage of the network or information systems due to disaster or terrorism. If networks or information systems fail, Saudi ORIX could experience interruption of business activity and incur, delay in payment or sales or substantial costs for recovery of functionality.

### **13. *Saudi ORIX faces a range of operational risks***

The conduct of its businesses entails many types of operational risk, including those mentioned above. Examples include inappropriate sales practices; inadequate handling of clients' complaints; failures of information security including the divulging of confidential or personal information; inadequate internal communication of necessary information; misconduct of officers and employees or third parties; errors in the settlement of accounts; and conflicts with employees concerning labour and workplace management.

Saudi ORIX continuously seeks to improve its risk management function. However, due to significant growth or significant changes in the business environment, its risk management may not be effective in some cases. If Saudi ORIX is unable to effectively manage new or existing risks, it may incur losses and/or its reputation may be adversely affected.

### **14. *Risk relating to assets and equipment***

Saudi ORIX faces certain risks inherent in owning large portfolios of assets. These include: the risk that the market value of the leased asset in the event of a default will be less than the remaining amount due under the lease; the risk of loss, misappropriation, equipment failure and improper operation of equipment; the risk of non-delivery or late or incomplete delivery of the assets; the risk that a lessee lacks required permits to operate the equipment or asset; the risk of incomplete equipment or asset certification; and the risk that the lessee lacks qualified personnel to operate the equipment.

While Saudi ORIX takes seeks to mitigate these risks in its risk management procedures and organisational functions, its risk management may not be effective in some cases. If Saudi ORIX is unable to effectively manage these risks, it may incur losses and/or its reputation may be adversely affected.

## **B. RISKS RELATING TO THE MARKET IN WHICH SAUDI ORIX OPERATES**

### **1. *Increasing competition in the Saudi Arabian financial and leasing sectors may affect Saudi ORIX's business and its ability to execute its strategy for expansion***

The Saudi Arabian market for leasing services remains highly competitive, with generally low barriers to entry. The market for leasing services currently consists of specialised leasing companies which are regulated by SAMA, leasing companies which are not regulated by SAMA and vendor finance companies which provide their customers with funds to purchase that company's products. Under the new regulations all companies offering financing will require a licence from SAMA.

The leasing sector in the Kingdom is expected to become increasingly competitive as a result of increased interest and potential entry into the market by Saudi Arabian banks and improvements in the quality of management at Saudi Arabian leasing companies. Lessees are also placing increased demands on lease transactions. In addition, competition is based on pricing, quality of service, terms and structure.

To the extent that Saudi ORIX's competitors seek to compete aggressively on the basis of pricing or other terms without regard to profitability, Saudi ORIX's business could be materially adversely affected. Certain of Saudi ORIX's current and future competitors may be larger than Saudi ORIX, better able to obtain capital at a lower cost than Saudi ORIX and/or better able to maintain profit at

reduced prices than Saudi ORIX. In addition, to the extent that Saudi ORIX seeks to compete with any competitors on the basis of pricing, quality of service or other terms, it may experience lower income or reduced profitability as a result. Any of these factors could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

**2. *Saudi ORIX's business may be adversely affected by unpredictable events***

Saudi ORIX's business may be adversely affected by unpredictable events or any continuing effects caused by such events. Unpredictable events include man-made events, such as accidents, war, terrorism and insurgency, and natural events, such as earthquakes, storms, tsunamis, fires and outbreaks of infectious diseases. If any such event occurs, the event itself or any effects caused by such event may, among other things, cause unexpectedly large market price movements or an unexpected deterioration of the economic conditions of a country or region. If such a sudden and unpredictable event occurs in the Kingdom, either as a single event or in combination with other events, this could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations or prospects and the value of the Sukuk.

**3. *Changes in interest rates could adversely affect Saudi ORIX***

Saudi ORIX's business activities are subject to risks relating to changes in interest rates. Although Saudi ORIX seeks to manage its asset and liabilities, fixed and variable interest rates and terms of fixed rate assets and liabilities are not uniform among its assets and liabilities. As such, increases or decreases in interest rates or changes in the yield curve could adversely affect Saudi ORIX's results of operations.

In addition, the value of Saudi ORIX's assets may move independently of interest rates. When funding costs increase due to rising interest rates or the perception that an increase in interest rates may occur, financing lease terms for new transactions may diverge from the trend in interest rates.

Saudi ORIX use of derivative financial instruments to help manage its interest rate risk may adversely affect its financial condition and results of operations.

Saudi ORIX utilizes derivative financial instruments to help manage its interest rate risk. However, it may not be able to successfully manage its risks through the use of these derivatives. Counterparties may fail to honor the terms of their derivatives contracts with Saudi ORIX and it may be exposed to additional risks. Accordingly, Saudi ORIX's use of these derivatives may adversely affect its financial condition and results of operations.

**4. *Instability and uncertainty in the leasing sector creates an uncertain environment for Saudi ORIX's business activity***

In recent years the Saudi leasing market has grown substantially along with the Saudi Arabian economy. Nonetheless, in comparison to leasing industries in America or Western Europe, the Saudi leasing industry is relatively young and undeveloped, the legal framework is not without inconsistency and there cannot be any assurance that the substantial growth experienced in recent years will be sustained or maintained.

At present the main factor influencing the development of the Saudi leasing market is its ability to solve economy infrastructure problems, leading to an increase in investment demand. However, the development of the leasing market remains tied to demand from core sectors of the economy.

If the Saudi leasing sector experiences a downturn, it could have a material adverse effect on Saudi ORIX 's business, financial condition, results of operations and prospects and the value of the Sukuk.

## **C. RISKS RELATING TO REGULATORY AND ECONOMIC ENVIRONMENTS IN WHICH SAUDI ORIX OPERATES**

### **1. *Risks relating to uncertain regulatory environment***

The Saudi Arabian market for finance leasing services is regulated by SAMA. As of the date of this Prospectus, general regulations for lease financing companies and lease financing have been issued and SAMA has issued for public consultation draft implementing regulations for lease financing companies and lease financing. There is a risk that any changes in the regulatory framework within which Saudi ORIX operates could reduce Saudi ORIX's ability to conduct its business profitably in the future. In particular the regulations for lease financing companies require the licencing by SAMA of lease financing companies and it is unclear whether Saudi ORIX's existing licence will suffice or whether it will have to seek a new licence from SAMA. In addition, there is a risk that Saudi ORIX fails to comply with any regulations which SAMA may eventually issue in connection with the lease finance activities which could result in penalties imposed by SAMA which could in turn have an adverse effect on the business, financial condition, results of operations and and prospects and the value of the Sukuk.

### **2. *Saudi ORIX is exposed to Saudi Arabian economic risks***

All of Saudi ORIX's assets and operations are located in the Kingdom. As a result, Saudi ORIX's operating results and growth are and will be affected in general by financial and general economic developments in or affecting the Kingdom and/or the Middle East and, in particular, by the level of economic activity in the Kingdom.

Although the Kingdom continues to pursue a policy of divergence to enhance the contribution of the non-oil sector to its gross domestic product, oil income will continue to play a pivotal role in its economic planning and development. Consequently, any sustained downturn in oil prices will have a negative impact on the Kingdom's overall economy, with adverse ripple effects felt at all micro levels. Any negative change in one or more macroeconomic factors, such as exchange rates, commission rates, inflation, wage levels, unemployment, foreign investment and international trade, could have a material adverse effect on Saudi ORIX's business, financial conditions, results of operations and prospects.

The financial services industry generally prospers in periods of economic growth and stable geopolitical conditions and benefits from capital markets that are transparent, liquid and buoyant and experience positive investor sentiment. A severe financial crisis, such as that seen since late 2007, where various sectors of the global credit markets have experienced very challenging conditions, could have an adverse effect on the financial services industry, including Saudi ORIX.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

### **3. *A failure to comply with regulations to which its business is subject could result in sanctions or penalties, harm Saudi ORIX's reputation and adversely affect its business activities***

Saudi ORIX's business and employees in the Kingdom are subject to laws, as well as regulatory oversight of Government authorities who implement those laws. These include laws and regulations applicable to financial institutions as well as general laws applicable to its business activities.

Some types of energy, heavy industry and transportation assets may be subject to registration requirements by Saudi Arabian governmental agencies. Failing to register the asset on the part of Saudi ORIX or the customer, or losing the registration, could result in substantial penalties, forced

liquidation of the asset and/or inability to operate and lease the asset. Governmental agencies may also require changes or improvements to assets, and Saudi ORIX may have to spend its own funds to comply. These changes could force the asset to be removed from service for a period of time. The terms of leases may provide for rent reductions if the asset must remain out of service for an extended period of time or is removed from service. If Saudi ORIX does not have the funds to make a required change, it might be required to sell the affected asset. In these circumstances, Saudi ORIX could suffer a loss on its investment, lose future revenues and experience adverse tax consequences.

Saudi ORIX has compliance and legal risk management systems in place designed to prevent violations of such laws and regulations applicable to it as a lessor and to vet its customers prior to entering into a lease finance agreement. However, Saudi ORIX does not have an on-going compliance monitoring policy to prevent violations of such laws and regulations by its customers. In addition, if Saudi ORIX expands its business geographically or through acquisitions, this will increase its compliance burden. If Saudi ORIX or any of its customers are unable to comply with all applicable laws and regulations, it may be subject to sanctions or penalties and its reputation may be adversely affected. Even if there are no violations of laws, if Saudi ORIX is investigated by government authorities and the investigation becomes publicly known, its reputation may be harmed and its business activities may be adversely affected.

In addition, no assurance can be given that the Government, nor any statutory body therein, will not implement new regulations, fiscal or monetary policies, including policies, regulations or adopt new legal interpretations of existing regulations, which may include those relating to or affecting registration requirements, taxation or interest rates, or otherwise take action which could have a material adverse effect on Saudi ORIX's business, results of operations and overall financial condition.

**4. *A lack of reliable credit quality information about lessees in the Kingdom could adversely affect Saudi ORIX's ability to assess its credit risk, particularly in relation to customers in the SME sector***

Saudi ORIX has relied, to a large extent, on financial credit histories of its lessees provided by the Saudi Credit Bureau (**SIMAH**) and financial statements, market reference and other information from its lessees to evaluate their financial performance and to monitor their credit quality. The limited information on its lessees, together with insufficient internal coordination of the collection of information from lessees and the analysis of such information by Saudi ORIX and between the relevant departments within Saudi ORIX, could result in Saudi ORIX not being aware of events of default or potential events of default under a lessee's other financial commitments on a timely basis or incorrectly assessing the credit risk of a lessee. While Saudi ORIX has taken, and continues to take, steps to coordinate and accelerate data collection and analysis to prevent such deficiencies in the future, any lack of availability of reliable information about lessees in the Kingdom means that Saudi ORIX's ability to accurately assess its credit risk is impaired. Any failure by Saudi ORIX to correctly assess credit risk and manage related increased exposure to credit risk could have a material adverse effect on Saudi ORIX's business, financial condition, results of operations and prospects and the value of the Sukuk.

Saudi ORIX is also subject to increased credit risks associated with its SME leasing operations. Some customers in the SME leasing sector may not have credit histories provided by SIMAH and, as a result, Saudi ORIX must primarily rely on the information provided by them in making its credit decisions. In addition, such customers are more likely to default on their payments, necessitating higher impairment provisions and reducing the overall credit quality of Saudi ORIX's customer base. Although it continues to develop its approach to assessing the creditworthiness of such customers, there can be no assurance that Saudi ORIX will correctly assess the creditworthiness of its SME customers as the scoring techniques and checks used by Saudi ORIX to determine the creditworthiness of potential customers may not always present a complete and accurate picture of each potential customer's financial condition. As a result, Saudi ORIX may be exposed to credit risks



that it may not be able to accurately assess and provide for. See “*Description of Saudi ORIX – Defaults*” section of this Prospectus for further details on Saudi ORIX’s non-performing leases.

**5. *Saudi ORIX may be subject to risks resulting from disputes and/or litigation***

Saudi ORIX is subject to risks relating to legal and regulatory proceedings to which it is currently a party or which could develop in the future. Saudi ORIX’s involvement in litigation and regulatory proceedings may adversely affect its reputation. Furthermore, litigation and regulatory proceedings are unpredictable and legal or regulatory proceedings in which Saudi ORIX is or becomes involved (or settlements thereof) may have a material adverse effect on its business, results of operations and overall financial condition.

**6. *Saudi ORIX may be subject to labour force regulation risk***

Companies in the Kingdom are in general required by the Ministry of Labour to ensure that a certain percentage of their staff are Saudi nationals. Saudi ORIX aims to recruit, train and retain Saudi nationals to comply with the relevant regulations, although in common with other corporate entities in the Kingdom, Saudi ORIX experiences competition and may occasionally find it difficult to recruit and retain qualified Saudi nationals. Failing to achieve the stipulated percentage could cause Saudi ORIX to be questioned by the Ministry of Labour for non-compliance with these requirements which could in turn have an adverse effect on the business, financial condition, results of operations and reputation of Saudi ORIX.

**7. *Risks relating to enforcement/repossession***

Under certain circumstances Saudi ORIX may not be able to enforce a lease agreement and related documents and will be unable to repossess the leased assets due to complex legal proceeding or traceability of the asset. The loss of such assets could have an adverse effect on the business, financial condition, results of operations and reputation of Saudi ORIX.

**8. *Risk relating to use of the ORIX name, logo and symbol***

Saudi ORIX has entered into a Technical Assistance Agreement with ORIX Corporation and OLP. Under the terms of the Technical Assistance Agreement Saudi ORIX is permitted to use the ORIX name, logo and symbol. The ORIX name, logo and symbol are not registered trademarks in the Kingdom. Unauthorized parties may attempt to copy or otherwise use a mark which is confusingly similar with the ORIX name, logo and symbol. If Saudi ORIX is unable to procure, protect and enforce its intellectual property rights, it may not realize the full value of the ORIX name, logo and symbol, which could have a material adverse effect on Saudi ORIX’s business and reputation.

**D. RISKS RELATING TO THE SUKUK**

**1. *Governing law, jurisdiction and enforceability***

The Sukuk are governed by, and are to be construed in accordance with, the laws of the Kingdom. Except in the case of the Order Notes (in respect of which disputes may only be heard by the Negotiable Instruments Committee in the Kingdom), pursuant to Condition 18 (*Governing Law and Jurisdiction*), the Kingdom’s Committee for the Resolution of Securities Disputes (the “**Committee**”) and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk. Prospective Sukukholders should note that to the best of Saudi ORIX’s knowledge, no securities of a similar nature to the Sukuk have previously been the subject of adjudicatory interpretation or enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Sukuk, the Conditions and/or the Sukuk Documents would be enforced by a Saudi Arabian court or the Committee for the Resolution of Securities Disputes, the Appeal Panel or any other Saudi Arabian adjudicatory authority.

## **2. Bankruptcy Laws**

The enforceability in the Kingdom of the Sukuk, the Conditions and/or the Sukuk Documents is limited by Saudi Arabian law relating to bankruptcy, insolvency, reorganisation, moratorium, liquidation, readjustment of debt and other similar laws of general application relating to or affecting the enforcement of the rights of any party thereto generally. In particular, Article 110 of the Commercial Court Regulations promulgated under Royal Decree No. M/32 dated 15/1/1350H. (corresponding to 2 June 1931) authorises a Saudi Arabian court to declare a contract of a debtor void or ineffective in the event that such debtor has been already declared bankrupt by such court prior to the entry into such contract. Accordingly, it is uncertain exactly how and to what extent the Sukuk, the Conditions and/or the Sukuk Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective pursuant to Article 110 of the Commercial Court Regulations (following a declaration of bankruptcy).

## **3. Shari'ah**

Prospective Sukukholders should note that different *Shari'ah* advisers, and Saudi courts and judicial committees, may form different opinions on identical issues and therefore prospective Sukukholders may wish to consult their own legal and *Shari'ah* advisers to receive an opinion if they so desire. Prospective Sukukholders should also note that although the *Shari'ah* Supervisory Board of Samba Financial Group (represented by the *Shari'ah* Executive Committee of the *Shari'ah* Supervisory Board) has issued a pronouncement confirming that the Sukuk are in compliance with *Shari'ah* principles, such pronouncements would not bind a Saudi Arabian court or judicial committee, including in the context of any insolvency or bankruptcy proceedings relating to the Issuer, and any Saudi Arabian court or judicial committee will have the discretion to make its own determination about whether the Sukuk, the Sukuk Documents and the related structure (or any part thereof) complies with Saudi law and *Shari'ah* principles and therefore is enforceable. Accordingly, no person (including, without limitation, the Issuer) makes any representation that the Sukuk, the Conditions and any other Sukuk Documents comply with *Shari'ah* principles and in particular no representation is made regarding the *Shari'ah* pronouncement issued by the *Shari'ah* Supervisory Board of Samba Financial Group (represented by the *Shari'ah* Executive Committee of the *Shari'ah* Supervisory Board) regarding the Sukuk, which pronouncement is subject to change and disagreement from other *Shari'ah* scholars. Accordingly, there is no assurance that the Sukuk will be considered to be *Shari'ah* compliant by any person other than the members of the *Shari'ah* Supervisory Board of Samba Financial Group.

## **4. Trading, settlement and listings**

The Sukuk will be admitted to the trading, clearing and settlement system of the Registrar. However, there can be no assurance that there will be no interruption to, or errors in, trading, clearing or settlement of the Sukuk as a result of the inexperience or lack of familiarity of the operation of the Registrar's trading, clearing and settlement systems or of inherent inadequacies of any such trading, clearing or settlement systems. Moreover, secondary sales in the Sukuk market are limited and there can be no assurance that the Sukuk will be sold by the Sukukholders easily. The market value of the Sukuk may fluctuate. Consequently, any sale of Sukuk by Sukukholders in any secondary market may be at a price that is higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Issuer's performance and the market for similar securities or may not be possible at all.

The Lead Manager and Bookrunner is under no obligation to provide pricing on or make a market in the Sukuk. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Sukuk and an investor in the Sukuk must be prepared to hold the Sukuk for an indefinite period of time or until their maturity.

## **5. *Payments under the Sukuk***

Prospective Sukukholders should note that if they do not receive payment of the Periodic Distribution Amount on the relevant payment date in full (after taking into account any grace period), subject to Saudi ORIX, the Sukukholders' Agent and the Payments Administrator having fulfilled all of their respective obligations under the relevant Sukuk Documents to which they are a party, prospective Sukukholders will not have any recourse to Saudi ORIX unless such shortfall directly results from the default or negligence of Saudi ORIX in the performance of its obligations under the Sukuk Documents.

For further information on Saudi ORIX's obligations under the Sukuk, see the Conditions and the "Summary of the Sukuk Documents" section of this Prospectus.

## **6. *Modification, Waivers and Substitution***

The Conditions contain provisions for calling meetings of the Sukukholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders, including Sukukholders who did not attend and vote at the relevant meeting and the Sukukholders who voted in a manner contrary to the majority.

## **7. *Suitability of Investments***

The Sukuk may not be a suitable investment for all investors. Each potential investor in the Sukuk must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk, the merits and risks of investing in the Sukuk and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk and the impact the Sukuk will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk, including where the currency of payment is different from the potential investor's currency;
- understand thoroughly the terms of the Sukuk and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

## MARKET AND INDUSTRY INFORMATION

### SAUDI ARABIAN ECONOMIC POSITION

According to the “*Forty Seventh Annual Report, The Latest Economic Developments 1432H (2011)*” by the Research and Statistics Department of SAMA (the “**SAMA Report**”) and preliminary estimates of the Ministry of Economy and Planning of the Kingdom (“**MOEP**”), the nominal Gross Domestic Product (“**GDP**”) (GDP expressed in current prices), of the Kingdom, increased from SAR 1,412.6 billion in the fiscal year 2009 to SAR 1,709.7 billion in the fiscal year 2010, reflecting a growth rate of 21.0%, whereas real GDP (GDP expressed in constant 1999 prices) increased from SAR 836.9 billion in the fiscal year 2009 to SAR 879.8 billion in the fiscal year 2010, reflecting a growth of 5.1%. According to the SAMA Report, the key drivers for the GDP growth in the Kingdom during 2010 included: (i) a global economic recovery that supported high oil prices; (ii) an enlarged fiscal spending program by the Government that boosted domestic demand; and (iii) an accommodative monetary policy maintained by SAMA, which in turn facilitated the banks to increase lending to the private sector.

According to preliminary estimates of the MOEP, in the fiscal year 2011, the economy of the Kingdom is estimated to have grown by 7.1% in real GDP terms to reach SAR 941.8 billion.

While the contribution of non-hydrocarbon related sectors is increasing, the Kingdom’s economy continues to be dominated by the hydrocarbon sector. According to the SAMA Report, in the fiscal year 2010, the Kingdom’s hydrocarbon sector accounted for approximately 27.0% of real GDP, approximately 90.3% of Government revenues and approximately 87.2% of total export value. According to the SAMA Report, as of fiscal year end 2010, the Kingdom had proven crude oil and natural gas reserves of 264.5 billion barrels and 283.0 trillion standard cubic feet respectively and, during 2010, average daily oil production in the Kingdom was 8.2 million barrels per day. According to preliminary data from the MOEP, during 2011 the average daily oil production in the Kingdom increased to 9.3 million barrels per day.

According to the SAMA Report and MOEP preliminary estimates, the Kingdom reported sizable budget surpluses of SAR 87.7 billion and SAR 306.0 billion for the fiscal years 2010 and 2011 respectively. Furthermore, the Government continues to focus on its investment initiative and accordingly the budget for the Kingdom in the fiscal year 2012 included an allocation of SAR 265.0 billion (representing approximately 38.4% of total budgeted expenditure for the fiscal year 2012) for new and ongoing projects with respect to human resources development, transportation and communications, economic resources development, health services, social development, infrastructure development and municipal services.

As of 30 June 2012, the Kingdom had long-term local currency ratings of “AA-” from Fitch Ratings with a “Stable” outlook, of “AA-” from Standard & Poor’s Ratings Direct Global Credit Portal with a “Stable” outlook and of “Aa3” from Moody’s Investors Service with a “Stable” outlook.

### OVERVIEW OF KEY FINANCING SOURCES AVAILABLE IN THE KINGDOM

Financial leasing is one of the various avenues available for the Kingdom’s corporate sector to meet its (non-equity) financing needs. The domestic sources for raising (non-equity) financing that are available to the Kingdom’s corporate sector can broadly be classified as follows:

- The Formal Sector:
  - Commercial banks;
  - Government specialized credit institutions;
  - Domestic debt capital market; and

- SAMA licensed leasing companies.
- The Informal Sector
  - Installment finance companies; and
  - Vendor/dealer/supplier financing.

## The Formal Sector

### Commercial Banks

As of June 30, 2012, there were 12 Saudi commercial banks and 11 foreign banks licensed by SAMA to undertake banking services in the Kingdom. According to SAMA and as set out in the table below, total bank credit to the private, Government and quasi-Government sectors increased from SAR 856.6 billion as of 31 December 2011 to SAR 936.7 billion as of 30 June 2012, representing a 9.4% growth.

### Bank Credit Classified by Economic Activity

	As of 31 December						CAGR 2009-2011	As of 30 June	
	2009		2010		2011			2012	
	SAR billion	% of Total	SAR billion	% of Total	SAR billion	% of Total		SAR billion	% of Total
Agriculture & Fishing	8.7	1.2%	10.3	1.3%	8.9	1.0%	0.8%	9.3	1.0%
Manufacturing & Processing	75.0	10.2%	90.1	11.6%	111.7	13.0%	22.0%	113.6	12.1%
Mining & Quarrying	5.3	0.7%	5.8	0.8%	7.7	0.9%	19.8%	9.0	1.0%
Electricity, Water, Gas & Health Services	13.4	1.8%	19.2	2.5%	25.8	3.0%	38.9%	28.5	3.0%
Building & Construction	44.7	6.1%	55.6	7.2%	69.8	8.1%	24.9%	73.4	7.8%
Commerce	169.2	23.0%	181.1	23.4%	182.1	21.3%	3.7%	194.1	20.7%
Transport & Communications	38.4	5.2%	43.0	5.5%	38.9	4.5%	0.6%	38.0	4.1%
Finance	21.3	2.9%	17.8	2.3%	22.5	2.6%	2.8%	24.8	2.7%
Services	46.1	6.3%	35.7	4.6%	38.2	4.5%	-9.0%	57.0	6.1%
Government & Quasi-Government *	28.1	3.8%	32.3	4.2%	31.8	3.7%	6.4%	42.5	4.5%
Others	286.5	38.9%	284.5	36.7%	319.4	37.3%	5.6%	346.6	37.0%
<b>Total</b>	<b>736.9</b>	<b>100.0%</b>	<b>775.3</b>	<b>100.0%</b>	<b>856.6</b>	<b>100.0%</b>	<b>7.8%</b>	<b>936.7</b>	<b>100.0%</b>

Source: SAMA Quarterly Statistical Bulletin (2nd Quarter 2012)

\* Represent loans and advances to public sector enterprises

- Above figures exclude banks' investments in private securities

- CAGR: Compounded Annual Growth Rate

The commercial banks in the Kingdom provide a complete suite of financing products (both conventional and Islamic) to their corporate customers, including (among others) loans and advances, overdrafts, trade finance facilities, and bill discounting.

### Government Specialized Credit Institutions

The Government has established Government owned specialized credit institutions that provide financings to various projects with an overall objective of contributing to the Government's stated policy of economic development and diversification. There are currently 5 Government owned specialized credit institutions:

- Real Estate Development Fund;
- Saudi Industrial Development Fund;

- Saudi Credit and Saving Bank;
- Public Investment Fund; and
- Agricultural Development Fund

According to SAMA and as set forth in the table below, the value of outstanding loans provided by these specialized credit institutions increased from SAR 192.2 billion as of 31 December 2010 to SAR 208.4 billion as of 31 December 2011, representing a 8.5% growth. In line with their mandate of promoting economic activity in the Kingdom, the specialized credit institutions typically provide financing to the private sector on concessionary terms.

### Outstanding Loans of Government Specialized Credit Institutions

In SAR billion	Outstanding Loans*				Disbursements during the Year			
	2008	2009	2010	2011	2008	2009	2010	2011
Agricultural Development Fund	9.5	9.5	9.4	9.3	0.6	0.6	0.6	0.5
Saudi Credit & Saving Bank	9.9	14.2	14.6	21.1	9.2	6.6	4.4	15.4
Public Investment Fund (PIF)	28.7	42.1	51.3	57.2	10.8	15.5	9.3	7.9
Saudi Industrial Development Fund	17.2	20.9	24.8	27.4	5.1	4.7	6.5	3.9
Real Estate Development Fund	75.4	76.8	77.6	78.9	5.0	5.3	6.8	14.8
<b>Sub-Total</b>	<b>140.7</b>	<b>163.5</b>	<b>77.7</b>	<b>193.9</b>	<b>30.6</b>	<b>32.7</b>	<b>27.6</b>	<b>42.5</b>
Electricity Loans being Administered by PIF	14.5	14.5	14.5	14.5	0.0	0.0	0.0	0.0
<b>Total</b>	<b>155.2</b>	<b>178.0</b>	<b>192.2</b>	<b>208.4</b>	<b>30.6</b>	<b>32.7</b>	<b>27.6</b>	<b>42.5</b>

Source: SAMA Quarterly Statistical Bulletin (2nd Quarter 2012)

\* As at 31 December

### Domestic Debt Capital Market

The domestic debt capital market (“DCM”) in the Kingdom can be described as being in its development stage. While there has been a noticeable increase in the number of offerings over the last few years, total non-equity capital raised by issuers through the domestic DCM in the Kingdom, as a % of real GDP, continues to be substantially lower compared to more developed markets. According to Tadawul and other market sources, total Islamic and/or conventional non-equity capital raised through the domestic DCM in the Kingdom, between 31 January 2008 and 31 July 2012 was approximately SAR 67.3 billion.

### Sukuks/Bonds Issued in the Domestic DCM of the Kingdom between 31 January 2008 and 31 July 2012

Issuer Name	Offering Date	Offering Size (SAR million)	Offering Type (Sukuks/Bond)
<b>Public Offerings; Listed on Tadawul</b>			
Saudi Basic Industries Corporation	May 2008	5,000.0	Sukuk
Saudi Electricity Company	July 2009	7,000.0	Sukuk
Saudi Hollandi Bank	December 2009	725.0	Sukuk
Saudi Electricity Company	May 2010	7,000.0	Sukuk
Saudi International Petroleum Company	July 2011	1,800.0	Sukuk
Saudi Aramco Total Refining and Petrochemical Company	October 2011	3,749.9	Sukuk
<b>Sub Total</b>		<b>25,274.9</b>	

Issuer Name	Offering Date	Offering Size (SAR million)	Offering Type (Sukuk/Bond)
<b>Private Placements; Unlisted Offerings</b>			
Saudi Hollandi Bank	December 2008	775.0	Sukuk
Dar Al Arkan Real Estate Development Company	May 2009	750.0	Sukuk
Gulf International Bank	November 2009	2,000.0	Bond
Saudi Basic Industries Corporation *	December 2009	2,000.0	Bond
Saudi Basic Industries Corporation *	March 2010	1,000.0	Bond
Gulf International Bank	April 2010	3,500.0	Bond
Saudi Basic Industries Corporation *	June 2010	1,000.0	Bond
SBG Sukuk Limited	July 2010	700.0	Sukuk
Arab Petroleum Investments Corporation	September 2010	2,000.0	Bond
Saudi Basic Industries Corporation *	September 2010	1,000.0	Bond
Bank AlJazira	March 2011	1,000.0	Sukuk
Saudi Basic Industries Corporation *	May 2011	1,000.0	Bond
SBG Sukuk Limited	July 2011	1,000.0	Sukuk
Saudi Basic Industries Corporation *	August 2011	2,000.0	Bond
Export Import Bank of Korea	November 2011	750.0	Bond
General Authority of Civil Aviation	January 2012	15,000.0	Sukuk
Almarai Company	March 2012	1,000.0	Sukuk
The Saudi British Bank	March 2012	1,500.0	Sukuk
Ajil Cayman	April 2012	500.0	Sukuk
National Industrialization Company	May 2012	2,000.0	Sukuk
ORECO Sukuk Limited	June 2012	650.0	Sukuk
SBG Sukuk Limited	July 2012	1,000.0	Sukuk
<b>Sub Total</b>		<b>42,125.0</b>	
<b>Grand Total</b>		<b>67,399.9</b>	

Source: Tadawul, Zawya and Bloomberg

\* Offerings under SAR 10.0 billion private placement programme with the Public Investment Fund

The Authority is the sole regulator and supervisor of the DCM in the Kingdom and issues rules and regulations which are aimed at protecting investors and ensuring fairness and efficiency in the market.

### **SAMA Licensed Leasing Companies**

Currently there are two (2) leasing companies in the Kingdom that are licensed by SAMA:

- Saudi ORIX ; and
- Al Amthal.

Saudi ORIX is a closed joint stock company that was incorporated in December 2000 and is further described in “*Description of Saudi ORIX*” section of this Prospectus. Al Amthal was founded in 2000 and has offices in Riyadh, Jeddah, Al-Khobar, Madinah and Abah. Al Amthal provides leasing products in various business sectors including automotive, real estate and heavy equipment (i.e., medial, agricultural and construction). Al Amthal is a private company, and therefore there is limited information available in the public domain on the scale of its operations and financial performance.

### **The Informal Sector**

This sector consists of various installment finance companies that are not licensed by SAMA, and vendor/dealer/supplier financing, which cover assets such as motor vehicles, transportation

equipment, construction/earth moving equipment, cranes, other heavy equipment, computers, office technology equipment and printing machinery, etc.

According to the “*Forty Sixth Annual Report, The Latest Economic Developments 1431H (2010)*” by the Research and Statistics Department of SAMA, as of 31 December 2008 there were close to 300 licensed installment companies in the Kingdom with a total capital of SAR 18.1 billion. These companies were spread throughout the Kingdom, with 168 companies, with a total capital of SAR 13.8 billion, being based in Riyadh, 92 companies with a total capital of SAR 3.1 billion, being based in Jeddah, 8 companies with a total capital of SAR 0.8 billion being based in Dammam, and 7 companies, each with a total capital of SAR 0.3 billion and SAR 0.03 billion, being based in Al-Khobar and Makkah respectively. These installment companies focus largely on providing financing to the retail sector for the purchase of cars, machines and household appliances. Some of these companies also provide financing for the purchase of real estate such as land, residential apartments and villas.

## **REGIONAL LEASING MARKET OVERVIEW**

According to the “*Leasing in the Middle East and Northern Africa (MENA) Region: A Preliminary Assessment,*” dated October 2010 and prepared by the International Finance Corporation (the “**IFC Report**”), leasing (either conventional and/or Islamic) is present in 13 out of the 18 countries in the Middle East and Northern Africa (the “**MENA**”) region. The 13 countries, where leasing is available as a financial product include Algeria, Bahrain, Egypt, Iran, Jordan, the Kingdom, Kuwait, Lebanon, Morocco, Oman, Qatar, Tunisia and the United Arab Emirates. The remaining 5 countries where leasing is either in its “*very*” early stages or is nonexistent include Libya, Iraq, Syria, West Bank/Gaza, and Yemen.

As per the IFC Report, UAE, Iran, Kuwait and the Kingdom are the largest leasing markets in MENA with estimated annual leasing volumes exceeding USD 1.0 billion in each market. As per the IFC Report these four markets account for approximately 61% of the total leasing market in MENA.

## **OVERVIEW OF THE LEASING SECTOR IN THE KINGDOM**

### **Regulatory Overview**

The finance leasing services sector in Saudi Arabia is regulated by SAMA pursuant to the Financing Companies Control Regulations (“**Financing Control Regulations**”) and the Financing Rental Regulation issued and promulgated in the Official Gazette on 13/10/1433H (corresponding to 31/08/2012G) (“**Financing Rental Regulations**”, together with the Financing Control Regulations, the “**Lease Finance Regulations**”), which are summarised below. See also “*Risk Factors – Risks Relating to Regulatory and Economic Environments in which Saudi ORIX operates and Risks Relating to Uncertain Regulatory Environment*”.

### **Financing Companies Control Regulations**

The Financing Control Regulation governs the regulation and supervision of the lease financing sector by SAMA. The Financing Control Regulations provided that implementing regulations (the “**Financing Control Implementing Regulations**”) would be issued by SAMA within (90) days of the date of issuance of the Financing Control Regulations. On 05/01/1434H (corresponding to 19/11/2012G) SAMA issued for public review and consultation, draft implementing regulations (the “**Draft Financing Control Implementing Regulations**”).

Pursuant to the Finance Control Regulations, any company wishing to carry out any of the following financing activities (must be licensed by SAMA:

- a) real-estate financing;



- b) production equipment financing;
- c) small and medium business financing;
- d) rental financing;
- e) credit cards financing;
- f) consumer goods financing;
- g) micro financing; or
- h) any other financing activity approved by SAMA.

In addition, the Finance Control Regulations regulates the conduct of financing companies carrying out such activities. In addition to being required to operate their businesses in a way that does not conflict with the provisions of the Islamic Shari'a, such financing companies are prohibited from carrying out certain activities, which include, but are not limited to, the following:

- a) practicing any activity other than the financing business;
- b) acquiring a corporation that is practicing another activity other than financing whether directly or indirectly;
- c) trading in currencies, gold, precious metals or securities;
- d) financing or granting credit facilities against the guarantee of its shares; and
- e) possessing shares in any other financing company without getting SAMA's consent.

SAMA may also impose additional conditions in the license, which includes, but is not limited to:

- a requirement that the financing company starts conducting business within a period not exceeding one year from the date of its license.
- a requirement that, after two financial years, a certain percentage of the shares of the financing company be offered for public subscription, if specified profits are realised.

SAMA may cancel a license granted pursuant to the Financing Control Regulations if it the financing company has provided SAMA with false information, or omitted to disclose essential information that should have been declared for the licensing purposes.

A fine not exceeding the amount of SAR 500,000 and/or the punishment of imprisonment for a period not exceeding two years can be imposed on any person violating any of the provisions of the Financing Control Regulations and the Financing Control Implementing Regulations. In addition, if the financing company committed a violation that is likely to expose its shareholders or creditors to risk, or if its debts exceed its assets, SAMA may, without limitation, take one or more of the following actions against the financing company:

- a) address a warning notice to it;
- b) impose the financial fine stipulated under the System;
- c) oblige the financing company to suspend some of its transactions or preventing it from distributing its profits; and

- d) suspend the Board of Directors' power and appoint a Director at the company's expense for the purpose of managing the company on a temporary basis.

However, there is a grace period and companies that conducted these financing activities before the implementation of the Financial Control Regulations have been granted a period of two years to adjust their operations in accordance with the Financing Companies Control Regulations.

### **Financing Rental Regulation**

The Financing Rental Regulation governs the regulation of lease financing contracts by SAMA. The Financing Rental Regulations provided that implementing regulations (the “**Financing Rental Implementing Regulations**”) would be issued by SAMA within within (90) days of the date of issuance of the Financing Rental Regulations. On 05/01/1434H (corresponding to 19/11/2012G) SAMA issued for public review and consultation, draft implementing regulations (the “**Draft Financing Rental Implementing Regulations**”).

The Financing Rental Regulations regulate the relationship between the parties of any contract where a lessor rents out fixed or moveable assets, usufructs, services, incorporeal rights in his capacity as the owner of such rights, or concerning their benefits, or capable to own them, or capable to establish them if such assets are acquired by the lessor for the purpose of renting them out to other parties as a professional career (a “**Lease Finance Contract**”). In addition to regulating such relationships, the Financing Rental Regulations also provides instructions on how to handle rented assets under a Lease Financing Contract and provides guidelines for managing registers of such contracts.

The Financing Rental Regulations outlines the basic rights and obligations on the lessor and lessee under any Lease Finance Contract. The Financing Rental Regulations provide that, amongst other things:

- a) the lessee under a Lease Financing Contract (a “**Lessee**”) may determine the specifications of the asset to be rented with a supplier, producer or a contractor. This is available for a lessee only if that lessee is willing to accept and be responsible for any and all the consequences resulting from his determination of the asset's specification;
- b) subject to the written authorisation of the lessor under the Lease Finance Contract (the “**Lessor**”), the Lessee may take over the rented asset directly from the supplier, producer or contractor according to the terms and specifications determined in contract;
- c) the Lessor may demand securities to be issued against his rights;
- d) if the possession, operation or management of the subject matter of a Lease Financing Contract calls for a license, the Lessee is obliged to apply to the concerned authority for getting such license;
- e) the Lessor has the right to rescind the contract and retrieve the rented asset if the Lessee failed to settle the matured payments;
- f) the Lessee shall not arrange any debts over the ownership of the rented asset, or mortgage it in favour of a third party without the lessor's written consent;
- g) the Lessor shall be charged with the value of the cooperative insurance on the rented asset;
- h) the Lessee may sublet the Lease Finance Contract to another Lessee after getting the Lessor's consent.
- i) the Lessor – or his representative – may inspect the rented asset and its condition for ensuring the continuous possession of this asset by the Lessee, provided such action should not inflict

any damage to the lessee as maybe determined by the Financing Rental Implementing Regulations and the provisions stipulated in the relevant Lease Finance Contract.

Under the Financing Rental Regulations, the ownership of the rented properties maybe transferred to a Lessee in accordance with the provisions of the relevant Lease Finance Contract either by (a) a condition stipulating such ownership on the settlement of the contract payments or their settlement according to a lump sum; or (b) promising the sale according to a symbolic price, or according to a price being agreed upon in the contract, or according to the asset value at the time of concluding the sale contract, or through donation.

The Financing Rental Regulations provides for the establishment of one or more joint stock companies to register all Lease Finance Contracts concluded or implemented in the Kingdom. Each Lease Finance Contract must be recorded in a contract register in order to confirm the Lessor's ownership of the rented asset against third parties. Any amendment to a Lease Finance Contract shall be enforceable against others from the date on which such amendment is marked in the contract register.

### **Impact of Financing Companies Control Regulations and the Financing Rental Regulation**

No companies have, as of the date of this Prospectus, been formally licensed by SAMA under the Lease Finance Regulations. Only 2 leasing companies Saudi ORIX and Al Amthal were previously licensed by SAMA in relation to such activities, with all the other leasing companies and installment companies being licensed by the Ministry of Commercial and Industry (“MOCI”) or being in-house operations/departments of large suppliers which only provide financial services related to their own products.

It is unclear if SAMA will require Saudi ORIX to obtain a new license as generally required under the Financing Control Regulations (although given the grace period provided under the Financing Control Regulations, such licence would, in any event, not be required for a further 2 years).

Saudi ORIX believes that it is generally in compliance with the Financing Control Regulations and the Financing Rental Regulations. Additionally, Saudi ORIX does not foresee any issues in complying with the Draft Financing Control Implementing Regulations and the Draft Financing Rental Implementing Regulations, as currently issued by SAMA, particularly in view of the grace period provided under the Financing Control Regulations. However, the overall impact of the new regulations on the operations of Saudi ORIX cannot be known until the final Financing Control Implementing Regulations and Financing Rental Implementing Regulations have been formally issued by SAMA.

### **Market Size Estimate for the Leasing Sector in the Kingdom**

Similar to other economies the size and growth prospects of the leasing industry in the Kingdom are closely linked to the following key macroeconomic and demographic indicators:

- Size of economy and expected GDP growth;
- Gross fixed capital formation; and
- Expected population growth.

#### Size of the Economy and Expected GDP Growth

The Kingdom is considered to have the largest economy in the Gulf Cooperative Council (the “GCC”) and the MENA region by GDP. According to the SAMA Report and preliminary estimates of the MOEP the nominal GDP, of the Kingdom increased from SAR 1,412.6 billion in the fiscal year 2009 to SAR 1,709.7 billion in the fiscal year 2010, reflecting a growth rate of 21.0%, whereas real

GDP increased from SAR 836.9 billion in the fiscal year 2009 to SAR 879.8 billion in the fiscal year 2010, reflecting a growth of 5.1%. As per the SAMA Report, the key drivers for the GDP growth in the Kingdom during 2010 included: (i) a global economic recovery that supported high oil prices; (ii) an enlarged fiscal spending program by the Government that boosted domestic demand; and (iii) an accommodative monetary policy maintained by SAMA, which in turn facilitated the banks to increase lending to the private sector.

The MOEP estimates that the real GDP of the Kingdom increased by 7.1% in the fiscal year 2011 to reach SAR 941.8 billion from SAR 879.8 billion in the fiscal year 2010. Furthermore, the economy of the Kingdom is expected to sustain a healthy growth rate over the medium term. Samba Financial Group in its “*Mid-Year Economic Review and Forecast, 2011-13*,” dated July 2011, estimates that the economy of the Kingdom is expected to grow in real GDP terms at 4.0% and 4.5% in the fiscal years 2012 and 2013 respectively, whereas the Oxford Economics in its “*Emerging Markets Weekly Economic Briefing*,” dated 16 March 2012, estimates that the economy of the Kingdom is expected to grow in real GDP terms at 4.5%, 4.7%, 4.4% and 4.2% in the fiscal years 2012, 2013, 2014 and 2015 respectively. The Kingdom’s forecasted medium term economic growth is expected to be largely supported by, among others, the following key factors: (i) the fiscal spending packages announced by the Government in 2011; (ii) an expectation of incremental increase in oil production in the Kingdom; (iii) private investment growth stimulated by projects planned or underway (including the four proposed new economic cities); and (iv) the coming on stream of a number of major products, including among others refineries, petrochemical plants, and new offshore gas fields.

#### Gross Fixed Capital Formation

Considering that the leasing industry finances fixed assets, a determinant of the potential market size for the leasing industry in any economy is the level of Gross Fixed Capital Formation (“GFCF”) in that particular economy.

GFCF is a macroeconomic concept that statistically measures the value of acquisition of new or existing fixed assets (excluding the sale and purchase of land), less disposal of fixed assets. According to the SAMA Report and preliminary estimates of the MOEP, and as set forth in the table below, the level of GFCF (including change in inventory) in the Kingdom during fiscal year 2011 was SAR 471.8 billion, which represented approximately 21.1% of the estimated nominal GDP in fiscal year 2011.

As set forth in the table below the Kingdom’s annual GFCF for each of the fiscal years 2008, 2009, 2010 and 2011 has been fairly consistent and has averaged between 20% and 25% of nominal GDP.

In SAR billion	2008	2009	2010	2011
Nominal GDP	1,786.1	1,412.6	1,709.7	2,239.1
Gross Fixed Capital Formation	406.9	360.9	386.6	471.8
Government	109.9	112.1	N.A.	N.A.
Non-Oil Private Sector	171.9	168.2	N.A.	N.A.
Oil Sector	66.2	55.1	N.A.	N.A.
Change in Stock	58.9	25.6	14.6	43.7
Gross Fixed Capital Formation as a % of Nominal GDP	22.8%	25.5%	22.6	21.1%

Source: The SAMA Report and Ministry of Economy and Planning data

Furthermore, in line with the overall GDP growth experienced by the Kingdom, the manufacturing sector of the economy has also been registering strong growth over recent years. The manufacturing sector is one of the key focus areas for the Kingdom’s leasing industry. According to the SAMA Report and estimates of the MOEP, preliminary data on the real GDP growth in the Kingdom by economic activity indicates continued growth of the manufacturing sector in the fiscal year 2010. The

manufacturing sector (excluding oil refining) is estimated to have grown from SAR 89.8 billion in the fiscal year 2010 to SAR 103.2 billion in 2011, representing a 14.9% increase. In the fiscal year 2011 the manufacturing sector (excluding oil refining) is estimated to have accounted for 11.0% of the Kingdom's real GDP.

## DESCRIPTION OF SAUDI ORIX

### Introduction and overview

Saudi ORIX is a closed joint stock company incorporated in the Kingdom on 15/09/1421H (corresponding to 11 December 2000) pursuant to the Minister of Commerce and Industry's resolution No. 1662 announcing its incorporation with commercial registration number No. 1010163957 dated 21/10/1421H (corresponding to 16 January 2001). Saudi ORIX is a financial leasing company offering leasing services in respect of a range of leasing sectors across the Kingdom. It operates as a non-bank financial institution licensed by SAMA and was the first general purpose finance leasing company licensed by SAMA (under licence No. 1452 MZ-MAT) to provide medium term asset financing with a focus on small and medium enterprises ("SME"), in the Kingdom. Saudi ORIX was issued with a non-industrial licence No.99 dated 27/02/1421H (corresponding to 31 May 2000) by the Ministry of Industry and Electricity, the predecessor of the Saudi Arabian General Investment Authority ("SAGIA"), the authority responsible for issuing foreign investment licences, in addition to a valid foreign investment licence No. 102030093785 issued by SAGIA on 11/9/1430H (corresponding to 1 September 2009). Saudi ORIX's registered head office is located at 343, Al Ma'ather Street, P.O. Box 22890, Riyadh 11416.

The objects for which Saudi ORIX has been incorporated, and as amended, are as follows:

The provision of financing to all productive sectors, including the industrial, transportation, agricultural, trading, and occupational and lease financing services of movable and immovable assets which includes, and is not limited to, factories buildings, warehouses, production equipment, machinery, medical equipment, transportation and construction equipment, all types of cars, office and computers equipment, and acquiring, selling and disposing real estate for lease financing purposes outside the cities of Makkah and Madinah.

Saudi ORIX leases the following types of assets ("**Leased Assets**"):

- machinery and factory equipment, such as overhead cranes, oilfield equipment, fabrication and food processing machinery;
- vehicles and transportation equipment, such as tractors, trailers, fork-lifters, buses, cars, trucks, vans and prime movers;
- office and other equipment, such as photocopiers, computers, routers, air conditioners and medical equipment; and
- other assets, such as factory buildings, warehouses and sheds.

As at 31 December 2011, Saudi ORIX had total assets of SAR 1,237.8 million (as compared to SAR 992.1 million as at 31 December 2010); total liabilities of SAR 837.0 million (as compared to SAR 645.8 million as at 31 December 2010); total equity of SAR 400.8 million (as compared to SAR 346.3 million as at 31 December 2010) and total capital ratio of 29.93% (as compared to 31.68% as of 31 December 2010).

For the year ended 31 December 2011, Saudi ORIX generated total lease finance and investment income of SAR 133.1 million (as compared to SAR 118.2 million for the year ended 31 December 2010); and net income for the year of SAR 73.8 million (as compared to SAR 53.9 million for the year ended 31 December 2010). Saudi ORIX has been rated as "Ba1" (Corporate Family Rating) with "Stable" outlook by Moody's Investors Service, Inc. ("**Moody's**") since 2007.

## History

Saudi ORIX was incorporated in 1421H (corresponding to 2000) as a closed joint stock company pursuant to the Ministry of Commerce & Industry (“MOCI”) resolution number 1662, with the following founding shareholders (the “Founding Shareholders”): The Saudi Investment Bank (“SAIB”), Trade Development & Investment Group, Ltd. (“TDIG”), International Finance Corporation (IFC), ORIX Corporation (“ORIX Corporation”) and ORIX Leasing Pakistan Ltd. (“OLP”).

Saudi ORIX commenced commercial operations in May 2001 and has since grown to be one of the largest leasing companies in the Kingdom by total value of leased assets. Initially operating out of its head office in Riyadh, Saudi ORIX now operates out of five branches in the Kingdom, with offices in Riyadh (with Commercial Registration No. 1010163957), Jeddah (with Commercial Registration No. 4030150057), Al-Khobar (with Commercial Registration No. 2050046083), Jubail (with Commercial Registration No. 2055013067) and Khamis Mushaet (with Commercial Registration No. 5855036378).

The table below shows Saudi ORIX’s, gross and net investment in finance leases, total assets, total liabilities, total equity, total operating income and net income for each of the years ending 31 December 2009, 2010 and 2011:

	Year ended 31 December		
	2009	2010	2011
	SAR ‘000		
Gross Investment in Finance Leases *	1,615,638.7	1,757,043.7	2,134,228.7
Net Investment in Finance Leases **	948,521.5	945,562.3	1,159,109.7
Total Assets	970,166.9	992,060.9	1,237,751.1
Total Liabilities	663,191.7	645,775.3	836,989.2
Shareholders’ Equity	306,975.2	346,285.5	400,761.8
Total Operating Income	84,647.5	94,475.2	117,954.2
Net Income	42,886.6	53,931.2	73,764.9

\* Total lease receivables including residual value (also referred to herein as the “Gross Receivables”)

\*\* Gross Receivables less non-refundable security deposits less prepaid lease rentals less unearned lease finance income less provision for lease losses

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

The table below shows the key financial ratios for Saudi ORIX for each of the years ending 31 December 2009, 2010 and 2011:

	Year ended 31 December		
	2009	2010	2011
Tier 1 Capital Ratio *	28.09%	30.43%	28.68%
Total Capital Ratio *	29.34%	31.68%	29.93%
Non-performing Leases/Gross Investment in Finance Leases	1.60%	0.74%	0.91%
Reserves for Lease Losses/Non-Performing Leases	3.05x	7.82x	6.03x
Return on Average Assets	4.04%	5.50%	6.62%
Return on Average Equity	14.84%	16.51%	19.75%
Cost to Income, gross	35.59%	33.92%	33.00%

\* Capital adequacy ratios measure capital adequacy by comparing the company’s eligible capital with its balance sheet assets, commitments and notional amount of derivatives, if any, at a weighted amount to reflect their relative risk

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

## Share capital

Saudi ORIX was incorporated with an initial paid in capital of SAR 60,000,000 and 1,200,000 shares with a par value of SAR 50. Since incorporation, the paid up capital of Saudi ORIX has been increased four times and Saudi ORIX's share capital as at the date of the Prospectus was SAR 340 million divided into 34 million shares with a par value of SAR 10 each. The increases to the share capital were as follows:

- On 05/04/1426H (corresponding to 14 May 2005), the Extraordinary General Assembly of Saudi ORIX resolved to increase the paid in capital of Saudi ORIX from SAR 60,000,000 to SAR 200,000,000 by issuing 2,800,000 new cash shares subscribed to by the existing shareholders so that the paid in capital of Saudi ORIX after this capital increase became SAR 200,000,000 and the number of shares 4,000,000.
- On 09/06/1430H (corresponding to 2 June 2009), the Extraordinary General Assembly of Saudi ORIX resolved to increase the paid in capital of Saudi ORIX from SAR 200,000,000 to 250,000,000 by issuing 5,000,000 new bonus shares with SAR 10 nominal value for each capitalising retained earnings amounting to SAR 50,000,000 so that the paid in capital of Saudi ORIX after this capital increase became SAR 250,000,000 and the number of shares 25,000,000. Further, the par value of each share was split to SAR 10 (2008: SAR 50), thereby increasing the absolute number of shares outstanding.
- On 28/06/1432H (corresponding to 31 May 2011), the Extraordinary General Assembly of Saudi ORIX resolved to increase the paid in capital of Saudi ORIX from SAR 250,000,000 to 300,000,000 by issuing 5,000,000 new bonus shares with SAR 10 nominal value for each capitalising retained earnings amounting to SAR 50,000,000 so that the paid in capital of Saudi ORIX after this capital increase became SAR 300,000,000 and the number of shares 30,000,000.
- On 13/07/1433H (corresponding to 3 June 2012), the Extraordinary General Assembly of Saudi ORIX resolved to increase its paid in capital from SAR 300,000,000 to 340,000,000 by issuing 4,000,000 new bonus shares with SAR 10 nominal value for each capitalising retained earnings amounting to SAR 40,000,000 so that the paid in capital of Saudi ORIX after this capital increase became SAR 340,000,000 and the number of shares 34,000,000.

## Changes to shareholdings

Since incorporation, the shareholding structure has undergone two changes:

- In February 2009, IFC exited Saudi ORIX as a shareholder by exercising a put option by virtue of an option agreement that IFC had entered into with SAIB in the year 2000, and, pursuant to SAMA's approval letter number 697 dated 10/6/1430H (corresponding to 3 June 2009), and approval letter number 692 dated 9/10 /1430H (corresponding to 28 September 2009), transferred its 10% interest in the share capital of Saudi ORIX to SAIB. SAIB subsequently transferred 0.005% to Mr. Musaed Mohammad Al Mineefi in December 2009.
- In 2010, OLP disposed of 7.5% of its interest in the share capital of Saudi ORIX to ORIX Corporation. This was done pursuant to SAMA's approval letter No. 1551 dated 08/07/1431H (corresponding to 20 June 2010).
- The shareholdings before and after the changes in the ownership structure noted above are presented in the following table:



Shareholder	Founding	Ownership after IFC Transfer to SAIB (and SAIB transfer to Mr. Al Mineefi)	Ownership after OLP Transfer to ORIX Corporation
	%	%	%
TDIG	32	32	32
SAIB	28	37.995	37.995
ORIX Corporation	20	20	27.50
OLP	10	10	2.5
IFC	10	-	-
Mr. Musaed Al Mineefi	-	0.005	0.005
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Saudi ORIX

The shareholders of Saudi ORIX as at the date of this Prospectus are set out in the table below together with each of their respective shareholdings and percentages:

Shareholder name	Domicile	Number of Shares held directly	Direct shareholding percentage	Value of Shares held directly (SAR)
SAIB	Saudi Arabia	12,918,300	37.995%	129,183,000
TDIG	Saudi Arabia	10,880,000	32.00%	108,800,000
ORIX Corporation*	Japan	9,350,000	27.50%	93,500,000
OLP	Pakistan	850,000	2.50%	8,500,000
Mr. Musaed Al Mineefi	Saudi Arabia	1,700	0.005%	17,000
<b>Total</b>		<b>34,000,000</b>	<b>100%</b>	<b>340,000,000</b>

Source: Saudi ORIX

\*ORIX Corporation directly or indirectly owns 49.59% of OLP and therefore indirectly also holds 421,515 shares of Saudi ORIX. ORIX Corporation therefore, directly and indirectly, holds 9,771,515 shares in Saudi ORIX, which amounts to approximately 28.7% of the issued share capital of Saudi ORIX.

### **Principal Shareholder Profiles**

A brief description of Saudi ORIX's principal shareholders is as follows:

#### *The Saudi Investment Bank*

SAIB, a full service Saudi Arabian commercial bank, is a Saudi Arabian joint stock company established by Royal Decree No. M/31 dated 23 June 1976, with its headquarters in Riyadh, and is currently listed on the Saudi Arabian Stock Exchange. As at 30 September 2012, the following shareholders of SAIB held more than 5% of its issued share capital: General Organization for Social Insurance (21.5%); Public Pension Fund (17.3%); Saudi Oger Ltd. (8.5%); J.P. Morgan International Finance Ltd. (7.4%); and National Commercial Bank (7.3%).

SAIB offers traditional wholesale, retail and commercial banking products and services. In particular, it arranges financing of quasi-government and private industrial sectors and trade finance products for imports and for the increasing Saudi exports. SAIB has a long term credit rating of "A-" and a short term credit rating of "A-2" from Standard & Poor Ratings Direct Global Credit Portal ("**Standard & Poor**") (Stable outlook) and a long term credit rating of "A-" and a short term credit rating of "F-2" from Fitch Ratings ("**Fitch**") (Stable outlook).

The following table presents the net loans and advances, total assets, customer deposits, total liabilities, total equity, total operating income and net income of SAIB for each of the years ending 31 December 2009, 2010, and 2011:

	Year ended 31 December		
	2009	2010	2011
	SAR million		
Net Loans and Advances	29,784.8	31,001.8	27,114.0
Total Assets	50,148.0	51,491.2	51,945.5
Customer Deposits	38,247.4	37,215.1	36,770.4
Total Liabilities	42,719.8	43,349.8	43,388.2
Total Equity	7,428.1	8,141.3	8,557.2
Total Operating Income	1,517.1	1,749.2	1,615.8
Net Income (post minority interest)	521.6	429.3	707.6
Tier I Ratio	14.14%	17.17%	19.04%

Source: Audited financial statements of SAIB for the years ended 31 December 2009, 2010 and 2011

### **Trade Development & Investment Group, Ltd.**

TDIG is an investment vehicle and a platform for the promotion and development of private sector investments in the Kingdom. Its licensed activities include real-estate investment and leasing of machinery. It was incorporated as a limited liability company on 04/07/1420H (corresponding to 14 October 1999).

As of 30 September 2012, the shareholders of TDIG were:

- Mr. Mohammed ibn Ali Abalkail (15.625%), former Finance Minister of the Kingdom;
- Mr. Saleh ibn Abdulaziz Al Omair (15.625%), former Vice Minister of Finance of the Kingdom and current Chairman of Banque Saudi Fransi;
- Mr. Mohammad ibn Ahmed ibn Abdullatif (12.5%), former Deputy Governor of SAMA;
- Mr. Ahmed ibn Abdullah Al Zamil (12.5%), former Deputy Minister of Petroleum & Mineral Resources of the Kingdom;
- Ali Zaid Al-Quraishi & Brothers Company (12.5%);
- Omran M Al-Omran Company Limited (15.625%); and
- the Al mutlaq Group (15.625%).

### *ORIX Corporation, Japan*

As at 31 December 2011, the ORIX Corporation was among the largest leasing companies in Japan by total assets with total assets of over approximately SAR 395.2 billion and, together with its subsidiaries, the ORIX Corporation was the third largest group in the leasing industry worldwide by size of total asset portfolio. The shareholder's equity in ORIX Corporation as at 31 December 2011 was approximately SAR 60.7 billion. ORIX Corporation is listed on New York, Osaka and Tokyo stock exchanges.

As of 30 September 2012 ORIX Corporation had 721 consolidated companies, 96 subsidiaries and affiliates and 17,488 employees.

The total number of shareholders as at 30 September 2012 was approximately 39,300 with 259,000,000 total number of shares authorised of which 110,254,422 shares were issued and

outstanding. Its major shareholders include financial institutions (41.8%) and overseas corporations (49.2%), which include:

- Japan Trustee Services Bank Ltd (11.19%);
- The Master Trust Bank of Japan Ltd. (10.97%);
- Japan Trustee Services Bank Ltd. (4.35%);
- SSHBT OD05 OMNIBUS Account Treaty Clients (3.75%)
- The Chase Manhattan Bank (3.61%);
- State Street Bank and Trust Company (2.73%);

Since its incorporation in 1950, ORIX Corporation has played a pioneering role in the leasing industry, first in developing the market for lease financing in Japan and subsequently in developing and introducing leasing products and services in other countries. The ORIX Corporation has four joint venture companies in the Middle East region which undertake leasing activities: Oman ORIX Leasing Company SAOG (established in 1994), ORIX Leasing Egypt (established in 1997), Saudi ORIX and MAF ORIX Finance Company, UAE (established in 2002).

The ORIX Corporation also conducts a number of other businesses, which include banking, securities brokerage, aircraft financing, ship financing and ship management services, venture capital investment, life insurance, commodities trading, consumer loans, hotel management and real estate and related businesses. The ORIX Corporation has a long term credit rating of “A-” from Standard & Poor (Stable outlook) and a long term credit rating of “Baa2” from Moody’s (Stable Outlook).

The following table presents the total revenue, net income, total assets, total liabilities and total equity of ORIX Corporation for each of the years ended 31 March 2009, 2010, and 2011:

	Year ended 31 March,		
	2009	2010	2011
	SAR million		
Total Assets	385,506.7	356,492.1	395,264.2
Total Liabilities	329,728.8	294,562.4	331,935.5
Total Equity	53,776.0	59,816.9	60,768.3
Total Revenue	47,555.9	42,019.9	44,682.9
Net Income (post minority interest)	1,009.8	1,739.1	3,098.7
SAR/Japanese YEN Exchange Rate*	21.7	21.7	21.7

\*Financial data converted into SAR at a uniform exchange rate of SAR 21.7 per 1 JPY for the purposes of uniformity  
Source: Audited financial statements of ORIX Corporation for the years ended 31 March 2009, 2010, and 2011

#### *ORIX Leasing Pakistan Limited*

OLP is a leading leasing company in Pakistan. Established in July 1986 as a joint venture between ORIX Corporation and Pakistani investors, it commenced commercial operations in January 1987. OLP was listed on the Karachi Stock Exchange in June 1988 through an initial public offering. As of 31 December 2011, ORIX Corporation holds a 49.59% equity stake in OLP. The remaining shareholding of 32.94% is owned by institutional investors and the general public and 17.47% by foreign funds.

OLP’s main business is the leasing of moveable assets primarily industrial machinery, commercial vehicles, cars, computers and office equipment. In addition to finance leasing, OLP also provides

operating leases, micro finance, consumer finance, hire purchase, personal loans, working capital loan, invoice factoring and point of sale networks.

## **Description of the shares**

### ***Shares***

The shares are nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case, the difference in value shall be added to the legal reserve, even if the reserve has reached its maximum limit. A share shall be indivisible. If several persons hold a share, they shall designate one person to act on their behalf in exercising the rights connected with the share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

### ***Rights of Shareholders***

Each shareholder holding 20 shares or more shall have the right to attend the Ordinary General Assembly. A shareholder may delegate in the form of a written proxy, another shareholder, other than the members of the Board of Directors, to attend the Ordinary General Assembly on his/her behalf. The votes in the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for every share.

### ***Shareholders Assemblies***

With the exception of matters falling within the competence of an Extraordinary General Assembly, an Ordinary General Assembly shall be vested with the authority to determine any matter concerning Saudi ORIX. An Ordinary General Assembly shall be held at least once a year and within six months following the end of Saudi ORIX's fiscal year. Other Ordinary General Assemblies may be convened whenever the need arises.

An Extraordinary General Assembly has the power to amend the Bylaws (with the exception of those provisions that are exempt from amendment). An Extraordinary General Assembly shall be empowered to pass resolutions with respect to matters that fall within the competence of an Ordinary General Assembly, on the same terms and conditions that apply to an Ordinary General Assembly.

See "*Legal Information - Summary of the Bylaws of Saudi ORIX*" for further details on the description of shares, the rights of shareholders and shareholder assemblies.

## **Vision and Mission**

### ***Vision***

"The vision of Saudi ORIX is to create value that is economically significant for its shareholders, customers, employees and other stakeholders and which maximises the benefit of financial intermediation for the society in general."

### ***Mission***

"Saudi ORIX's mission is to provide medium term asset financing to all productive sectors of the Saudi Arabian economy with particular emphasis on serving the needs of the SME sector, thereby assisting in extending and expanding the credit delivery mechanism in Saudi Arabia. Saudi ORIX seeks to strive for progress and offer real and lasting value to its customers. Saudi ORIX also endeavours to benchmark professional business ethics and to create a culture of openness, promoting individual and societal growth by rewarding initiative and performance."

## **Strategy**

Saudi ORIX's strategic objectives and the means by which such objectives are to be achieved are as follows:

- Continue to develop its core market in the Saudi Arabian SME sector by further developing its network of regional offices, so as to increase Saudi ORIX's customer base and consequently its finance lease portfolio;
- Further diversify and expand its finance lease portfolio, through expanding into new sectors and asset classes and by introducing new products, such as syndicated lease financing, to meet the need of the market. Such diversification is expected to reduce Saudi ORIX's exposure to a downturn in any particular sector;
- Further diversify and expand its client base, by expanding its presence in sectors other than the SME sector through (i) targeting "big ticket" transactions with large corporations; and (ii) leveraging its track record of successfully structuring tailored and often complex leasing arrangements;
- Further diversify its funding sources, by increasing its exposure to the domestic capital markets, including through the issue of debt securities such as the Sukuk, and by borrowing from a range of domestic and international financial institutions; and
- Continue to develop the experience and knowledge of its employees by focusing on staff training. Saudi ORIX believes that investing in the training of its staff to ensure an experienced and qualified workforce is a critical enabling factor for the successful execution of its above mentioned strategy.

## **Competition**

Saudi ORIX operates in a competitive market. The participants in the Kingdom's lease finance market include:

- Specialised leasing companies which are regulated by SAMA. The principal SAMA regulated lease finance companies include Saudi ORIX and Al Amthal;
- Leasing companies which are not regulated by SAMA. The principal non-SAMA regulated leasing companies include Ajil Financial Services Company, Kirnaf Investment and Installment Company, Sofinco Saudi Fransi, Taajeer Company and A'ayan Leasing & Investment Company; and
- Vendor finance companies, which include a range of agents, distributors and suppliers that market and provide financial services related to their own products/vehicles (e.g., Toyota, Nissan or Chevrolet) in the Kingdom.

See "Market and Industry Information" section of the Prospectus for further details on Saudi ORIX's competition and competitive environment.

## **Competitive Strengths**

Saudi ORIX believes that it has the following key competitive strengths that are expected to facilitate Saudi ORIX in growing its business:

### *Saudi ORIX's brand recognition*

Saudi ORIX enjoys the use of the globally recognised “ORIX” name in the leasing industry (see “*Description of Saudi ORIX - Principal Shareholder Profiles – ORIX Corporation, Japan*”). In addition, since Saudi ORIX was the first lease finance company licensed by SAMA to operate in the Kingdom and has actively participated in the lease finance market in the Kingdom ever since, Saudi ORIX has established Saudi ORIX as a recognised name in this market.

### *Diversified portfolio and client base*

In more than ten years of operations, Saudi ORIX has developed a well-diversified finance lease portfolio in terms of customers, economic sectors and asset types. Saudi ORIX's finance lease portfolio is characterised by a low default rate, as measured by the ratio of non-performing lease contracts divided by net investments in finance leases (pre-provisions) of 0.91% as at 31 December 2011 and 0.74% as at 31 December 2010.

### *ORIX Corporation and OLP support*

Saudi ORIX benefits from its membership in the ORIX Corporation franchise and the substantial lease finance expertise and support of ORIX Corporation and its subsidiaries. Through a Technical Assistance Agreement with ORIX Corporation and OLP, Saudi ORIX has access to technical and management support from ORIX Corporation and OLP at no cost and benefits from their knowledge and experience in establishing similar businesses in other emerging markets, including countries in the Middle East. This support assisted Saudi ORIX in establishing its presence in the Saudi Arabian lease finance market and continues to significantly benefit Saudi ORIX in the development and execution of tailored finance lease transactions. See Section “*Legal Information - Material Contracts*” for details on the Technical Assistance Agreement.

### *Saudi ORIX's independence from tie-ins*

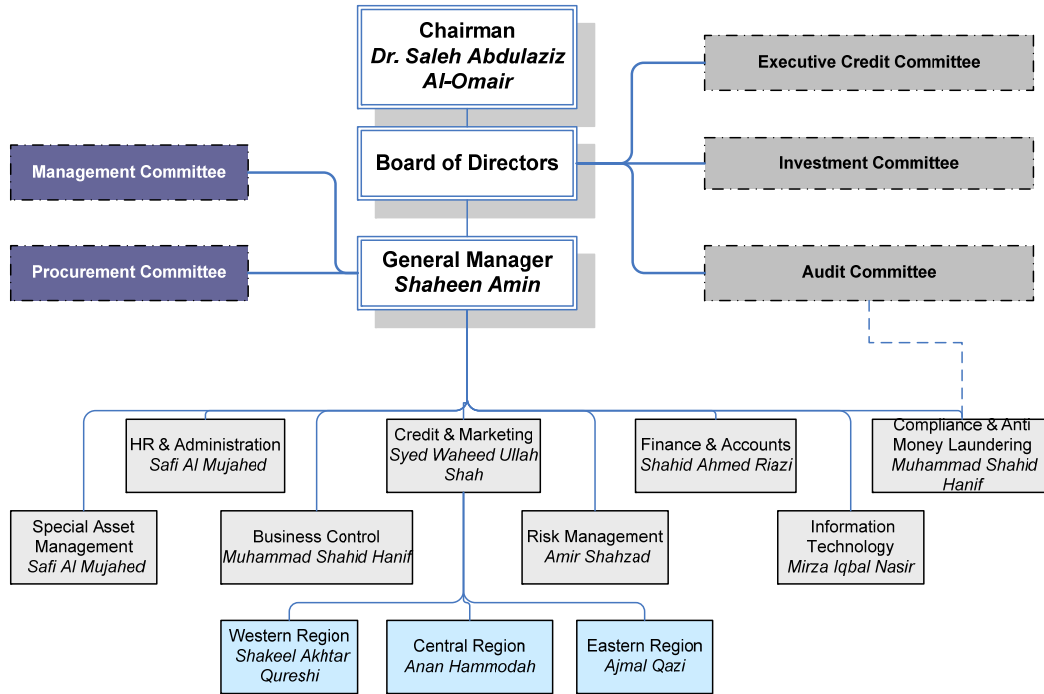
Saudi ORIX was established as an independent lease finance company in the Kingdom and is not tied in to any exclusive arrangements with customers or vendors. Saudi ORIX's existing and potential target market is relatively wide and unrestricted, which in turn assists Saudi ORIX in ensuring the diversification of its finance lease portfolio. As such, Saudi ORIX itself would not be viewed by a lease finance customer as a direct competitor or related to a direct competitor to its business.

### *Experienced senior management*

The senior management of Saudi ORIX has extensive experience in the leasing, banking and finance industries, as described in more detail in the Section “*Management*”. Since the start of commercial operations, the senior management team has guided Saudi ORIX through a period of growth and diversification, has dealt with the challenges of the global financial crisis, and has the experience to continue to implement Saudi ORIX's strategic objectives.

## **Organisation**

Saudi ORIX organises its business into eight departments and two management committees, each of which reports to the General Manager. In addition, the company has three committees reporting directly to the Board. See “*Management and Employees - Board Committees*” and “*Management and Employees - Management Committees*” sections of this Prospectus regarding these committees.



Source: Saudi ORIX

A description of each of these departments is set out below:

### *Credit & Marketing*

This department is responsible for lease marketing, credit evaluation and account management, including follow up of rent collections, for each of the regions in the Kingdom in which Saudi ORIX operates. This is the largest department in Saudi ORIX, with 61 employees as at 31 December 2011. The department operates in accordance with Saudi ORIX's credit and marketing manual which is updated when necessary. Saudi ORIX, through the credit & marketing department, markets its business in a number of ways, including cold calls and visits to prospective customers and following-up on supplier or customer cross-referrals.

### *Risk Management*

This department is responsible for assessing the credit worthiness of lessees and ensuring compliance with Saudi ORIX's credit and operational guidelines.

### *Business Control Division*

This department is responsible for ensuring that Saudi ORIX's rights under the lease contracts are safeguarded and that leases are executed with the proper documentation. Lease contract files are reviewed by this department to ensure documentation requirements are satisfied prior to execution. This department is also responsible for ensuring that leased assets are adequately insured and that lessees are complying with their insurance obligations under the lease contract.

### *Finance & Accounts*

This department is responsible for recording, processing and reporting of the financial data that is used in the preparation of monthly, quarterly and annual accounts and for meeting the reporting requirements of regulatory authorities.

### *Information Technology*

This department is responsible for the development and maintenance of the information technology necessary to meet the business needs of Saudi ORIX. The main business software applications used are provided by ORIX Corporation and OLP pursuant to the Technical Assistance Agreement at no cost to Saudi ORIX. These applications are run on an Oracle database management system. This department operates in accordance with the information systems policies and practices manual, which covers management, operational and technical controls, as well as a disaster recovery plan.

Saudi ORIX believes that its current information technology platform is sufficient to meet the needs of its business. However, as it expands its business, Saudi ORIX intends to further develop its information technology systems to ensure it can process lease applications and monitor leases as efficiently as possible.

### *Compliance & Anti-money Laundering*

This department is responsible for ensuring that Saudi ORIX and its employees comply with Saudi ORIX's standard operating and risk management policies and practices as well as regulatory requirements, including the rules issued by SAMA in relation to anti-money laundering.

### *Special Asset Management*

This department is responsible for ensuring that lessees with overdue lessees are contacted and legal action is initiated as and when required.

### *Human Resources & Administration*

The department is responsible for managing general administrative affairs, particularly government relations and human resources-related matters for Saudi ORIX.

## **Saudi ORIX Main Line of Business**

Saudi ORIX's primary business is the finance leasing of Leased Assets.

Under Saudi ORIX's typical finance lease arrangements, a prospective lessee identifies the asset to be financed and the supplier. This may be an asset that the lessee wishes to acquire or an existing asset that has already been purchased by the lessee. The asset is then purchased by Saudi ORIX and leased to the lessee for a pre-determined period at a pre-determined rate. Notwithstanding the fact that on commencement of the lease the leased asset is physically transferred to the lessee, the title to the leased asset remains with Saudi ORIX throughout the life of the lease. The lessee has the right of use of the asset during the term of the lease in return for payment of the lease payments. Through the payment of these lease payments, Saudi ORIX recovers all, or a substantial part of the cost of the asset, plus earns profit, over the term of the lease.

On the expiry of the lease period, the lessee is given an option: (a) to acquire ownership of the asset, usually by making a residual payment at a pre-determined price; (b) to renew the lease on a yearly basis; or (c) to return the asset to Saudi ORIX. If the lessee does not opt to buy the asset or renew the lease, Saudi ORIX may sell the asset, retaining any amount exceeding the residual value as additional income.



### *Advantages of Finance Leasing to the Lessor*

Saudi ORIX believes that the main advantage of finance leasing over other forms of commercial financing is the ability for Saudi ORIX to reclaim the asset on default, as it retains title to the asset. As a result, whether or not the defaulting lessee is in bankruptcy or otherwise, Saudi ORIX does not rank as a creditor in the same way as a commercial bank would (save as to any unpaid rental due under the finance lease), as it is entitled to take possession of the leased asset it legally owns.

### *Advantages of Finance Leasing to the Lessee*

Leasing transactions in the Kingdom offer the following potential advantages to lessees:

- leasing diversifies funding sources and may assist in freeing up existing working capital or credit lines;
- leasing assists in better cash flow management; lease rentals, which are determined at the inception of a lease, may assist in better expense budgeting and cash flow forecasting;
- leases, being fixed term contracts, provide certainty of financing, whereas an overdraft or a commercial bank facility may be payable on demand and may be reduced and/or withdrawn during periods of uncertainty in financial markets;
- leasing may be off balance sheet as certain types of leases are not considered borrowings and therefore are not reflected on the lessee's balance sheet;
- leasing may minimise administrative costs, such as outsourcing insurance claims management and asset registration, and simplifying tax and accounting procedures by admissibility of lease rentals as a deduction against deferred taxation of fixed assets;
- leasing generally involves easy documentation and flexibility in period and payment plans; and
- leasing, being an asset based finance mechanism, is in general Shariah compliant.

### *Lease Negotiation and Asset Procurement*

In negotiations on a typical finance lease transaction, the supplier of the asset and price are proposed by the lessee. Saudi ORIX then carries out an analysis of the lessee's proposed terms, based on internal procurement and credit analysis procedures and applicable law. Saudi ORIX then proposes amendments to the terms proposed by the lessee as needed, and sets out the lease proposal (including the tenor, deposit and periodic lease payments).

Following agreement with the lessee on the proposed transaction terms (which may include the lease finance agreement and a promissory note and personal guarantee in favour of Saudi ORIX), Saudi ORIX works with the asset supplier and documents the transaction. Once the transaction documentation has been completed, Saudi ORIX purchases the asset directly from the supplier and pays the supplier and ensures that the asset is supplied to the lessee. In respect of assets that have already been purchased, Saudi ORIX purchases the assets directly from the lessee and pays the lessee, before leasing the asset back to the lessee for a pre-determined period at a pre-determined rate.

As part of its risk management, unless covered by a bank guarantee, all lessees who enter into a lease finance agreement with Saudi ORIX sign a personal guarantee for the full amount of the lease contract that is payable by the lessee upon Saudi ORIX's demand.

Saudi ORIX has separate standardised finance lease agreements for each of its major assets classes (real estate, industrial machinery, commercial equipment and commercial and motor vehicles). Details

of the typical terms of Saudi ORIX's lease finance agreements are set out in the "Legal Information - Material Contracts – Lease Finance Agreements".

## Lease Finance Portfolio Analysis

### Portfolio Exposure by Asset Class

The assets financed by Saudi ORIX include commercial equipment, industrial machinery, commercial and motor vehicles, and commercial properties or real estate. Saudi ORIX generally leases any type of immovable property or movable equipment, including but not limited to factory buildings, warehouses and equipment used in the production, construction, agricultural, medical, transport and service sectors, as long as it is expected to be productively employed and conforms to all of Saudi ORIX's operational guidelines, which includes (among others) a requirement that the lessee must provide at least two years' financial information, and must ensure that the leased assets are sufficiently and adequately insured.

As at 31 December 2009, 2010, 2011 and 30 June 2011 and 2012, the asset distribution of Saudi ORIX's net investment in finance leases (pre provisions) was as follows:

	As at 31 December						As at 30 June			
	2009		2010		2011		2012		2011	
	SAR '000	% of Portfolio	SAR '000	% of Portfolio	SAR '000	% of Portfolio	SAR '000	% of Portfolio	SAR '000	% of Portfolio
Commercial & Motor Vehicles	406,490.8	40.8	405,716.0	40.4	512,311.5	41.8	575,326.3	40.8	457,249.1	41.7
Industrial machinery	293,943.6	29.5	274,891.8	27.4	328,264.9	26.8	369,488.0	26.2	288,635.3	26.4
Commercial Equipment	134,266.1	13.5	157,933.5	15.7	213,891.3	17.4	263,852.9	18.7	185,413.8	16.9
Real Estate	162,533.8	16.3	164,778.6	16.4	171,627.8	14.0	200,366.1	14.2	164,278.1	15.0
Investment in Finance Leases (pre provisions)	<b>997,234.3</b>	<b>100.0</b>	<b>1,003,319.8</b>	<b>100.0</b>	<b>1,226,095.4</b>	<b>100.0</b>	<b>1,409,033.3</b>	<b>100.0</b>	<b>1,095,576.3</b>	<b>100.0</b>

Source: Saudi ORIX

### Portfolio Exposure by Sector

Saudi ORIX has a fairly diversified finance lease portfolio with respect to industry sectors. For finance and accounting purposes, Saudi ORIX reports its portfolio concentration in of the following four broad industry sectors: manufacturing, construction and contracting, services, and trading.

- (a) The following tables set out Saudi ORIX's net investment in finance leases in each of its key industry sectors for the years ended 31 December 2009, 2010 and 2011:

As at 31 December 2009						
SAR '000						
Sector	Performing lease contracts, net	Non-performing lease contracts, net	Net Investment	Allowance for lease losses	Investment in finance leases, net	Net Investment % concentration
Manufacturing	332,859.8	14,597.9	347,457.7	(6,386.4)	341,071.3	34.84
Construction & contracting	206,325.9	392.7	206,718.6	(287.9)	206,430.7	20.73
Services	282,840.4	666.7	283,507.1	(666.7)	282,840.4	28.43
Trading	140,505.0	67.1	140,572.1	(67.1)	140,505.0	14.10
Others	18,716.3	262.6	18,978.9	(193.6)	18,785.3	1.90
Collective impairment provision	0.0	0.0	0.0	(41,111.1)	(41,111.1)	-
<b>Total</b>	<b>981,247.3</b>	<b>15,986.9</b>	<b>997,234.3</b>	<b>(48,712.7)</b>	<b>948,521.5</b>	<b>100.00</b>

Source: Audited financial statements of Saudi ORIX for the year ended 31 December 2009

As at 31 December 2010						
SAR '000						
Sector	Performing lease contracts, net	Non-performing lease contracts, net	Net Investment	Allowance for lease losses	Investment in finance leases, net	Net Investment % concentration
Manufacturing	357,152.0	6,086.1	363,238.1	(5,697.6)	357,540.5	36.20
Construction & contracting	247,069.4	58.7	247,128.1	(58.7)	247,069.4	24.63
Services	258,372.5	829.4	259,201.9	(727.3)	258,474.6	25.83
Trading	120,083.9	67.0	120,150.9	(67.0)	120,083.9	11.98
Others	13,256.3	344.5	13,600.8	(339.5)	13,261.3	1.36
Collective impairment provision	0.0	0.0	0.0	(50,867.4)	(50,867.4)	-
<b>Total</b>	<b>995,934.1</b>	<b>7,385.7</b>	<b>1,003,319.8</b>	<b>(57,757.5)</b>	<b>945,562.3</b>	<b>100.00</b>

Source: Audited financial statements of Saudi ORIX for the year ended 31 December 2010

As at 31 December 2011						
SAR '000						
Sector	Performing lease contracts, net	Non-performing lease contracts, net	Net Investment	Allowance for lease losses	Investment in finance leases, net	Net Investment % concentration
Manufacturing	419,202.7	9,015.5	428,218.2	(4,250.9)	423,967.3	34.93
Construction & contracting	313,290.4	996.5	314,286.9	(199.4)	314,087.5	25.63
Services	296,273.4	703.4	296,976.8	(703.4)	296,273.4	24.22
Trading	176,205.7	67.0	176,272.7	(67.0)	176,205.7	14.38
Others	10,009.9	330.9	10,340.8	(330.9)	10,009.9	0.84
Collective impairment provision	0.0	0.0	0.0	(61,433.9)	(61,433.9)	-
<b>Total</b>	<b>1,214,982.0</b>	<b>11,113.5</b>	<b>1,226,095.4</b>	<b>(66,985.6)</b>	<b>1,159,109.8</b>	<b>100.00</b>

Source: Audited financial statements of Saudi ORIX for the year ended 31 December 2011

- (b) The following tables set out Saudi ORIX's net investment in finance leases in each of its key industry sectors for the periods ended 30 June 2011 and 30 June 2012:

As at 30 June 2011						
SAR '000						
Sector	Performing lease contracts, net	Non-performing lease contracts, net	Net Investment	Allowance for lease losses	Investment in finance leases, net	Net Investment % concentration
Manufacturing	406,947.6	9,668.5	416,616.1	(5,248.9)	411,367.1	38.03
Construction & contracting	284,565.4	996.5	285,561.9	(105.6)	285,456.4	26.07
Services	248,401.5	703.4	249,104.9	(703.4)	248,401.5	22.74
Trading	131,147.5	67.0	131,214.5	(67.0)	131,147.5	11.98
Others	12,741.6	337.2	13,078.8	(337.2)	12,741.6	1.19
Collective impairment provision	0.0	0.0	0.0	(55,890.5)	(55,890.5)	-
<b>Total</b>	<b>1,083,803.6</b>	<b>11,772.7</b>	<b>1,095,576.3</b>	<b>(62,352.7)</b>	<b>1,033,223.5</b>	<b>100.00</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

As at 30 June 2012						
SAR '000						
Sector	Performing lease contracts, net	Non-performing lease contracts, net	Net Investment	Allowance for lease losses	Investment in finance leases, net	Net Investment % concentration
Manufacturing	446,475.7	10,906.7	457,382.4	(4,536.2)	452,846.2	32.46
Construction & contracting	370,984.5	645.0	371,629.5	(278.2)	371,351.3	26.37
Services	362,380.5	417.1	362,797.6	(417.1)	362,380.5	25.75
Trading	201,765.8	3,307.1	205,072.9	(229.0)	204,843.9	14.55
Others	11,823.2	327.5	12,150.7	(327.5)	11,823.2	0.86
Collective impairment provision	0.0	0.0	0.0	(67,549.6)	(67,549.6)	-
<b>Total</b>	<b>1,393,429.7</b>	<b>15,603.6</b>	<b>1,409,033.3</b>	<b>(73,337.7)</b>	<b>1,335,695.6</b>	<b>100.00</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

A brief description of each sector is set out below:

### *Manufacturing*

This sector includes twenty sub-sectors, including building materials and glass industry, multi-disciplinary parent, food and beverages and related industries, steel and re-rolling, agriculture and farming, wood and metal and furniture. Saudi ORIX's exposure to this sector mainly involves the finance leasing of vehicle, machinery and plants to private entities.

As at 31 December 2011, Saudi ORIX's net investment in finance leases in this sector was SAR 428.2 million, an increase of 18% from SAR 363.2 million in 2010. As at 31 December 2011 the manufacturing sector comprised 35% of Saudi ORIX's aggregate net investment in finance leases (pre-provision), compared to 36%, as at 31 December 2010.

### *Construction and contracting services*

This sector includes four sub-sectors including construction, ready-mix concrete, repair, maintenance and renovation, and builders and real estate developers. Saudi ORIX's exposure to this sector mainly involves the finance leasing of vehicles, machinery and plant to private entities.

As at 31 December 2011, Saudi ORIX's net investment in finance leases in this sector was SAR 314.3 million, an increase of 27% from SAR 247.1 million in 2010. As at 31 December 2011 the construction and contracting services sector comprised 26%, of Saudi ORIX's aggregate net investment in finance leases (pre-provision), as compared to 25%, as at 31 December 2010.

### *Services*

This sector includes thirty-one sub-sectors including support services for corporations, healthcare and medical, electrical and mechanical contracting, hotel and entertainment, and, petroleum distribution services. Saudi ORIX's exposure to this sector mainly involves the finance leasing of vehicles and equipment.

As at 31 December 2011, Saudi ORIX's net investment in finance leases in this sector was SAR 296.9 million, an increase of 15% from SAR 259.2 million in 2010. As at 31 December 2011 the services sector comprised 24% of Saudi ORIX's aggregate net investment in finance leases (pre-provision), as compared to 26%, as at 31 December 2010.

## Trading

This sector includes fourteen sub-sectors including general traders, distributors for pharmaceutical, food, electrical and electronic products and chemicals, among others. Saudi ORIX's exposure to this sector mainly involves the finance leasing of vehicle and real estate.

As at 31 December 2011, Saudi ORIX's net investment in finance leases in this sector was 176.3 million, an increase of 47% from SAR 120.2 million in 2010. As at 31 December 2011 this sector comprised 14% of Saudi ORIX's aggregate net investment in finance leases (pre-provision), as compared to 12%, as at 31 December 2010.

## Others

The remaining industry sectors comprise 0.84% of Saudi ORIX's overall net lease financing investment and comprises lease financing that does not fit within the other industry segments. It includes, for example, auto leases for individuals and lease financing for consulting and management solutions providers. Saudi ORIX's exposure to this sector mainly involves the finance leasing of vehicles and real estate.

Saudi ORIX's net investment in leases attributable to this sector as at 31 December 2011 was SAR 10 million a decrease of 29% from SAR 14 million in 2010. As at 31 December 2011 the aggregate amount of these sectors comprised 0.84% of Saudi ORIX's aggregate net investment in leases, as compared to 1.36%, as at 31 December 2010.

## Portfolio Exposure by Geography

Saudi ORIX only operates within the Kingdom. Saudi ORIX carries out lease financing in the Kingdom in three main regions, the Eastern region (served by branches in Al-Khobar and Jubail), the Central region (served by Saudi ORIX's head office in Riyadh) and the Western region (served by branches in Jeddah and Khamis Mushait). As at 31 December 2009, 2010, 2011 and 30 June 2011 and 2012, net investment in finance leases (pre provisions) in the respective regions and by branch was as follows:

	As at 31 December						As at 30 June			
	2009		2010		2011		2012		2011	
	SAR '000	% of Portfolio	SAR '000	% of Portfolio	SAR '000	% of Portfolio	SAR '000	% of Portfolio	SAR '000	% of Portfolio
<b>Eastern Region</b>	<b>288,462.3</b>	<b>29%</b>	<b>276,234.5</b>	<b>28%</b>	<b>308,370.6</b>	<b>25%</b>	<b>376,737.9</b>	<b>27%</b>	<b>267,556.1</b>	<b>24%</b>
Al Khobar	261,640.0		259,396.3		283,937.5		335,842.3		251,410.0	
Jubail	26,822.2		16,838.1		24,433.1		40,895.7		16,146.1	
<b>Western Region</b>	<b>227,947.1</b>	<b>23%</b>	<b>263,288.0</b>	<b>26%</b>	<b>340,376.3</b>	<b>28%</b>	<b>367,089.6</b>	<b>26%</b>	<b>312,317.9</b>	<b>29%</b>
Jeddah	227,947.1		263,288.0		325,885.6		348,843.2		307,874.5	
Khamis Mushait	0.0		0.0		14,490.6		18,246.4		4,443.4	
<b>Central Region</b>	<b>480,824.8</b>	<b>48%</b>	<b>463,797.0</b>	<b>46%</b>	<b>577,348.5</b>	<b>47%</b>	<b>665,205.8</b>	<b>47%</b>	<b>515,702.2</b>	<b>47%</b>
Head Office (Riyadh)	480,824.8		463,797.0		577,348.5		665,205.8		515,702.2	
<b>Net Investment in Finance Leases (pre provisions)</b>	<b>997,234.3</b>	<b>100%</b>	<b>1,003,319.8</b>	<b>100%</b>	<b>1,226,095.4</b>	<b>100%</b>	<b>1,409,033.3</b>	<b>100%</b>	<b>1,095,576.3</b>	<b>100%</b>

Source: Saudi ORIX

## Customers

As at 31 December 2011, Saudi ORIX had a portfolio of 640 lessees with the 20 largest lessees accounting for 29% of the total finance lease portfolio.

- (a) The following tables provide an overview of the classification of lessees by exposure size as at 31 December 2009, 2010 and 2011.

**December 2009**

Exposure Size (SAR)	Net Investment in Finance Leases (pre provisions)	
	SAR '000	% of Total
Up to 500,000	44,939.5	4.5%
500,000 to 2,500,000	229,726.1	23.0%
2,500,001 to 7,500,000	416,304.9	41.8%
Above 7,500,000	306,263.7	30.7%
<b>Total</b>	<b>997,234.2</b>	<b>100.0%</b>

Source: Saudi ORIX

**December 2010**

Exposure Size (SAR)	Net Investment in Finance Leases (pre provisions)	
	SAR '000	% of Total
Up to 500,000	40,055.0	4.0%
500,000 to 2,500,000	217,782.4	21.7%
2,500,001 to 7,500,000	371,878.9	37.1%
Above 7,500,000	373,603.5	37.2%
<b>Total</b>	<b>1,003,319.8</b>	<b>100.0%</b>

Source: Saudi ORIX

**December 2011**

Exposure Size (SAR)	Net Investment in Finance Leases (pre provisions)	
	SAR '000	% of Total
Up to 500,000	35,550.2	2.9%
500,000 to 2,500,000	240,394.0	19.6%
2,500,001 to 7,500,000	443,165.9	36.1%
Above 7,500,000	506,985.3	41.4%
<b>Total</b>	<b>1,226,095.4</b>	<b>100.0%</b>

Source: Saudi ORIX

- (b) As at 30 June 2012, Saudi ORIX had a portfolio of 647 lessees with the 20 largest lessees accounting for 31% of the total finance lease portfolio. The following tables provide an overview of the classification of lessees by exposure size as at 30 June 2011 and 30 June 2012:

**June 2011**

Exposure Size (SAR)	Net Investment in Finance Leases (pre provisions)	
	SAR '000	% of Total
Up to 500,000	37,688.5	3.4%
500,000 to 2,500,000	198,664.8	18.1%
2,500,001 to 7,500,000	459,641.9	42.0%
Above 7,500,000	399,581.1	36.5%
<b>Total</b>	<b>1,095,576.3</b>	<b>100.0%</b>

Source: Saudi ORIX

June 2012

Exposure Size (SAR)	Net Investment in Finance Leases (pre provisions)	
	SAR '000	% of Total
Up to 500,000	33,557.3	2.4%
500,000 to 2,500,000	278,817.5	19.8%
2,500,001 to 7,500,000	451,257.8	32.0%
Above 7,500,000	645,400.7	45.8%
<b>Total</b>	<b>1,409,033.3</b>	<b>100.0%</b>

Source: Saudi ORIX

## Funding of Saudi ORIX

### Overview of funding policy and strategy

The principal objectives of Saudi ORIX's financial policy is to maintain an appropriate financial profile with stable cash flows and seek to diversify its sources of funding to achieve greater financial flexibility, balance sheet efficiency and minimise refinancing risks. Saudi ORIX has a centralised treasury located at its head office that is responsible for investing and managing its cash flows and funding profile. Historically, the management has pursued a conservative funding strategy to maintain an acceptable level of gearing, utilising its strong equity base and stable cash flows and combining it with external financing sourced from banks and financial institutions. The management intends to continue to follow a prudent approach with respect to its funding strategy and plans to diversify its funding sources to meet its future requirements. As part of its strategy to diversify sources of funding, Saudi ORIX plans to source its future funding from the following sources: domestic banks and financial institutions; international banks and financial institutions; domestic and international debt capital markets; and private placements (medium term obligation papers).

### Existing Financing Agreements

As at 30 June 2012, Saudi ORIX had in place credit approved financing facilities in an aggregate of SAR 1,330 million from five local commercial banks and an international financial institution. Saudi ORIX has longstanding relationships with various banks from which it has obtained financing and reviews these financing arrangements with them in the ordinary course of business, with the majority of the financings being renewed on an annual basis. Except for the promissory notes issued in connection with the financing agreements below, the assignment of the assets in connection with lease agreements and the commitments set out in the Section "Commitments" below, Saudi ORIX has not provided any security against these financing agreements. None of the financing facilities obtained by Saudi ORIX have been guaranteed by any third party. Below is the list of Saudi ORIX's existing financing facilities as at 30 June 2012:

No	Name of Lender	Type of Facility	Facility Amount	Drawn Amounts	Date of Facility Agreement	End of Current Facility Availability / Facility Maturity Date	Security Given
1	SAIB	Revolving Short Term and Overdraft Facility	SAR240,000,000, including overdraft line of SAR40,000,000	SAR23,000,000 (also used against issuance of LC and BG)	21 September 2011 (limit enhancement date 13 June 2012)	Maximum Tenor: 1 year Next Renewal Date: 30 September 2012 (currently under renewal) *	Assignment of Lease Rentals
2	Riyadh Bank	Revolving Long Term Facility	SAR200,000,000	SAR199,982,084	30 June 2010	Maximum Tenor: 3 years Maturity Date: Initially 30 June	Assignment of Lease Rentals

No	Name of Lender	Type of Facility	Facility Amount	Drawn Amounts	Date of Facility Agreement	End of Current Facility Availability / Facility Maturity Date	Security Given
						2013 but subsequently extended to 30 May 2015	
3	Al Rajhi Bank	Revolving Short and Long Term Future Sale Islamic Facility	SAR250,000,000	SAR151,663,531	23 April 2012	Maximum Tenor: up to 3 years Next Renewal Date: 22 April 2013	Assignment of Lease Rentals
4	Bank Al Bilad	Revolving Long Term Islamic Facility	SAR200,000,000	SAR76,536,627	21 February 2011 & 2 April 2012	Maximum Tenor: up to 3 years Next Renewal Date: 7 February 2013	Assignment of Lease Rentals
5	Samba Financial Group	Revolving Short and Long Term and Interest Rate Swaps	SAR200,000,000	SAR113,116,667	12 November 2011	Maximum Tenor: up to 3 years Next Renewal Date: 31 October 2012 (currently under renewal) *	Assignment of Lease Rentals
6	Samba Financial Group	Revolving Short Term Facility	SAR150,000,000	SAR150,000,000	09 April 2012	Maturity Date: 31 December 2012	Assignment of Lease Rentals
7	IFC	Non-revolving Long Term Facility	USD20,000,000 (SAR75,000,000)	SAR74,426,556	30 June 2010	Tenor: 7 years Maturity Date: 15 August 2017	Assignment of Lease Rentals
8	IFC	Non-revolving Long Term Facility	USD17,000,000 (SAR63,750,000)	SAR15,914,575	December 2005	Tenor: 7.5 years Maturity Date: 15 August 2013	Assignment of Lease Rentals

Source: Saudi ORIX

\*Expected to be renewed in early 2013, mainly on the same terms and conditions.

In entering these facilities, Saudi ORIX has agreed to covenants and conditions that are usual in such financings, including those which restrict its ability to raise or incur indebtedness if its ratio of debt to equity is greater than 3.5:1. Saudi ORIX is actively pursuing new business relationships with other banks in the Kingdom.

See “*Description of Saudi ORIX - Liquidity Risk*” for details on certain of Saudi ORIX’s policies relating to debt to equity ratios and those by lenders to Saudi ORIX.

### ***Commitments***

Saudi ORIX has entered into a number of commitments, which are discussed further in the “*Management’s Discussion and Analysis of Financial Condition and Results of Operation*” section of this Prospectus.

### ***Hedging Reserve***

Saudi ORIX also uses hedging instruments to manage its exposure to special rate risks against financing facilities. As at 31 December 2011, Saudi ORIX held Interest Rate Swaps (“**IRS**”) of a notional value of around SAR 121 million (2010: SAR 34 million), in order to reduce its exposure to interest rate risks against long term loans. Fair value of cash flows hedge of SAR 77,490 (2010: SAR



287,450) represents the negative mark to market values of the interest rate swaps as of 31 December 2011.

### ***Insurance***

The assets leased by Saudi ORIX to its customers are always covered by insurance policies, the terms of which are dependent on the type of leased asset. Such insurance policies are either entered into by Saudi ORIX itself or by its customers. Where Saudi ORIX pays the insurance premiums, this cost is passed on to the customers and factored into the pricing of the related finance lease agreement. As of 31 December 2011, Saudi ORIX had insurance coverage of SAR 2.134 billion for the assets under its leased portfolio and this insurance covered fire and allied perils including, but not limited to, fire, explosion, lightning, windstorms, hurricanes, vandalism, malicious mischief, riots, strikes, locked out workmen, labour disturbances and civil unrest, civil disturbances, electrical damage and theft.

In addition to the above, Saudi ORIX maintains comprehensive insurance cover which includes medical insurance for employees, property all risk and electronic equipment insurance, money insurance, comprehensive general liability insurance and fidelity guarantee insurance. Saudi ORIX does not maintain any insurance cover for business interruption and sabotage and terrorism at present. Exposures are measured by means of a periodic review of the insured asset values by the management to ensure that such values match the market value of the insured asset.

A description of the main insurances held by Saudi ORIX is set out below.

#### *Property All Risk & Electronic Equipment Insurance*

Saudi ORIX maintains a property all risk and electronic equipment insurance against tangible and intangible assets worth more than SAR 3.5 million. This insurance covers all real and personal property and equipment belonging to Saudi ORIX or under its care, custody or control for which Saudi ORIX is liable.

#### *Money Insurance*

Saudi ORIX maintains a money insurance policy to cover the cash in transit from any of its premises in Riyadh, Jeddah and Al-Khobar to any banks, exchange companies, client offices and/or markets and vice versa. The policy also covers cash in transit between different locations of the company and cash in custody of employees whilst in transit within the Kingdom with the annual insurance coverage of SAR 2.9 million for cash in transit and SAR 240 thousand for cash in safe.

#### *Comprehensive General Liability Insurance*

Saudi ORIX maintains a comprehensive general liability policy with a loss limit of SAR 1 million. This policy provides cover against legal liability for causing any accidental bodily injury or death to third parties, or damage to their property including via lifts and elevators.

#### *Fidelity Guarantee Insurance*

Saudi ORIX maintains Fidelity Guarantee insurance with the total insured limit of SAR 1.875 million per person and in aggregate, to indemnify against any monetary loss directly caused by the fraud or dishonesty of its employees.

### **Employees**

As at 31 December 2011, Saudi ORIX had 123 employees, 64 of whom were Saudi nationals, representing 52% of the total workforce, which places Saudi ORIX in the “Premium” band of Nitaqaat. Saudi ORIX continuously recruits and maintains experienced Saudi nationals. Training programmes are in place to develop the skill and competency of its all employees.

The table below provides a breakdown of the number of employees by department and those who are Saudi and non-Saudi nationals as at 31 December 2009, 2010 and 2011:

Department	As at 31 December					
	2009		2010		2011	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
	(Number of employees)					
Human Resources & Administration	10	1	8	2	6	1
Business Control Department	8	5	10	5	14	3
Credit & Marketing	26	35	28	32	27	34
Finance	6	10	6	8	7	9
Information Technology	1	3	1	4	1	4
Common Staff	2	2	2	2	1	3
Risk Management	1	2	1	3	1	3
Special Assets Management	6	1	5	0	7	0
Compliance	0	0	0	1	0	2
Legal Support	0	1	0	0	0	0
<b>Total</b>	<b>60</b>	<b>60</b>	<b>61</b>	<b>57</b>	<b>64</b>	<b>59</b>

Source: Saudi ORIX

### **No Material Change to Business**

As at the date of this Prospectus, Saudi ORIX does not contemplate to materially change the nature of its business.

### **Risk Management**

Risk management is an integral element of Saudi ORIX's activities. Saudi ORIX manages a process of ongoing risk identification and measurement through the use of risk limits and other controls and a number of committees and departments have been established to coordinate day to day risk management. Risk management processes throughout Saudi ORIX are audited annually by the Compliance and Anti Money Laundering Department which reports directly to the Audit Committee. The Audit Committee examines both the adequacy of and compliance with the procedures and discusses the results of all assessments with management and reports its findings and recommendations to the Board of Directors.

An analysis of Saudi ORIX's main categories of its risk, together with the applicable controls and possible mitigating and monitoring activities are set out below:

#### ***Operational risk***

Operational risk is the risk of losses arising from inadequate internal operating procedures, including failures, defects or errors of information, resulting from either human error or technological failings. Saudi ORIX manages the operational risk through a control framework and by monitoring and responding to potential risks. The Board has established an Audit Committee and appointed internationally reputable auditors amongst the "big four" audit firms globally, which are rotated on a periodical basis to ensure the independence and integrity of the auditors. These auditors produce a management letter which set out details of inefficiencies in the control procedures (if any) of Saudi ORIX. These management letters are discussed in Audit Committee meetings. Other activities to mitigate operational risk include segregation of duties, access, authorisation and reconciliation procedures, process automation, staff training and education and assessment procedures.

## Liquidity Risk

Liquidity risk is the risk that Saudi ORIX will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To address its liquidity risk, Saudi ORIX uses contractual maturity analysis and cash flow forecasts. Saudi ORIX strives to create a diversified investment portfolio with manageable correlation risk between its assets and liabilities and an average lease duration period of three years. (See note 19 of the 2011 Financial Statements for further details of the asset and liabilities maturity gaps.)

Saudi ORIX plans to establish and maintain a contingent liquidity reserve in accordance with a policy approved by the Board. The objective of this funded reserve is to create a high quality portfolio of securities to provide liquidity back stop to meet unexpected events, adverse economic conditions, market fluctuations and earnings problems that could cause liquidity constraint.

Saudi ORIX's standard operating procedure and leasing policy also attempts to address liquidity risk by requiring weighted average life (as discussed below) to final maturity of its outstanding borrowing to be substantially identical to or exceed the average weighted life of the net receivable value of its lease portfolio. Further, in any three-month period, total maturities due and payable under all borrowings by Saudi ORIX must not exceed the total lease receivables due and payable from its lessees in the same period, unless such shortfall has been covered by unutilised funding commitments or rollover facilities for bank loans customarily renewed on a periodic basis. If any lump sum debt alters this arrangement, the matter must be brought to the attention of the Board of Directors, and their approval is to be obtained before entering into any commitment. In addition to any restrictions contained within its financing documents, Saudi ORIX has adopted its own internal policies to manage liquidity risk and has placed internal limits on its own indebtedness. Under such policies, Saudi ORIX cannot incur, assume or guarantee any indebtedness, unless after such indebtedness have been incurred, assumed or guaranteed, its debt/equity ratio does not exceed 4:1 or if the financial expenses coverage ratio (i.e. lease income to the financial expenses ratio) equals or exceeds 1.25:1.

The table below summarises the maturity profile of Saudi ORIX's liabilities based on contractual undiscounted payments. The contractual maturities of liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by Saudi ORIX's availability of liquid funds.

31 December 2010	Within 3 months SAR	3 to 12 months SAR	1 to 5 years SAR	No fixed maturity SAR	Total SAR
<b>Liabilities</b>					
Short term loans	-	-	-	-	-
Accounts payable	52,406,547	-	-	-	52,406,547
Accrued expenses and other liabilities	38,310,147	-	-	-	38,310,147
Long term loans	40,154,849	102,646,575	467,280,556	-	610,081,980
Employees' terminal benefits	-	-	-	4,132,418	4,132,418
	<b>130,871,543</b>	<b>102,646,575</b>	<b>467,280,556</b>	<b>4,132,418</b>	<b>704,931,092</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2010 and 2011

31 December 2011	Within 3 months SAR	3 to 12 months SAR	1 to 5 years SAR	No fixed maturity SAR	Total SAR
<b>Liabilities</b>					
Short term loans	100,469,628	-	-	-	100,469,628
Accounts payable	62,125,800	-	-	-	62,125,800
Accrued expenses and other liabilities	32,749,773	-	-	-	32,749,773
Long term loans	139,234,324	89,371,760	437,453,583	-	666,059,667
Employees' terminal benefits	-	-	-	5,332,046	5,332,046
	<b>334,579,525</b>	<b>89,371,760</b>	<b>437,453,583</b>	<b>5,332,046</b>	<b>866,736,914</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2010 and 2011

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	Less than 12 months SAR	More than 12 months SAR	Total 2010 SAR	Less than 12 months SAR	More than 12 months SAR	Total 2011 SAR
Cash and cash equivalents	41,001,445	-	41,001,445	70,928,689	-	70,928,689
Net investment in finance leases	577,201,944	368,360,362	945,562,306	606,878,380	552,231,414	1,159,109,794
Advances, prepayment and other receivables	3,765,380	-	3,765,380	5,917,380	-	5,917,380
Fixed assets	-	1,731,769	1,731,769	-	1,795,252	1,795,252
<b>Total assets</b>	<b>621,968,769</b>	<b>370,092,131</b>	<b>992,060,900</b>	<b>683,724,449</b>	<b>554,026,666</b>	<b>1,237,751,115</b>
Short term loans and current maturity of long term loans	122,929,629	-	122,929,629	314,261,436	-	314,261,436
Accounts payable	52,406,547	-	52,406,547	62,125,800	-	62,125,800
Accrued expenses and other liabilities	38,310,147	-	38,310,147	32,749,773	-	32,749,773
Long term loans	-	427,709,194	427,709,194	-	422,442,742	422,442,742
Employees' terminal benefits	-	4,132,418	4,132,418	-	5,332,046	5,332,046
Fair value of derivatives	-	287,450	287,450	-	77,490	77,490
<b>Total liabilities</b>	<b>213,646,323</b>	<b>432,129,062</b>	<b>645,775,385</b>	<b>409,137,009</b>	<b>427,852,278</b>	<b>836,989,287</b>
<b>Net</b>	<b>408,322,446</b>	<b>(62,036,931)</b>	<b>346,285,515</b>	<b>274,587,440</b>	<b>126,174,388</b>	<b>400,761,828</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2010 and 2011

### Special Commission Rate Risk

Special commission rate risk or interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. Special commission rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of a monetary financial instrument. Interest rate gap is a common measure of interest rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time.

Saudi ORIX's exposure to the risk of changes in interest rates, before the effect of any hedging, relates primarily to Saudi ORIX's long term financing obligations, which have a floating rate structure and which amounted to SAR 359 million at 31 December 2011 (2010: SAR 223 million).

### Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its contractual obligations. Saudi ORIX's credit risk exposures arise principally from its finance leasing activities. Such risks are monitored on regular basis and are subject to quarterly or more frequent review. Saudi ORIX follows a cascaded credit approval structure for finance leases in order to minimise credit risk.

As of 31 December 2011, the Board has approved the following credit approval structure:

Levels	Lease Exposure	Approving Authority
<b>Level - 1</b>	Up to SAR 2,000,000	General Manager
<b>Level - 2</b>	SAR 2,000,001 to 7,000,000	1 Executive Credit Committee Director and the General Manager
<b>Level - 3</b>	SAR 7,000,001 to 10,000,000	2 Executive Credit Committee Directors and the General Manager
<b>Level - 4</b>	SAR 10,000,001 to 15,000,000 ( see note 1 below)	3 Executive Credit Committee Directors and the General Manager
<b>Level - 5</b>	SAR 15,000,001 and above	Board Super Majority (see note 2 below)

Source: Saudi ORIX

The above table should be read together with the following notes:

1. The level 4 approval limit applies to existing lessees with at least a six-month track record. For new lessees, any exposure over SAR 10 million will require additional approval from ORIX Corporation.
2. A Board Super Majority is defined as approval by a minimum of five board members provided that at least one director representing each of SAIB, TDIG and ORIX Corporation or OLP approves.
3. The Board of Directors approves counterparty credit limits for transactions secured by bank guarantee within which Saudi ORIX can write business with the Executive Committee's approval.

In addition, Saudi ORIX's Statement of Operating Procedures and Leasing Policy addresses credit risk as follows:

- Businesses with less than two years of operational history are not provided with a leasing facility, although exceptions may be made where sufficient financial viability and strength are determined.
- Saudi ORIX does not write leases to associated parties or entities in which directors have an interest unless: the transaction meets specified approval standards set by Saudi ORIX; the interest of the relevant directors is properly disclosed; the unanimous approval of the Board of Directors (excluding the directors concerned) has been obtained; and the approval is documented in the minutes of the Board of Directors meeting.
- Saudi ORIX does not position itself as main creditor of the lessee.

Any exceptions to the above policies require Board approval/ratification and adequate security coverage.

#### *Asset and Equipment Risk*

Saudi ORIX faces certain risks inherent in owning large portfolios of assets, which are minimised as much as possible in its finance lease agreements, through a combination of structuring, personal guarantee and other undertakings from the lessees. The following are the principal risks and controls implemented to mitigate them:

#### *Risk that the market value of the leased asset in the event of a default will be less than the remaining amount due under the lease*

In order to address this risk, payments due under finance leases (and the final residual payments) are structured with the intention that, if there is a default, the market value of the leased asset will in general be higher than the book value of the asset and unearned finance lease income. Moreover, a specific percentage of cost of some assets is taken upfront as deposit varying keeping in view the secondary market value of leased asset.

#### *Risk of loss, misappropriation, equipment failure and improper operation of equipment*

This risk is mitigated, in most cases, by insuring the asset at the full value of its investment prior to delivery to the lessee or, if not insured by Saudi ORIX directly, requiring the lessee to insure the asset in accordance with industry standards required for the operation of such assets, and by conducting periodic site visits of assets and equipment.

#### *Risk of non-delivery or late or incomplete delivery of the assets*

This risk is mitigated by procuring confirmed purchase orders from suppliers as part of the negotiations to purchase the asset.

*Risk that a lessee lacks required permits to operate the equipment or asset*

This risk is mitigated by ensuring that the lessee possesses such permits before execution of the lease.

*Risk of incomplete equipment or asset certification*

This risk is mitigated by paying the balance due for the equipment or asset to the supplier after final delivery, upon presentation of the required certification and once the equipment has been thoroughly checked.

*Risks that the lessee lacks qualified personnel to operate the equipment*

This risk is mitigated by undertakings from the lessee that qualified personnel shall use the equipment in a technically appropriate manner.

### ***Due Diligence Risk***

A key component of the approval of any proposed lease finance transaction is the due diligence carried out in respect of each prospective customer. Saudi ORIX has detailed risk assessment procedures designed to reduce the risk inherent in entering into lease finance transactions, including:

- credit judgments is based on at least two years audited financial information, supplemented by the latest management and interim financial information;
- references are obtained and inquiries made from suppliers and bankers;
- Saudi ORIX assesses the managerial, technical, market and financial soundness of the projects as well as their economic desirability when assessing a client's capacity for the timely repayment of rental due; and
- ongoing control and monitoring of the financial condition of all lessees to enable any potential defaults to be detected early.

*Excessive risk concentration*

Concentrations of leased assets arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Risk concentrations reflect the relative sensitivity of Saudi ORIX's performance to developments affecting a particular industry or geography.

Saudi ORIX structures the levels of credit risk it undertakes by placing limits on the amount of exposure in relation to a single counterparty or groups of counterparties and in relation to the size of any individual leasing transaction. Saudi ORIX's operating procedure and leasing policy requires:

- outstanding commitments to a single individual and group not to exceed 10% and 20%, respectively, of its capital plus the unimpaired portion of the general provision for doubtful receivables;
- observing sectoral and asset class exposures, where exposure to a single subsector should not exceed 25% of the total portfolio and its exposure to any single asset category should not exceed 45% of the total lease portfolio; and
- analysis of potential risk increases in respect of any individual or group of assets and lessees.

### ***Staffing Risk***

This risk is managed by Saudi ORIX by giving consideration to the following:

- hiring with consensus;
- conscious of local and national sensitivities;
- training focus; and
- developing and maintaining a culture nourishing team spirit, motivation and cohesiveness.

### ***Defaults***

On a default, Saudi ORIX would typically seize the asset and sell it at the best price achievable on the secondary market so as to cover its costs and all outstanding payments due to it under the relevant finance lease agreement. Alternatively, Saudi ORIX may seek to release the relevant asset where it has another customer that would satisfy its credit procedures and is willing to lease the relevant asset. Since the asset is owned by Saudi ORIX, until all lease payments due under the finance lease agreement have been paid by the lessee, all amounts recovered from the sale of the asset can be retained by Saudi ORIX. However, some assets are less liquid than others (such as bespoke energy or industrial equipment designed for a specific lessee), which may make it difficult for Saudi ORIX to sell or re-lease such asset.

Saudi ORIX actively pursues the debtor lessee to obtain the overdue payment and attempts to procure an out-of-court settlement with the debtor lessee. Saudi ORIX takes the following steps in the event of an overdue payment by a lessee:

- Within one month of default, Saudi ORIX issues three reminder letters each with 10 days' interval. The default case is then transferred to Saudi ORIX's Special Asset Management (Collection) Department after 30 days.
- Within two to three months of such overdue amount, Saudi ORIX stops income recognition. After three months the case is reported as a defaulter to the Saudi Credit Bureau ("**SIMAH**"); a case is filed with the Negotiable Instruments Committee; and legal proceedings are commenced to repossess the leased asset.
- After 6 months of default, Saudi ORIX starts provisioning for the default as follows:
  - Within six to nine months a specific provision is made for 5% of the outstanding exposure.
  - Within nine to fifteen months a specific provision is made for 25% of the outstanding exposure.
  - Within fifteen to twenty-four months a specific provision is made for 50% of the outstanding exposure.
  - After twenty-four months a specific provision is made for 100% of the outstanding exposure.

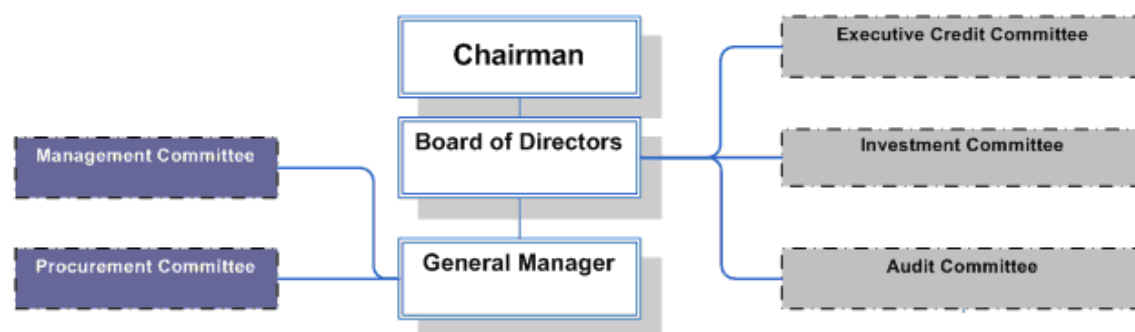
Following receipt of a court order for repossession of the leased asset, Saudi ORIX generally employs external debt recovery agencies in order to collect overdue payments, although it may use the services of government enforcement agencies to recover leased assets.

As at 31 December 2011, 27 lessees were in default for more than 90 days, with SAR 18.02 million as aggregate credit outstanding. See "*Management Discussion and Analysis of Financial Condition and Results of Operations – portfolio quality and provisioning for non-performing lease receivables*" for details of the Company's performing and non-performing lease finance agreements and the provision for lease losses for each of the years ended 31 December 2009, 2010 and 2011.

## MANAGEMENT AND EMPLOYEES

The Board of Directors (the “**Board**”) has overall responsibility for Saudi ORIX’s management and sets its goals and strategy. The Board also appoints various committees to manage and monitor specific activities. The General Manager and senior management team are responsible for the day-to-day management of Saudi ORIX’s business and affairs. The Board monitors the performance of Saudi ORIX and supervises the senior management team.

The following organisation chart presents the Board and management structure and committees of Saudi ORIX:



### Board of Directors and Company Secretary

The Board is appointed at the Ordinary General Meeting of shareholders for a term of three years and consists of nine directors. The current Board was appointed by the Extraordinary General Meeting held on 3 June 2012.

The JVA entered into by the Founding Shareholders regulates the manner in which the members of the Board will be appointed. The Director appointment terms of the JVA have not been stipulated in Saudi ORIX’s Bylaws. Pursuant to the JVA, and after the exit of IFC in 2009, each of TDIG and SAIB shall nominate three Directors, ORIX Corporation shall nominate two Directors, and OLP shall nominate one Director. Directors shall be permitted to vote as proxies for other Directors if they have been appointed in writing by such other Directors to act as proxy in their stead.

The Board meets quarterly. The secretary of the Board is Mr. Shaheen Amin. Mr. Amin, does not own any shares in Saudi ORIX as of the date of this Prospectus.

The following table sets out the members of the Board of Directors as of the date of this Prospectus, along with biographies providing information relating to age, nationality, appointment, position, status and direct or indirect ownership:

Representative Name	Age	Nationality	Appointed by	Date of Appointment	Position	Status (Independent /Executive)	Direct Ownership (in the member's own right)	Indirect Ownership (in the member's own right)
Dr. Saleh Abdulaziz Al-Omair	77	Saudi	TDIG	Since inception	Chairman	Non independent / Non executive	0%	5%
Abdulmalek Abdullah Al-Sanea	54	Saudi	SAIB	20/05/2009	Member	Non independent / Non executive	0%	0%
Hideo Ichida Age	53	Japanese	ORIX Corporation	30/05/2011	Member	Non independent / Non executive	0%	0%
Humayun Murad	65	Pakistani and British	ORIX Leasing Pakistan	Since inception	Member	Non independent / Non executive	0%	0%
Kazuhiro Inoue	48	Japanese	ORIX Corporation	21/10/2010	Member	Non independent / Non executive	0%	0%



Representative Name	Age	Nationality	Appointed by	Date of Appointment	Position	Status (Independent /Executive)	Direct Ownership (in the member's own right)	Indirect Ownership (in the member's own right)
Mohammed Omran Al Omran	47	Saudi	TDIG	22/08/2001	Member	Non independent / Non executive	0%	0.1008%
Majed Abdulghani Fakeeh	41	Saudi	SAIB	09/04/2012	Member	Non independent / Non executive	0%	0%
Tariq Mutlaq Almutlaq	49	Saudi	TDIG	17/03/2008	Member	Non independent / Non executive	0%	0.375%
Saleh Abdullah Al-Augla	48	Saudi	SAIB	05/12/2011	Member	Non independent / Non executive	0%	0%

The following table sets out the members of the Board of Directors as of the date of this Prospectus, along with biographies providing information relating to work experience, current or prior directorships and professional or academic qualifications:

Dr. Saleh A. Al-Omair Age: 77 Nationality: Saudi Title: Chairman of the Board	Work Experience			
	Present			
Organization	Position	Sector	Since	
Banque Saudi Fransi (Joint Stock Company)	Chairman	Banking	2011	
Past				
Organization	Position	Sector	Duration	
Arabia Insurance Cooperative Company (Joint Stock Company)	Chairman	Insurance	From 2007 to 2012	
Saudi Arabia Credit Suisse Bank (Joint Stock Company)	Chairman	Banking	From 2006 to 2012	
Shoura Council (Statutory Body)	Member	Governmental	From 2001 to 2005	
Governing Board OPEC fund for International Development, Austria (Statutory Body)	Chairman	Development Finance Institution	From 1995 to 2005	
Saudi Petrochemical Company (Joint Stock Company)	Chairman	Petrochemical	From 1995 to 2002	
Saudi Pharmaceutical Industries & Medical Appliances Corporation (Joint Stock Company)	Chairman	Pharmaceutical & Health Care	From 1990 to 2005	
Ministry of Finance and National Economy (Statutory Body)	Vice minister	Governmental	From 1986 to 1995	
King Fahd Causeway (Statutory Body)	Chairman	Governmental	From 1983 to 1997	
Saudi Basic Industries Corporation (Joint Stock Company)	Member	Oil & Gas, Industrial Manufacturing, mining and Metals	From 1982 to 1997	
Saudi Industrial Development Fund (Statutory Body)	Chairman	Governmental Institution	From 1982 to 1990	
Saudi Arabian Airlines (Joint Stock Company)	Member	Air Transport	From 1982 to 1990	
Saline Water Conversion Corporation (Statutory Body)	Member	Water & Electric Utilities	From 1982 to 1990	
Grain Silos & Flour Mills Organization (Statutory Body)	Chairman	Food & Beverages and Agriculture	From 1982 to 1990	
Ministry of Finance and National Economy (Statutory Body)	Deputy Minister of Finance for Budget and Management	Governmental	From 1979 to 1986	
Arab Drug Industries & Medical Appliances (Statutory Body)	Chairman	Governmental Institution	From 1978 to 2004	
Port Authority (Statutory Body)	Member	Government Agency	From 1978 to 1985	

	Saudi Electricity Company East (Joint Stock Company)	Member	Power	From 1978 to 1982
	Ministry of Finance and National Economy (Statutory Body)	Assistant Deputy Minister of Finance for Budgeting	Governmental	From 1976 to 1979
<b>Educational Qualifications</b>				
Dr. Saleh A. Al-Omair obtained Bachelor of Arts at Riyadh University in 1969, Master of Arts from University of Wisconsin, U.S.A, in 1972 and received a Doctorate in Economics from Texas Technological University, Texas, U.S.A. in 1976				
<b>Majed Abdulghani Fakeeh</b> Age: 41 Nationality: Saudi Title: Member of the Board	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	Amlak International for Real Estate Development and Finance Co. (Joint Stock Company)	Member of the Board of Directors	Real Estate Development & Finance	June 2012
	The Saudi Investment Bank (Joint Stock Company)	Group General Manager	Banking	April 2012
	<b>Past</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	National Commercial Bank (Joint Stock Company)	Chief Corporate Banker	Banking	From June 2006 to March 2012
	National Commercial Bank (Joint Stock Company)	Team Leader-Government & Public Sector Unit	Banking	From July 2004 to May 2006
	National Commercial Bank (Joint Stock Company)	Senior Relationship Manager-Corporate Banking Group	Banking	From November 2001 to June 2004
	National Commercial Bank (Joint Stock Company)	Relationship Manager-Corporate Banking Group	Banking	From October 2000 to October 2001
	The Saudi Investment Bank (Joint Stock Company)	Relationship Officer-Corporate Banking Group	Banking	From July 1998 to September 2000
	<b>Educational Qualifications</b>			
Bachelor of Business Administration majoring Financial Management from King Saud University – Riyadh				
<b>Hideo Ichida</b> Age: 53 Nationality: Japan Title: Member of the Board	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	ORIX Corporation (Joint Stock Company)	Executive Officer, Head of Global Business Administrative Headquarters	Leasing	February 2012
	<b>Past</b>			
<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>	
ORIX Corporation (Joint Stock Company)	Executive Officer, Head of Global Business & alternative Investment Headquarters / General Manager – China Business Division	Leasing	From January 2011 to January 2012	

	ORIX Corporation (Joint Stock Company)	Executive Officer, Global Business & alternative Investment Headquarters	Leasing	From January 2010 to January 2011
	ORIX Corporation (Joint Stock Company)	Executive Vice President - Global Business & alternative Investment Headquarters	Leasing	From January 2009 to December 2009
	ORIX Corporation (Joint Stock Company)	Managing Director – Aviation & Investment Group	Leasing	From August 2000 to January 2009
	ORIX Aviation Systems Ltd. (Joint Stock Company)	Managing Director	Aircraft Leasing, Asset Management & Technical Services	From April 1995 to August 2000
	ORIX Corporation (Joint Stock Company)	Manager at Aircraft Department	Leasing	From October 1991 to April 1995
	ORIX Corporation (Joint Stock Company)	Assistant Manager at International Real Estate Department	Leasing	From January 1991 to October 1991
	ORIX USA Corporation (Joint Stock Company)	Assistant Vice President	Leasing	From May 1986 to December 1990
<b>Educational Qualifications</b>				
Mr. Hideo Ichida obtained BSEc from Kobe University of Commerce in 1982 and attended the Advanced Management Program at Harvard Business School during April-May 2008.				
<b>Mohammed Omran Al Omran</b> Age: 47 Nationality: Saudi Title: Member of the Board	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	Saudi Telecom Company (Joint Stock Company)	Member of the Board of Directors & Executive Committee	Telecommunications	2003
	Saudi Industrial Investment Group (Joint Stock Company)	Member of the Review Panel	Petrochemical	2004
	Civil Aviation Authority (Statutory Body)	Member of the Board of Directors & Executive Committee	Civil Aviation	2005
	Credit Suisse Saudi Arabia (Joint Stock Company)	Member of the Board of Directors & Executive Committee	Financial Services	2005
	Riyadh Chamber of Commerce (Statutory Body)	Member of the Board	Government Authority	2008
	Al-Rajhi Co. for Cooperative Insurance (Joint Stock Company)	Member of the Board of Directors & Executive Committee	Insurance	2008
Saudi British Bank (Joint Stock Company)	Member of the Board of Directors,	Banking	2009	

		Executive Committee & Nomination and Remuneration Committee			
	Saudi Railways Organization (Statutory Body)	Member of the Board of Directors	Transport	2010	
	Credit Suisse Saudi Arabia (Joint Stock Company)	Chairman	Financial Services	2012	
<b>Past</b>					
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>	
	Saudi British Bank (Joint Stock Company)	Member of Audit Committee	Banking	From 2008 to 2009	
	The National Agricultural Development Co. (Joint Stock Company)	Member of the Board of Directors and Executive Committee	Food	From 2000 to 2007	
	Saudi American Bank (SAMBA) (Joint Stock Company)	Credit and Corporate Finance Officer	Banking	From 1990 to 1993	
<b>Educational Qualifications</b>					
Mr. Mohammed Omran Al Omran completed his Bachelor Degree in Civil Engineering, King Saud University, Riyadh in 1988 and a Master's Degree in Construction Engineering and Management from University of Southern California, USA in 1990.					
<b>Humayun Murad</b> Age: 65 Nationality: Pakistan and UK Title: Member of the Board	<b>Work Experience</b>				
	<b>Present</b>				
		<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
		MENA ORIX Group (Joint Stock Company)	CEO	Leasing	2011
		ORIX Leasing Egypt SAE (Joint Stock Company)	Director	Leasing	1997
		MAF ORIX Finance PJSC Dubai (UAE) (Joint Stock Company)	Director	Leasing	2002
		SK Leasing JSC (Kazakhstan) (Joint Stock Company)	Director	Leasing	2005
		OPP Private Ltd. (Pakistan) (Joint Stock Company)	Director	Real Estate	2008
		Pak Oman Asset Management Co. Ltd. (Pakistan) (Joint Stock Company)	Director	Non-Banking Financial Institution	2010
		Samba Bank Ltd. (Pakistan) (Joint Stock Company)	Director	Banking	2010
		ORIX Leasing Pakistan (Joint Stock Company)	Director	Leasing	1989
	<b>Past</b>				
		<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
		Frontier Ceramics Limited (Joint Stock Company)	Director of Finance	Trading	From 1983 to 1986
		ORIX Leasing Pakistan Ltd (Joint Stock Company)	Deputy Managing Director	Leasing	From 1986 to 1989
		ORIX Leasing Pakistan Limited (OLP) (Joint Stock Company)	Chief Executive	Leasing	From 1989 to 2010
		Pakistan Poverty Alleviation Fund (Statutory Body)	Director	Non-profit Organization (Public Welfare)	From 1998 to 2003
	PAK Oman Investment Co. Ltd. (Joint Stock Company)	Government of Pakistan's Director on Board	Financial Institution	From 2001 to 2007	

	Pak Oman Microfinance Bank Ltd. (Joint Stock Company)	Government of Pakistan's Director on Board	Banking	From 2006 to 2007
	SME Business Support Fund (Statutory Body)	Government of Pakistan's Director on Board	Non-Profit Organization	From 2006 to 2007
	Oman ORIX Leasing Company SAOG (Oman) (Joint Stock Company)	Director	Leasing	From 1994 to 2012
	CDB Securities, London UK (Joint Stock Company)	Financial Controller	Investment	From 1981 to 1983
	International Resources & Finance Bank S.A. London & Luxembourg (Joint Stock Company)	Controller and Company Secretary	Investment	From 1976 to 1981
	Arthur Young & Co. Chartered Accountants, UK (L.L.C)	Audit Manager	Services	From 1973 to 1976
	<b>Educational Qualifications</b>			
	Mr. Humayun Murad holds a Bachelor of Arts in Economics from the Punjab University in 1968. Mr. Murad was admitted as an Associate member of Institute of Chartered Accountants in England and Wales (ACA) in 1972 and is a fellow member of ICAEW (FCA) since 1978.			
<b>Abdulmalek A. Al-Sanea</b> Age: 54 Nationality: Saudi Title: Member of the Board	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	The Saudi Investment Bank (Joint Stock Company)	Group Head, Business Partners	Banking	August 2008
	American Express (AMEX Saudi Arabia Ltd.) (L.L.C.)	Member of the Board of Directors	Banking	January 2006
	Al-Istithmar Capital (L.L.C.)	Member of the Board of Directors	Banking	September 2008
	SAIB BNP Paribas Asset Management Co. Ltd (L.L.C.)	Member of the Board of Directors	Financial Services	September 2008
	<b>Past</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	Al-Khorayef Petroleum Company (L.L.C.)	Member of the Board of Directors	Petroleum	From February 2009 to December 2009
	Fawaz Al-Hokair and Company (Joint Stock Company)	Member of the Board of Directors	Trading	From January 2007 to January 2008
	National Agriculture Development Company (Joint Stock Company)	Member of the Board of Directors	Food	From 2000 to 2002
	The Saudi Investment Bank (Joint Stock Company)	Head, Corporate Banking – Central Region	Banking	From 2002 to 2008
	Saudi Telecommunications Company (Joint Stock Company)	General Manager Treasury	Telecommunications	From 1998 to 2001
	The Saudi Investment Bank (Joint Stock Company)	Head, Credit Administration	Banking	From 1995 to 1998
	Saudi Industrial Development Fund (Statutory Body)	Relationship Manager	Governmental	From 1986 to 1994
	<b>Educational Qualifications</b>			
	Mr. Abdulmalek A. Al-Sanea completed his Bachelor of Science Degree in Civil Engineering from the University of Miami, USA.			
<b>Kazuhito Inoue</b> Age: 48	<b>Work Experience</b>			
	<b>Present</b>			

Nationality: Japan Title: Member of the Board	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	ORIX Corporation Representative Office in Dubai, U.A.E. (Joint Stock Company)	Deputy Representative	Leasing	September 2010
	<b>Past</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	ORIX Corporation (Joint Stock Company)	Senior Vice President – New Business Development Team, Global Business & Alternative Investment Headquarters	Leasing	From December 2009 to September 2010
	ORIX Corporation (Joint Stock Company)	Senior Vice President / Vice President – Treasury Department	Leasing	From April 2002 to December 2009
	ORIX Corporation U.S.A. (Joint Stock Company)	Vice President/Assistant Vice President	Leasing	From January 1999 to April 2002
	ORIX Europe Limited (Joint Stock Company)	Senior Manager/Manager	Leasing	From March 1995 to January 1999
	ORIX Corporation (Joint Stock Company)	Staff member at Treasury Dept.	Leasing	From April 1989 to March 1995
	<b>Educational Qualifications</b>			
Mr. Kazuhito Inoue completed his Bachelor of Science from Waseda University in 1989.				
<b>Tariq Mutlaq Almutlaq</b> Age: 49 Nationality: Saudi Title: Member of the Board	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	Almutlaq Group Company (Joint Stock Company)	Member of the Board of Directors	Real Estates, Retail, Manufacturing & Investments	2005
	ACWA Power International Company – Utilities Joint Stock Company	Member of the Board of Directors	Water & Power	2007
	Sahara Petrochemical Company – Petrochemicals (Joint Stock Company)	Member of the Board of Directors	Petrochemicals	2004
	National Instalment Company – Lease Financing of Durable Goods- Joint Stock Company	Member of the Board of Directors	Leasing	2007
	Electronic Payment Solutions (L.L.C.)	Chairman	Card Management Services	2010
	Alwaha Petrochemical Company	Chairman	Petrochemical	2009
	Almutlaq Real Estate Investment Co. (L.L.C.)	Chairman	Investments	2009051738-0001
	<b>Past</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	Almutlaq Group (Joint Stock Company)	Vice President, Investments	Real Estates, Retail, Manufacturing & Investments	From 2002 to 2008
	NAPCO Group of Companies (L.L.C.)	Regional General Manager	Packaging & Consumer Disposables	From 1996 to 2005
Almutlaq Furniture Company (L.L.C.)	General Manager	Furniture	From 1994 to 1996	

	National Finance House Joint Stock Company	Member of the Board of Directors	Financing	From 2006 to 2012
	Arabia Insurance Company (Joint Stock Company)	Vice Chairman	Insurance	From 2007 to 2012
	Shuaa Capital Saudi Arabia (Joint Stock Company)	Chairman	Investments	From 2007 to 2012
	NAPCO Group of Companies (L.L.C.)	Member of the board of Directors	Packaging & Consumer Disposables	From 2000 to 2007
	Alwaha Petrochemical Company (L.L.C.)	Member of the Board of Directors	Petrochemical	From 2006 to 2009
	<b>Educational Qualifications</b>			
Mr. Tariq holds a Bachelor's Degree in International Finance & Marketing from the American University, Washington, USA.				
<b>Saleh Abdullah Al-Augla</b> Age: 48 Nationality: Saudi Title: Member of the Board	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Since</b>
	The Saudi Investment Bank (Joint Stock Company)	Assistant General Manager of retail banking	Banking	January 2012
	Al-Istithmar Capital (L.L.C.)	Member of the Board of Directors	Banking	2011
	SIMAH (Statutory Body)	Member of the Board of Directors	Governmental	2012
	<b>Past</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	The Saudi Investment Bank (Joint Stock Company)	Group Head, Retail Banking	Banking	From 2010 to 2011
	The Saudi Investment Bank (Joint Stock Company)	Head of Branches, Direct Sales	Banking	From 2007 to 2010
	Al-Rajhi Bank (Joint Stock Company)	Branches Network Dept. Manager	Banking	From 2003 to 2007
	Al-Rajhi Bank (Joint Stock Company)	Area Manager	Banking	From 1996 to 2003
	Al-Rajhi Bank (Joint Stock Company)	Branch Manager	Banking	From 1990 to 1996
	<b>Educational Qualifications</b>			
	Mr. Saleh holds a BS in Mass Communication from King Abdulaziz University, Jeddah, KSA in 1988 and attended the Arab Academy for Banking & Financial Sciences with Diploma, Riyadh, in 2003.			
<b>Shaheen Amin</b> Age: 55 Nationality: Pakistan Title: Secretary of the Board and General Manager	<b>Work Experience</b>			
	<b>Present</b>			
	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	Saudi ORIX Leasing Co. (Joint Stock Company)	General Manager	Leasing	Inception
	ORIX Leasing Pakistan Ltd. (Pakistan) (Joint Stock Company)	Director	Leasing	2010
	ORIX Leasing Egypt SAE (Egypt) (Joint Stock Company)	Director	Leasing	2009
	National Finance House BSC (c) (Bahrain) (Joint Stock Company)	Director	Financing	2011
<b>Past</b>				

	<b>Organization</b>	<b>Position</b>	<b>Sector</b>	<b>Duration</b>
	ORIX Leasing Pakistan Ltd. (Pakistan) (Joint Stock Company)	Finance Manager	Leasing	From 1986 to 1987
	ORIX Leasing Pakistan Ltd. (Pakistan) (Joint Stock Company)	Assistant General Manager	Leasing	From 1988 to 1989
	ORIX Leasing Pakistan Ltd. (Pakistan) (Joint Stock Company)	General Manager & Company Secretary	Leasing	From 1990 to 1991
	ORIX Leasing Pakistan Ltd. (Pakistan) (Joint Stock Company)	Deputy Managing Director	Leasing	From 1992 to 1993
<b>Educational Qualifications</b>				
Mr. Amin holds a Master's degree in Business Administration from the Booth School of Business, University of Chicago and an Executive MS in Risk Management from the Stern School of Business, New York University.				

### **Ownership of Shares by Representative Directors**

Each seat on the Board is occupied by a certain shareholder in Saudi ORIX in its corporate form. The Board guarantee shares as required under the Companies Regulations are therefore held by the respective shareholders in their corporate capacity, such that each owns a minimum value of SAR 10,000 (or 1,000 shares) in Saudi ORIX for each seat on the Board.

As at the date of this Prospectus, none of the natural persons who are representatives of the board members of Saudi ORIX, directly or indirectly owns any shares in Saudi ORIX in their individual capacity, with the exception of Dr. Saleh Abdulaziz Al-Omair who indirectly owns approximately 5% of the shares of Saudi ORIX, Mr. Tariq Mutlaq Almutlaq who indirectly owns approximately 0.375% of the shares of Saudi ORIX and Mr. Mohammed Omran Al Omran who indirectly owns approximately 0.1008% of the shares of Saudi ORIX. As at the date of this Prospectus, none of the relatives (as that term is defined in the Glossary of Defined Terms of Terms Used in the Regulations and Rules of the Capital Market Authority) of the natural persons who are representatives of the board members of Saudi ORIX directly or indirectly owns any shares in Saudi ORIX.

### **Service Contracts, Remuneration and Compensation of the Board of Directors**

At the date of this Prospectus, Saudi ORIX does not have in place any service contracts with the Directors of Saudi ORIX and it is not currently contemplated that Saudi ORIX will enter into any service contracts with the Directors of Saudi ORIX.

Pursuant to the Minister of Commerce & Industry's Resolution No. 1071 dated 2/11/1412H (corresponding to 5 May 1992), the remuneration of the Directors of the Board for performing their duties cannot exceed SAR 200,000 per annum for each Director.

The total fees and expenses paid to the directors in 2011 was SAR 1,350,000 (2010: SAR 1,135,000). The total amount paid to the Chairman and members of the Board did not exceed 10% of the net profits of Saudi ORIX in either 2010 or 2011. The terms of remuneration and compensation for the Board of Directors are approved in Ordinary General Meeting where the Directors have no right to vote on these terms.

### **Senior Management**

Saudi ORIX's senior management team, headed by the General Manager, oversees the daily operations of Saudi ORIX. Apart from the General Manager, who is the secretary of the Board, the senior management do not hold any current directorship roles and have not in the past held any directorship roles.



The following table sets out Saudi ORIX’s senior management as of the date of this Prospectus along with biographies providing information relating to work experience and professional or academic qualifications:

Name	Age	Position	Term of Employment
Shaheen Amin	55	General Manager	2000 - Present
Syed Waheed Ullah Shah	45	Assistant General Manager – Marketing	2005 - Present
Anan A. Hammodah	44	Head of Marketing – Central Region	2012 - Present
Ajmal Qazi	36	Head of Marketing – Eastern Region	2006 - Present
Shakeel Akhtar Qureshi	48	Head of Marketing – Western Region	2009 - Present
Shahid Ahmed Riazi	34	Head – Finance and Accounts	2007 - Present
Muhammad Shahid Hanif	36	Head - Compliance & Anti Money Laundering Manager – Business Control	2010 - Present 2012 - Present
Safi Al Mujahed	37	Assistant General Manager – Special Assets Management & Administration	2004 - Present
Amir Shahzad	37	Group Head – Risk Management	2008 - Present
Mirza Iqbal Nasir	34	Head – Information Technology	2008 - Present

**Shaheen Amin**  
General Manager  
Age: 55  
Nationality: Pakistan

See the work experience and professional or academic qualifications of Mr. Amin in the section for the Directors above.

**Syed Waheed Ullah Shah**  
Head of Credit & Marketing  
Assistant General Manager  
Age: 45  
Nationality: Pakistan

**Work Experience:**

Present:

- He is currently serving as Assistant General Manager; Head of Credit & Marketing at the Head Office.

Previous:

- Mr. Waheed has been associated with the ORIX Group for more than two decades, having joined OLP in 1991. Prior to joining Saudi ORIX in 2005 as the Head of the Eastern Region, he served as Regional Head, Islamabad for OLP.

**Educational Qualifications:** He holds Master degrees in Business Administration and International Relations. He also has a Post Graduate Diploma in Islamic Banking & Finance and attended Management development programmes at Lahore University of Management Sciences (LUMS) and National University of Singapore.

**Anan A. Hammodah**  
Head of Marketing, Central Region  
Age: 44  
Nationality: Saudi

**Work Experience:**

Present:

- Mr. Anan joined Saudi ORIX in November 2012 as Head of Marketing, Central Region.

Previous:

- Mr. Anan has 17 years of banking experience in the Kingdom.

**Educational Qualifications:** Mr. Anan holds a bachelor degree in marketing from King Fahad university of petroleum and minerals.

**Ajmal Qazi**  
Head of Marketing , Eastern Region  
Age: 36  
Nationality: Pakistan

**Work Experience:**

Present:

- Mr. Ajmal joined Saudi ORIX in August 2006 as team leader, Eastern Region. He served as Head, Western Region (2008-2009) and is currently serving as Head, Eastern Region.

Previous:

- He has extensive experience in marketing of financial products and has developed risk management tools.

**Educational Qualifications:** Mr. Ajmal is a commerce graduate and also holds a Master degree in Business Administration.

<p><b>Shakeel Akhtar Qureshi</b> Head of Marketing, Western Region Age: 48 Nationality: Pakistan</p>	<p><b>Work Experience:</b> Present:</p> <ul style="list-style-type: none"> <li>Mr. Qureshi joined Saudi ORIX in April 2009 and is currently serving as Head, Western Region.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>Mr. Qureshi has more than 14 years of experience in the leasing industry. He joined OLP in 2000, and completed a series of progressive awareness programs in the northern areas of Pakistan to develop the SME sector in a remote untapped region of the country.</li> </ul> <p><b>Educational Qualifications:</b> Mr. Qureshi holds a Master degree in Business Administration and holds a Gold Medal for his outstanding performance in the subject of Marketing.</p>
<p><b>Shahid Ahmed Riazi</b> Head of Finance &amp; Accounts Age: 34 Nationality: Pakistan</p>	<p><b>Work Experience:</b> Present:</p> <ul style="list-style-type: none"> <li>Mr. Shahid Riazi joined Saudi ORIX in August 2007 as Manager Treasury, Planning &amp; MIS. Currently he is serving as Head of Finance &amp; Accounts.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>He has more than 12 years of combined experience in finance, accounts, taxation, ERP implementation and audit.</li> <li>He has played a key role in re-organising and developing in house business intelligence software at Saudi ORIX.</li> </ul> <p><b>Educational Qualifications:</b> Mr. Riazi is an Associate Member of Institute of Chartered Accountants of Pakistan and holds a Bachelors degree of Commerce from Karachi University.</p>
<p><b>Muhammad Shahid Hanif</b> Head, Compliance &amp; Anti Money Laundering and Acting Head, Business Control Age: 36 Nationality: Pakistan</p>	<p><b>Work Experience:</b> Present:</p> <ul style="list-style-type: none"> <li>Mr. Hanif joined Saudi ORIX in 2010 as Manager Compliance &amp; Anti Money Laundering and Manager of Business Control.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>He has seven years' experience of working in finance and internal audit.</li> </ul> <p><b>Educational Qualifications:</b> He was admitted as an Associate Member of the Institute of Chartered Accountants of Pakistan in 2003.</p>
<p><b>Safi Al Mujahed</b> AGM, SAM &amp; Administration Age: 37 Nationality: Saudi</p>	<p><b>Work Experience:</b> Present:</p> <ul style="list-style-type: none"> <li>Mr. Mujahed is currently serving as Assistant General Manager, Special Asset Management &amp; Administration. Mr. Safi Al Mujahed joined Saudi ORIX in January 2004 as Senior Officer Credit &amp; Marketing. In September 2006 he moved to Special Assets Management department as Manager.</li> </ul> <p><b>Educational Qualifications:</b> He has a diploma in accounting from Institute of Public Administration and attended Management development programme at Lahore University of Management Sciences (LUMS)</p>
<p><b>Amir Shahzad</b> Group Head – Risk Management Age: 37 Nationality: Pakistan</p>	<p><b>Work Experience:</b> Present:</p> <ul style="list-style-type: none"> <li>Mr. Amir joined Saudi ORIX in August 2008 as Manager Compliance and is currently serving as the Head of Risk Management Department since September 2009.</li> </ul> <p>Previous:</p> <ul style="list-style-type: none"> <li>He has over 14 years of experience in finance; mainly budgeting &amp; planning, risk management, reporting &amp; control and accounting &amp; auditing in reputed companies.</li> </ul> <p><b>Educational Qualifications:</b> Mr. Amir is an associate member of Institute of Chartered Accountants of Pakistan and also holds a Bachelors degree in commerce from University of Punjab.</p>

---

**Mirza Iqbal Nasir**

Head, Information Technology  
Age: 34  
Nationality: Pakistan

**Work Experience:**

Present:

- Mr. Nasir joined Saudi ORIX in March 2008 as Head of Information Technology.

Previous:

- Mr. Iqbal joined ORIX Leasing Pakistan in 1999 and has been associated with the ORIX Group for more than a decade.
- He has over 12 years of experience in information technology with extensive experience in business application development and database architecting. He also served as Head of Information Technology at ORIX Egypt from April 2002 to January 2008.

**Educational Qualifications:** He is an Oracle Certified Professional.

---

**Remuneration and ownership of Shares by Senior Management**

As of the date of this Prospectus, none of the senior management of Saudi ORIX owns any shares or interests in Saudi ORIX.

As of the date of this Prospectus, over the past three years, Saudi ORIX has charged approximately SAR 14.3 million in aggregate (SAR 5,175,043 in 2011, SAR 4,856,919 in 2010 and SAR 4,256,165 in 2009), on account of remunerations and other benefits in respect of the top five members of senior management, including the General Manager and the Head of Finance and Accounts.

**Service contracts of the General Manager and Head of Finance and Accounts***General Manager*

Saudi ORIX entered into a contract of employment with the General Manager, Shaheen Amin, initially dated 15 January 2001 and renewed annually. The General Manager's current employment contract expires on 31 December 2012. The General Manager is required to perform all the duties assigned by Saudi ORIX and to use his best endeavours to promote the growth and welfare of Saudi ORIX. As General Manager he has the authority to exercise and perform such powers and duties as the Board of Directors shall from time to time determine, and has the general control and day-to-day management of the business of Saudi ORIX.

*Head of Finance and Accounts*

Saudi ORIX entered into a contract of employment with the Head of Finance and Accounts, Shahid Ahmed Riazi, dated 9/2/1433H (corresponding to 4 January 2012). The employment contract is valid for twelve months starting from 6/02/1433H (corresponding to 01 January 2012) to 17/02/1434H (corresponding to 31 December 2012), renewable at the discretion of Saudi ORIX. The Head of Finance is required under the employment contract to perform all the assigned duties and responsibilities of the position in accordance with the applicable Saudi Labour Laws.

**Declarations from the Board of Directors and Senior Management**

The Directors, the CEO, the Company Secretary and senior management of Saudi ORIX confirm that:

- they have neither been declared bankrupt nor have they been subject to bankruptcy proceedings;
- they have not been employed by an insolvent company in a managerial or supervisory capacity in the preceding five years;

- except as disclosed in “*Ownership of shares by representative directors as of 31 December 2011*” above (page 82), neither they, nor their relatives, nor any other related party have or has a direct or indirect interest in Saudi ORIX’s shares or debt instruments;
- neither they, nor any of their relatives nor any other related party have or has a direct or indirect interest in any contract or arrangement in effect or contemplated and which is significant in relation to the business of Saudi ORIX;
- there are no powers that allow them to borrow from Saudi ORIX or to vote on remuneration to themselves;
- they are not parties to any service agreements with Saudi ORIX;
- they have not received any commission, discount, brokerage or other non-cash compensation or have been granted special terms of options in connection with the issue or sale of any securities by Saudi ORIX or any of its subsidiaries or affiliates in the three years preceding the date of this Prospectus; and
- Saudi ORIX has no intention to materially change the nature of its business.

## **Board Committees**

### *Audit Committee*

The Audit Committee meets on an annual basis and reports directly to the Board. As of the date of this Prospectus, the Audit Committee comprised Mohammed Omran Al Omran (Chairman), Kazuhito Inoue and Saleh Abdullah Al-Augla. The Audit Committee is responsible for the recommendation of appointment of External Auditor and approval of their audit fee, the review of management letter issued by external auditor, the review of periodic financial statement, discussion with external auditor for conduct of audit and the review of reports produced by the internal audit department

### *Executive Credit Committee*

The Executive Credit Committee meets as required and reports directly to the Board. As of the date of the Prospectus, the Executive Credit Committee comprised Dr. Saleh Abdulaziz Al-Omair (Chairman), Mohammed Omran Al Omran, Abdulmalek Abdullah Al-Sanea and Saleh Abdullah Al-Augla. The Executive Credit Committee is responsible for approval of credit applications for finance lease applications.

### *Investment Committee*

The Investment Approval Committee meets as required and reports directly to the Board. As of the date of this Prospectus, the Investment Committee comprised Dr. Saleh Abdulaziz Al-Omair (Chairman), Mohammed Omran Al Omran, Abdulmalek Abdullah Al-Sanea and Saleh Abdullah Al-Augla. The Investment Committee is responsible for the authorisation of investments and disposals and for the maintenance of the contingent liquidity reserve, which as of the date of this Prospectus is still in the planning stages. See “*Description of Saudi ORIX - Liquidity Risks*” section of this Prospectus for further details on the contingent liquidity reserve.

## **Management Committees**

### *Management Committee*

The Management Committee meets as required and reports directly to the General Manager. As of the date of this Prospectus, the Management Committee comprised Shaheen Amin (Chairman), Syed Waheed Ullah Shah, Safi Al Mujahed, Amir Shahzad, Mirza Iqbal Nasir, Shahid Ahmed Riazi and

Muhammad Shahid Hanif. The functions and responsibilities of the Management Committee include the following:

- To establish the fundamental values and ethical principles in which the organisation operates.
- To ensure compliance with all relevant legal and regulatory requirements.
- To ensure that every activity of company is in line with statement of operating procedures and leasing policy.
- To ensure that appropriate policies and procedures are in place for each major business activity.
- To monitor and evaluate all areas of the organisation's performance.
- To ensure that all resources are used efficiently and effectively, managed and accounted for.

The Management Committee meets as required.

#### *Procurement Committee*

The Procurement Committee meets as required and reports directly to the General Manager. As of the date of the Prospectus, it is comprised of Shahid Ahmed Riazi, Safi Al Mujahed, Muhammad Shahid Hanif and Mirza Iqbal Nasir.

The functions and responsibilities of the Procurement Committee include the following:

- Approval of purchase requisitions to ensure that purchasing transactions are carried out in a fair and equitable manner and Saudi ORIX receives value for money in its purchasing.
- Strengthen integrity and confidence in the purchasing system.

#### **Employees Share Schemes**

Saudi ORIX does not have any employee share schemes in place, or any other arrangements which would allow the employees of the company to acquire any capital of Saudi ORIX.

#### **Corporate Governance**

Saudi ORIX operates in accordance with the laws and regulations governing closed joint stock companies in the Kingdom. Saudi ORIX does not have a specific corporate governance code. Saudi ORIX has various standard operating policies, codes, manuals or practices, which are suitable for its business. As a closed joint stock company, provisions and requirements of the Corporate Governance Regulations, which was issued by the Board of the Capital Market Authority pursuant to Resolution No. 1/212/2006 dated 21/10/1427AH (corresponding to 12 October 2006) and amended by Resolution of the Board of the Capital Market Authority Number 1-10-2010 dated 30/3/1431H (corresponding to 16 March 2010), do not apply to Saudi ORIX as they are applicable only to companies which shares are listed on the Saudi Arabian Stock exchange which is not the case with Saudi ORIX.

#### **Conflicts of Interest**

According to Article 69 of the regulations for companies in the Kingdom promulgated under Royal Decree No. M/6 dated 22/3/1385H (corresponding to 20 July 1965) as amended (the “**Companies Regulations**”), a director may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of a company, except with authorisation from the Ordinary General Assembly of the company, which shall be renewed annually. Transactions made by way of public tender are excluded from this prohibition, if the director has submitted the best offer.

A director must also declare to the board any personal interest he may have in any transactions or contracts made for the account of the company. Such declarations must be recorded in the minutes of the relevant board meeting. In addition, the director in question shall not participate in the voting on any resolution to be adopted in respect of any such transaction or contract. Apart from the related party contracts noted in the “*Legal Information - Related Party Transactions*” section of this Prospectus, there are no contracts or arrangements in effect or contemplated in which any director or member of Senior Management or any of their relatives is interested in relation to the business of Saudi ORIX.

Article 70 of the Companies Regulations also provides that a director may not, without authorisation from the Ordinary General Assembly of Saudi ORIX, which shall be renewed annually, participate in any business in competition with that of the company, or engage in any of the commercial activities carried on by Saudi ORIX. Otherwise, the company shall have the right either to claim damages from that director or to consider the operations he has conducted for his own account as having been conducted for the account of the company.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

The following management discussion and analysis of financial condition and results of operations section provides an analytical review of Saudi ORIX's operational performance and financial condition during (i) the financial years ended 31 December 2009, 2010 and 2011, and (ii) the six months ended 30 June 2011 and 30 June 2012. It is based upon, and should be read in conjunction with (i) Saudi ORIX's audited financial statements as at and for the years ended 31 December 2009, 2010 and 2011, and the notes thereto, and (ii) Saudi ORIX's audited financial statements as at and for the six months ended 30 June 2012, and the notes thereto. Saudi ORIX's audited financial statements for the financial year ended 31 December 2009 were audited by KPMG Al Fozan & Al Sadhan and for the financial years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 were audited by Ernst & Young, and are included in this Prospectus. It is important to note that the comparative figures for the six months ended 30 June 2011 are unaudited. Prospective purchasers of the Sukuk should read the entire Prospectus and not rely solely on the information set out in this section.

All amounts are in Saudi Arabian Riyals, unless stated otherwise. Further, amounts are rounded off to nearest thousands, while percentages have been shown up to one decimal. References to "CAGR" refer to compound annual growth rate over the financial years ended 31 December 2009 to 31 December 2011. References to negative compound annual rate over the financial years ended 31 December 2009 to 2011 refer to a declining trend.

The audited financial statements for the years ended 31 December 2009, 2010 and 2011 and the notes thereto, and the audited financial statements for the six months ended on 30 June 2012 and the notes thereto, which are included elsewhere in this Prospectus, have been prepared in compliance with the standards and regulations promulgated by Saudi Organization of Certified Public Accountants ("SOCPA") and with the relevant provisions of the Company's Regulations and the by-laws relating to the preparation and presentation of financial statements. Saudi ORIX publishes its financial statements in Saudi Arabian Riyals

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Saudi ORIX's actual results could differ materially from those indicated in any forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the section "Risk Factors".

The financial statements of Saudi ORIX are prepared on a consolidated basis. However, Saudi ORIX does not have any subsidiaries to consolidate.

### **DIRECTORS' DECLARATION FOR FINANCIAL INFORMATION**

The Directors of Saudi ORIX declare to the best of their knowledge and belief that the financial information presented in this section is extracted without material changes from the audited financial statements the financial years ended 31 December 2009, 2010 and 2011, and the six months ended 30 June 2012, and that the audited financial statements have been prepared in accordance with SOCPA Accounting Standards.

The Directors declare that there has been no material adverse change in the financial, or operating position of Saudi ORIX during the financial years ended 31 December 2009, 2010 and 2011, and the date up to and including the date of this Prospectus.

The Directors further declare that Saudi ORIX will have sufficient funds to meet the working capital requirements for 12 months effective from the date of this Sukuk Issue. The Directors, the General Manager, and Saudi ORIX secretary declare that they have not at any time been bankrupt or been subject to bankruptcy proceedings as at the date of this Prospectus. The Directors declare that there are no mortgages, rights, and charges on Saudi ORIX's properties as of the date of this Prospectus,

except as disclosed under the heading “*Existing Financing Agreements*” in this section and in “*Description of Saudi Orix - Existing Financing Agreements*”.

## **OVERVIEW**

Saudi ORIX is a closed joint stock company incorporated in the Kingdom and registered under commercial registration number 1010163957 dated 21/10/1421H (corresponding to 16 January 2001), and with non-industrial license number 99 dated 27/02/1421H (corresponding to 31 May 2000) issued by the Ministry of Industry and Electricity, the predecessor of the Saudi Arabian General Investment Authority (SAGIA), in addition to a valid foreign investment license number 102030093785 issued by SAGIA on 11/9/1430H (corresponding to 1 September 2009).

Saudi ORIX is a financial leasing company offering leasing services in respect of a range of leasing sectors across the Kingdom. It operates as a non-bank financial institution under the supervision of SAMA and is licensed by SAMA to provide medium term asset financing with a focus on small and medium enterprises (SME).

## **SHARE CAPITAL**

Saudi ORIX’s share capital as at the date of this Prospectus was SAR 340 million divided into 34 million ordinary shares with a par value of SAR 10 each. Since 1 January 2009, Saudi ORIX’s share capital has changed as follows:

- in 2009 the share capital was increased from SAR 200 million to SAR 250 million through an issue of 5,000,000 new bonus shares capitalizing retained earnings, amounting to SAR 50.0 million;
- in 2011 the share capital was increased from SAR 250 million to SAR 300 million through an issue of 5,000,000 new bonus shares, capitalizing retained earnings, amounting to SAR 50.0 million;and
- in 2012 the share capital was increased from SAR 300 million to SAR 340 million through an issue of 4,000,000 new bonus shares, capitalizing retaining earnings, amounting to SAR 40.0 million.

See “*Description of Saudi ORIX – Share capital and Changes to shareholding*” section of this Prospectus for further details.

No Shares of Saudi ORIX are under option.

## **MAIN FACTORS AFFECTING THE RESULTS OF OPERATIONS**

The following is a discussion of the most significant factors that have affected, or are expected to affect, our financial condition and results of operations.

### **Economic environment**

Similar to other global and regional economies, in the fiscal year 2009 the Kingdom’s economy was impacted (albeit to a much lesser degree) by the global economic downturn. As per the SAMA Report in the fiscal year 2009 the Kingdom’s real GDP grew by 0.1% compared to 4.2% in the fiscal year 2008. However, since 2010 the Kingdom has witnessed increased economic activity and according to the SAMA Report and preliminary estimates of the MOEP, the Kingdom’s real GDP is estimated to have grown by 5.1% and 7.1% in the fiscal years 2010 and 2011 respectively. This growth in the Kingdom’s real GDP has in turn resulted in increased demand for financing services including financial leasing. See “*Market and Industry Information*” section of this Prospectus, for further details on the Kingdom’s economic position and an overview of its financial markets.



The effects of the slowdown in the Kingdom's economy in the fiscal year 2009 had a direct impact on Saudi ORIX's operations, resulting in a decline in the growth of Saudi ORIX's finance lease portfolio and a minor deterioration in Saudi ORIX's credit risk profile, whereby Saudi ORIX's non-performing lease contracts as a percentage of total finance lease portfolio (pre provisions) increased to 1.6% as at 31 December 2009 compared to 0.9% as at 31 December 2008. However, in line with the Kingdom's economic growth in the fiscal years 2010 and 2011, Saudi ORIX successfully grew its net finance lease portfolio by 22.6% to SAR 1,159.1 million as at 31 December 2011 as compared to SAR 945.6 million as at 31 December 2010, and at the same time enhanced its portfolio quality, with Saudi ORIX's non-performing finance lease contracts as a percentage of total finance lease portfolio (pre provisions) being at 0.9% as at 31 December 2011. In the first six months of the financial year 2012, Saudi ORIX has been successful in sustaining its portfolio growth, with its net finance lease portfolio growing by 15.2 % to SAR 1,335.7 million as at 30 June 2012 from SAR 1,159.1 million as at 31 December 2011.

Management believes that the Kingdom's economic conditions and prospects will continue to affect Saudi ORIX's results of operations. In particular, Saudi ORIX's ability to generate lease finance income and grow its finance lease portfolio depends on the sustainability of the Kingdom's economic growth going forward. See "*Risk Factors – Saudi ORIX is exposed to Saudi Arabian economic risks*" and "*Risk Factors – Increasing competition in the Saudi Arabian financial and leasing sectors may affect Saudi ORIX's business and its ability to execute its strategy for expansion*" sections of this Prospectus.

#### **Portfolio growth and portfolio quality**

Management believes that its ability to strike the optimum balance between continued portfolio growth while ensuring that the quality of the portfolio is not compromised is critically important as this may impact Saudi ORIX's results of operations. While Saudi ORIX has a fairly robust finance lease portfolio as evidenced by the fact that its non-performing lease contracts as a percentage of total finance lease portfolio (pre provisions) were at 1.1% as of 30 June 2012, a deterioration in portfolio quality going forward may result in higher provisioning and/or write-off charges, which in turn will adversely impact Saudi ORIX's operating and net margins. See "*Risk Factors – Saudi ORIX's impairment allowance may be insufficient and its credit-related costs might increase*".

While Saudi ORIX is continuously seeking to expand its customer base and consequently its finance lease portfolio, Management is focused on increasing portfolio diversification with respect to economic sectors, asset classes and by introducing new products. Management expects that this diversification should provide both opportunities for growth as well as a means to managing risks.

#### **Ability to retain experienced management**

An experienced management team with in depth knowledge of the leasing sector both globally, and specifically in the Kingdom, is one of the key factors that has resulted in the continued success of Saudi ORIX's operations over the years. As of 30 June 2012, Saudi ORIX's senior management team had a combined leasing and/or financial services sector experience of over 150 years and had collectively been with Saudi ORIX for over 50 years. See "*Description of Saudi ORIX – Senior Management*" and "*Risk Factors – Saudi ORIX may be unable to recruit or retain experienced and/or qualified personnel*."

#### **Access to adequate financing**

Considering that Saudi ORIX is a non-deposit taking (i.e., non-bank) financial institution, the future growth of Saudi ORIX's finance lease portfolio is to a large extent dependent on Saudi ORIX's access to commercial financing from both the bank and/or the capital markets. In order to meet its funding requirements, currently Saudi ORIX relies on its capital base and short term and medium term financing from local commercial banks as well as an international financial institution. As of 30 June

2012 Saudi ORIX had access to credit approved financing facilities in the aggregate amount of SAR 1,330 million from five local commercial banks and one international financial institution.

Additionally, Saudi ORIX is in the process of establishing and maintaining a contingent liquidity reserve pursuant to a policy approved by its Board. The objective of this funded reserve will be to provide an additional liquidity back stop to Saudi ORIX, in order to meet its funding needs under any unexpected events, adverse economic conditions, market fluctuations and earnings problems that may result in liquidity constraints.

A key component of Saudi ORIX's strategy is the diversification of its funding sources through accessing the Kingdom's domestic capital markets, including through the issue of debt securities such as the Sukuk, and by borrowing from a range of domestic and international financial institutions. See "*Risk Factors – The continued expansion of Saudi ORIX's lease portfolio depends to an increasing extent upon ability to obtain adequate funding*" and "*Description of Saudi ORIX – Strategy*" sections of this Prospectus.

### **Interest rate environment**

Similar to global markets, the interest rate environment in the Kingdom has been subdued over the last few years, with the Saudi Inter-bank Offer Rate ("**SIBOR**") being substantially lower than its highs seen during the fiscal year 2008. As a result of the decline in SIBOR, Saudi ORIX's funding costs declined sizeably between 2009 and 2011, which in turn resulted in an improvement in Saudi ORIX's operating and net margins over the same period. Saudi ORIX's special commission expense reduced from SAR 32.7 million in 2009 to SAR 15.9 million in 2011 despite an increase in total outstanding debt, which increased from SAR 603.2 million as at 31 December 2009 to SAR 736.7 million as at 31 December 2011.

Management believes that the interest rate environment in the Kingdom will continue to impact Saudi ORIX's results of operations going forward, considering Saudi ORIX's reliance on wholesale funding and the fixed rate nature of its finance leases. See "*Risk Factors – Changes in interest rates could adversely affect Saudi ORIX*".

### **SEASONALITY/BUSINESS CYCLES**

The business of Saudi ORIX is not affected by seasonality or any business cycles.

### **SIGNIFICANT ACCOUNTING POLICIES**

Saudi ORIX's accounting policies are integral to understanding its results of operations and financial condition presented in the financial statements and related notes thereto. The summary of Saudi ORIX's principal significant accounting policies are set out in Note 2 of the Notes to the Financial Statements as of and for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012. The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and of income and expenses during the relevant reporting period. These estimates and judgments are based on historical experience, available information, future expectations and other factors and assumptions that they believe are reasonable under the circumstances.

Saudi ORIX's management believes that the following significant accounting policies, due to the judgment, estimates and assumptions inherent in the application thereof, are critical to an understanding of Saudi ORIX's financial statements.

- **Net investment in finance leases**

Gross investment in finance leases includes the total of future lease payments on finance leases (lease receivables) plus the estimated residual amounts receivable. The difference between the

lease receivables and the cost of the leased asset is recorded as unearned lease finance income and is, for presentation purposes, deducted from the gross investment in finance leases. Saudi ORIX takes security deposits on leases with the right of set off against the residual value of leased assets, and for presentation purposes, these deposits along with prepaid lease rentals are deducted from gross investment in finance leases.

Lease finance income is recognized over the term of the lease using the effective yield method, whereby the lease income is amortized over the lease term calculated using the effective interest rate applicable to each lease.

Services fees charged in respect of processing and other services are recognized as income as the services are rendered.

- **Provision for lease losses**

Saudi ORIX reviews its lease receivables on a monthly basis to assess whether specific provisions for impairment should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors, involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

In addition to specific provisions against individually significant lease receivables, Saudi ORIX also makes a collective impairment provision against lease receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes.

- **Zakat and income tax**

Saudi ORIX's Saudi shareholders are subject to Zakat and its non-Saudi shareholders are subject to income tax in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT") as applicable in the Kingdom. An estimate of Zakat and income tax arising there from is provided by a charge to retained earnings and all payments of Zakat and income tax made on behalf of the shareholders are deducted from the first available dividends.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

### **RESULTS OF OPERATIONS**

The following table sets out Saudi ORIX's income statements for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December			
	2009	2010	2011	CAGR
	SAR '000			%
<b>Income</b>				
Lease finance income	115,402	118,201	133,098	7.4%
Investment Income	15	4	0	N.M.
Special commission expense including amortized transaction costs	(32,705)	(25,059)	(15,973)	-30.1%

	Year ended 31 December			
	2009	2010	2011	CAGR
	SAR '000			%
<b>Net lease finance and investment income</b>	<b>82,712</b>	<b>93,145</b>	<b>117,126</b>	<b>19.0%</b>
Other operating income	1,936	1,330	829	-34.6%
<b>Total operating income</b>	<b>84,648</b>	<b>94,475</b>	<b>117,954</b>	<b>18.0%</b>
<b>Operating expenses</b>				
Salaries and employee related expenses	25,306	26,709	30,538	9.9%
Rent and premises related expenses, net	843	1,259	996	8.7%
Depreciation	726	692	658	-4.8%
General and administrative expenses	2,889	2,840	2,769	-2.1%
Provision for lease losses	11,997	9,045	9,228	-12.3%
<b>Total operating expenses</b>	<b>41,761</b>	<b>40,544</b>	<b>44,189</b>	<b>2.9%</b>
<b>Net income for the year</b>	<b>42,887</b>	<b>53,931</b>	<b>73,765</b>	<b>31.1%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011  
"N.M." refers to not meaningful

Saudi ORIX's net income increased at a CAGR of 31.1% from SAR 42.9 million in 2009 to SAR 73.8 million in 2011. The increase in net income was mainly attributable to (i) the growth in lease finance income, which increased at a CAGR of 7.4% from SAR 115.4 million in 2009 to SAR 133.1 million in 2011, along with (ii) a decline in the special commission expense, which decreased at a negative compound annual rate of 30.1% from SAR 32.7 million in 2009 to SAR 16.0 million in 2011.

### **Lease Finance Income**

The following table sets out the breakdown of Saudi ORIX's lease finance income for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Gross Lease Finance Income		
Lease rental income	124,395	127,614	143,246	7.3%	96.8%	96.2%	95.4%
Front end fees	4,170	5,108	6,904	28.7%	3.2%	3.8%	4.6%
<b>Gross lease finance income</b>	<b>128,565</b>	<b>132,722</b>	<b>150,150</b>	<b>8.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Direct expenses	(13,163)	(14,521)	(17,052)	13.8%	N.M.	N.M.	N.M.
<b>Net lease finance income</b>	<b>115,402</b>	<b>118,201</b>	<b>133,098</b>	<b>7.4%</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to not meaningful

Lease finance income is Saudi ORIX's main source of income and represents, lease income earned by Saudi ORIX on its finance lease portfolio. Saudi ORIX's net lease finance income increased at a CAGR of 7.4% from SAR 115.4 million in 2009 to SAR 133.1 million in 2011. This increase was primarily due to an increase in gross lease finance income, although this increase was off-set partly by the increase in direct expenses.

### ***Gross lease finance income***

Saudi ORIX's gross lease finance income increased from SAR 128.6 million in 2009 to SAR 132.7 million in 2010, representing an increase of 3.2%, whereas it increased from SAR 132.7 million in 2010 to SAR 150.2 million in 2011, representing an increase of 13.1%. The stronger growth in gross lease finance income in 2011 was due to a corresponding increase in Saudi ORIX's finance lease portfolio during the same year.

Saudi ORIX's gross lease finance income consists of (i) income earned through lease rentals, and (ii) front end fees, which cover administrative and other documentation costs related to lease execution that are charged by Saudi ORIX from its lessees. Lease rental income accounted for 96.8%, 96.2% and 95.4% of Saudi ORIX's gross lease finance income in the financial years ended 31 December 2009, 2010 and 2011 respectively, whereas the front end fees accounted for the remaining 3.2%, 3.8% and 4.6% of Saudi ORIX's gross lease finance income in the financial years ended 31 December 2009, 2010 and 2011 respectively.

### **Direct expenses**

The following table sets out the breakdown of Saudi ORIX's direct expenses (related to its lease finance income) for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Total Direct Expenses		
Insurance expenses	(13,063)	(14,392)	(17,038)	14.2%	99.2%	99.1%	99.9%
Document notarization costs	(8)	(5)	(4)	-29.3%	0.1%	0.0%	0.0%
Credit life leased expenses	(47)	(18)	(11)	-51.6%	0.4%	0.1%	0.1%
Other direct costs	(45)	(106)	1	N.M.	0.3%	0.7%	0.0%
<b>Total direct expenses</b>	<b>(13,163)</b>	<b>(14,521)</b>	<b>(17,052)</b>	<b>13.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Saudi ORIX

Direct expenses relate to insurance and other processing costs and expenses incurred by Saudi ORIX that can be directly identified with each lease transaction that Saudi ORIX undertakes. Direct expenses increased at a CAGR of 13.8% from SAR 13.2 million in 2009 to SAR 17.1 million in 2011.

The main expense item in direct expenses is insurance expense, which accounted for 99.2%, 99.1% and 99.9% of Saudi ORIX's total direct expenses in the financial year ended 31 December 2009, 2010 and 2011 respectively.

### **Insurance expenses**

Insurance expenses increased at a CAGR of 14.2% from SAR 13.1 million in 2009 to SAR 17.0 million in 2011. In line with Saudi ORIX's "Statement of Operating Procedures and Leasing Policy", Saudi ORIX obtains insurance coverage for each asset that it leases (barring where the lessee provides Saudi ORIX with a bank guarantee). Therefore, the increase in insurance expenses over 2009 to 2011 was mainly attributable to the overall growth in Saudi ORIX's finance lease portfolio, which increased at a CAGR of 10.5% from SAR 948.5 million in 2009 to SAR 1,159.1 million in 2011.

### **Document notarization costs**

Document notarization costs relate to notarization charges incurred at transaction inception by Saudi ORIX on certain type of leases.

### **Credit life leased expenses**

Credit life leased expenses relate to insurance premium paid by Saudi ORIX on all of the auto lease transactions that Saudi ORIX enters with lessees in the retail sector (i.e. individuals). In these cases, Saudi ORIX obtains insurance coverage to secure its outstanding lease rentals in the event of death of the lessee. However, as a matter of strategy, since 2007 Saudi ORIX has shifted focus away from retail auto leases, as a result of which credit life leased expenses have decreased at a negative compound annual rate of 51.6% from SAR 0.05 million in 2009 to SAR 0.01 million in 2011.

## Other direct costs

Other direct costs relate to charges incurred by Saudi ORIX at lease inception, which cover costs of attestations, translations and any regulatory letters required by Saudi ORIX for specific leases. Other direct costs were nil in the financial year 2011 as Saudi ORIX started classifying other direct costs as net of front end fees.

## Geographical breakdown of gross lease finance income

Saudi ORIX carries out lease financing in the Kingdom in three main regions, the Eastern region (served by branches in Al-Khobar and Jubail), the Central region (served by Saudi ORIX's head office in Riyadh) and the Western region (served by branches in Jeddah and Khamis Mushaet).

The following table sets out a breakdown of Saudi ORIX's gross lease finance income and net lease finance income by geographic regions for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Gross Lease Finance Income		
Central region	62,569	63,202	73,269	8.2%	48.7%	47.6%	48.8%
Eastern region	34,953	33,034	33,800	-1.7%	27.2%	24.9%	22.5%
Western region	31,043	36,486	43,081	17.8%	24.1%	27.5%	28.7%
<b>Gross lease finance income</b>	<b>128,565</b>	<b>132,722</b>	<b>150,150</b>	<b>8.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Direct expenses	(13,163)	(14,521)	(17,052)	N.M	N.M	N.M	N.M
<b>Net lease finance income</b>	<b>115,402</b>	<b>118,201</b>	<b>133,098</b>	<b>N.M</b>	<b>N.M</b>	<b>N.M</b>	<b>N.M</b>

Source: Saudi ORIX  
"N.M." refers to Not Meaningful

## Central region

Saudi ORIX's gross lease finance income from the central region increased at a CAGR of 8.2% from SAR 62.6 million in 2009 to SAR 73.3 million in 2011. Gross lease finance income from the central region increased by 15.9% to SAR 73.3 million in 2011 from SAR 63.2 million in 2010, having increased by 1.0% in 2010 from SAR 62.6 million in 2009.

Gross lease finance income generated by Saudi ORIX from the central region accounted for 48.7%, 47.6% and 48.8% of Saudi ORIX's total gross lease finance income in the financial years ended 31 December 2009, 2010 and 2011 respectively. The central region's contribution to Saudi ORIX's total gross lease finance income is largely in line with this region's concentration in Saudi ORIX's finance lease portfolio. The central region accounted for 48.2%, 46.2% and 47.1% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011.

The overall increase in Saudi ORIX's gross lease finance income from the central region was mainly due to a corresponding increase in Saudi ORIX's finance lease portfolio and the fact that the portfolio concentration of the central region largely stayed stable between 2009 and 2011. Furthermore, the central region, being the largest geographic region in the Kingdom, has over the last few years seen increased economic activity as a result of large Government sponsored development and infrastructure projects.

## Eastern region

Saudi ORIX's gross lease finance income from the eastern region declined at a negative compound annual rate of 1.7% from SAR 35.0 million in 2009 to SAR 33.8 million in 2011. Gross lease finance

income from the eastern region increased by 2.3% to SAR 33.8 million in 2011 from SAR 33.0 million in 2010, having decreased by 5.5% in 2010 from SAR 35.0 million in 2009.

Gross lease finance income generated by Saudi ORIX from the eastern region accounted for 27.2%, 24.9% and 22.5% of Saudi ORIX's total gross lease finance income in the financial years ended 31 December 2009, 2010 and 2011 respectively. The overall decline in Saudi ORIX's gross lease finance income from the eastern region was mainly due to a corresponding decline in portfolio concentration of this region in Saudi ORIX's finance lease portfolio. The eastern region accounted for 28.9%, 27.5% and 25.2% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011. As a result of increased competitive pressures seen by Saudi ORIX in the eastern region, mainly due to the customers being associated with large Government owned entities, management has become selective in executing lease transactions in this region and accordingly, the eastern region's concentration in Saudi ORIX's finance lease portfolio has declined between 2009 and 2011. Furthermore, the competitive pressure increased as these large government entities have access to most financial companies (including banks).

### Western region

Saudi ORIX's gross lease finance income from the western region increased at a CAGR of 17.8% from SAR 31.0 million in 2009 to SAR 43.1 million in 2011. Lease finance income from the western region increased by 18.1% to SAR 43.1 million in 2011 from SAR 36.5 million in 2010, having increased by 17.5% in 2010 from SAR 31.0 million in 2009.

Gross lease finance income generated by Saudi ORIX from the western region accounted for 24.1%, 27.5% and 28.7% of Saudi ORIX's total gross lease finance income in the financial years ended 31 December 2009, 2010 and 2011 respectively. The overall increase in Saudi ORIX's lease finance income from the western region was mainly due a corresponding increase in Saudi ORIX's finance lease portfolio and the fact that the portfolio concentration of the western region has been increasing between 2009 and 2011. The western region accounted for 22.8%, 26.2% and 27.8% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011. The western region has also seen increased economic activity over the last few years as a result of large Government sponsored development and infrastructure projects, particularly in the cities of Makkah and Jeddah, which are key focus areas for Saudi ORIX.

### Asset wise breakdown of lease finance income

The assets financed by Saudi ORIX generally fall into one of four main categories, commercial and motor vehicles, industrial machinery, commercial equipment and real estate.

The following table sets out Saudi ORIX's gross lease finance income (pre and post front end fees) by asset class, for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Gross Lease Finance Income (pre Front End Fees)		
Commercial and motor vehicles	60,783	61,596	69,879	7.2%	48.9%	48.3%	48.8%
Industrial machinery	38,101	34,271	34,025	-5.5%	30.7%	26.9%	23.8%
Commercial equipment	9,519	13,827	22,670	54.3%	7.7%	10.8%	15.8%
Real Estate	15,992	17,920	16,672	2.1%	12.7%	14.0%	11.6%
<b>Gross lease finance income – pre front end fees</b>	<b>124,395</b>	<b>127,614</b>	<b>143,246</b>	<b>7.3%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Front end fee	4,170	5,108	6,904	28.7%	N.M.	N.M.	N.M.
<b>Gross lease finance income</b>	<b>128,565</b>	<b>132,722</b>	<b>150,150</b>	<b>8.1%</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to Not Meaningful

## **Commercial and motor vehicles**

Gross lease finance income (pre front end fees) from commercial and motor vehicles increased at a CAGR of 7.2% from SAR 60.8 million in 2009 to SAR 69.9 million in 2011. The gross lease finance income (pre front end fees) from commercial and motor vehicles increased by 13.44% to SAR 69.9 million in 2011 from SAR 61.6 million in 2010, having increased by 1.3% in 2010 from SAR 60.8 million in 2009. The growth in Saudi ORIX's gross lease finance income (pre front end fees) from commercial and motor vehicles was primarily due to a corresponding increase in Saudi ORIX's finance lease portfolio and the fact that the portfolio concentration of this asset class largely stayed stable between 2009 and 2011. Commercial and motor vehicles accounted for 40.8%, 40.4% and 41.8% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011.

## **Industrial machinery**

Gross lease finance income (pre front end fees) from industrial machinery decreased at a negative compound annual rate of 5.5% from SAR 38.1 million in 2009 to SAR 34.0 million in 2011. The gross lease finance income (pre front end fees) from industrial machinery decreased by 0.7% to SAR 34.0 million in 2011 from SAR 34.3 million in 2010, having decreased by 10.1% in 2010 from SAR 38.1 million in 2009. The decrease in Saudi ORIX's gross lease finance income (pre front end fees) from industrial machinery was largely due to a gradual reduction in portfolio concentration of this asset class in Saudi ORIX's finance lease portfolio between 2009 and 2011 and, a general decline in margins due to increased competitive pressure in this particular asset class. Industrial machinery accounted for 29.5%, 27.4% and 26.8% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011.

## **Commercial equipment**

Gross lease finance income (pre front end fees) from commercial equipment increased at a CAGR of 54.3% from SAR 9.5 million in 2009 to SAR 22.7 million in 2011. The gross lease finance income (pre front end fees) from commercial equipment increased by 64.0% to SAR 22.7 million in 2011 from SAR 13.8 million in 2010, having increased by 45.3% in 2010 from SAR 9.5 million in 2009. The growth in Saudi ORIX's gross lease finance income (pre front end fees) from commercial equipment is primarily due to a corresponding increase in Saudi ORIX's finance lease portfolio and the increase in portfolio concentration of this asset class in Saudi ORIX's finance lease portfolio. Commercial equipment accounted for 13.5%, 15.7% and 17.4% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011.

## **Real estate**

Gross lease finance income (pre front end fees) from real estate increased at a CAGR of 2.1% from SAR 16.0 million in 2009 to SAR 16.7 million in 2011. The gross lease finance income (pre front end fees) from real estate decreased by 7.0% to SAR 16.7 million in 2011 from SAR 17.9 million in 2010, having increased by 12.1% in 2010 from SAR 16.0 million in 2009. Saudi ORIX's gross lease finance income (pre front end fees) from real estate decreased in 2011 mainly due to (i) a decrease in margins, (ii) the fact that some of the major real estate leases were executed in the second half of the year, and (iii) a reduction in portfolio concentration of this asset class in Saudi ORIX's finance lease portfolio in 2011. Real estate accounted for 16.3%, 16.4% and 14.0% of Saudi ORIX's finance lease portfolio (pre provisions) as at 31 December 2009, 2010 and 2011.

## **Investment Income**

Investment income relates to the income earned by Saudi ORIX on term deposits placed with local commercial banks. In 2011 there was no investment income as Saudi ORIX did not place any term deposits with local commercial banks. This was in line with Saudi ORIX's strategy of maintaining a contingent liquidity reserve. See "*Description of Saudi ORIX – Liquidity Risk*" section of this



Prospectus for further details on Saudi ORIX's plans on establishing and maintaining a contingent liquidity reserve.

Saudi ORIX does not hold any securities for investment purposes as at 31 December 2011.

### **Special commission expense and amortized transaction costs**

The following table sets out the breakdown of Saudi ORIX's special commission expense and amortized transaction costs for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Special Commission Expense and Amortized Transaction Costs		
Funding costs and commission expense	32,544	24,795	15,256	-31.5%	99.5%	99.0%	95.5%
Bank charges, fees, and others	161	264	716	111.0%	0.5%	1.0%	4.5%
<b>Special commission expense and amortized transaction costs</b>	<b>32,705</b>	<b>25,059</b>	<b>15,973</b>	<b>-30.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Saudi ORIX

### ***Funding costs and commission expenses***

Funding costs and commission expense relates to financing charges incurred by Saudi ORIX on its financing facilities with commercial banks and other financial institutions. Funding costs and commission expense decreased at a negative compound annual rate of 31.5% from SAR 32.5 million in 2009 to SAR 15.3 million in 2011. The decrease in financing charges was mainly due to the decline in Saudi Inter Bank Offer Rate (SIBOR) between 2009 and 2011, and the corresponding reduction in financing charges paid by Saudi ORIX on its financing facilities.

### ***Bank charges, fees and others***

Bank charges, fees and others relate to expenses incurred by Saudi ORIX in relation to the arrangement and set up of its financing facilities with commercial banks and other financial institutions. Bank charges, fees and other expenses increased by 171.2% to SAR 0.7 million in 2011, from SAR 0.3 million in 2010, having increased by 63.9% in 2010, from SAR 0.2 million in 2009. As per Saudi ORIX's accounting policy, these expenses are amortised on a straight line basis over the term of the financing facilities. The increase in bank charges, fees and other expenses was due to: (i) new financing facilities obtained by Saudi ORIX during the review period; (ii) renewal of existing financing facilities during the review period; and (iii) use of banking services in the normal course of business.

### **Other operating income**

The following table sets out the breakdown of Saudi ORIX's other operating income for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Operating Income		
Surcharge on late payments	998	1,213	731	-14.4%	51.6%	91.2%	88.2%
Other income	779	16	18	-84.9%	40.2%	1.2%	2.2%
Gain on sale of property, plant and equipment	62	7	15	-50.8%	3.2%	0.5%	1.8%
Gain on sale of leased assets	97	94	65	-18.1%	5.0%	7.1%	7.8%
<b>Other operating income</b>	<b>1,936</b>	<b>1,330</b>	<b>829</b>	<b>-34.6%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Saudi ORIX

Saudi ORIX's other operating income decreased at a negative compound annual rate of 34.6% from SAR 1.9 million in 2009 to SAR 0.8 million in 2011. Other operating income decreased by 37.7% to SAR 0.8 million in 2011 from SAR 1.3 million in 2010, having decreased by 31.3% in 2010 from SAR 1.9 million in 2009. This decrease was mainly on account of decrease in surcharges paid by lessees on late payments and other income.

### ***Surcharge on late payments***

These represent additional lease rentals paid by lessees on late payments, which constituted 51.6%, 91.2% and 88.3% of Saudi ORIX's other operating income in the financial years ended 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's income from late payment surcharges decreased by 39.7% to SAR 0.7 million in 2011 from SAR 1.2 million in 2010. This decline was due to the fact that since January 2010, all of Saudi ORIX's lease transactions have been structured on a Shariah compliant basis, and therefore while Saudi ORIX continues to receive surcharges from its lessees on late payments, the same are paid out as charity (in compliance with the Shariah guidelines) and are not recognised as income. Saudi ORIX believes that as and when its legacy conventional lease portfolio matures, contribution of this income item would become negligible.

### ***Other income***

Other income decreased at a negative compound annual rate of 84.9% from SAR 0.8 million in 2009 to SAR 0.02 million in 2011. Other income decreased by 98.0% to SAR 0.02 million in 2010 from SAR 0.8 million in 2009. In 2009 a large proportion of this income was on account of write back of unclaimed balances, which had been outstanding for over the previous three years. Most of these unclaimed balances were recognized as a one-off income item during 2009 and therefore were not applicable for the following years, leading to a fall in other income in 2010 and 2011.

### ***Gain on sale of property, plant and equipment***

Gain on sale of property, plant and equipment decreased at a negative compound annual rate of 50.8% from SAR 0.06 million in 2009 to SAR 0.02 million in 2011. Gain on sale of property, plant and equipment comprises of profit generated upon disposal of Saudi ORIX's own (internal) assets. Management believes that the change in this income item is in line with its normal course of business.

### ***Gain on sale of leased assets***

Gain on sale of leased assets is accounting gain generated upon early termination or cancellation of lease. Gain on sale of leased assets decreased at a negative compound annual rate of 18.1% from SAR 0.1 million in 2009 to SAR 0.07 million in 2011, primarily as a result of decrease in number of early termination of leases which were 1011, 952 and 790 in the financial year 2009, 2010 and 2011 respectively.

### **Operating expenses**

The following table sets out the breakdown of Saudi ORIX's operating expenses for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Total Operating Expenses		
Salaries and employee related expenses	25,306	26,709	30,538	9.9%	60.6%	65.9%	69.1%
Rent and premises related expenses, net	843	1,259	996	8.7%	2.0%	3.1%	2.3%
Depreciation	726	692	658	-4.8%	1.7%	1.7%	1.5%
General and administrative expenses	2,889	2,840	2,769	-2.1%	6.9%	7.0%	6.3%
Provision for lease losses	11,997	9,045	9,228	-12.3%	28.7%	22.3%	20.9%
<b>Total operating expenses</b>	<b>41,761</b>	<b>40,544</b>	<b>44,189</b>	<b>2.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

Saudi ORIX's total operating expenses increased at a CAGR of 2.9% from SAR 41.8 million in 2009 to SAR 44.2 million in 2011. Total operating expenses increased by 9.0% to SAR 44.2 million in 2011 from SAR 40.5 million in 2010, having decreased by 2.9% in 2010 from SAR 41.8 million in 2009. Saudi ORIX's operating expenses mainly consist of salaries and employee related expenses, general and administrative expenses and provision for lease losses.

#### ***Salaries and employee related expenses***

Salaries and employee related expenses comprise of basic salaries, housing allowances, transportation allowances, bonuses and other employee-related expenses. As is typical for companies active in the financial services sector, salaries and employee related expenses represent the largest operating expense item for Saudi ORIX, and accordingly accounted for 60.6%, 65.9% and 69.1% of Saudi ORIX's total operating expenses in the financial years ended 31 December 2009, 2010 and 2011 respectively.

Saudi ORIX's salaries and employee related expenses increased from SAR 25.3 million in 2009 to SAR 26.7 million in 2010, representing an increase of 5.5%, which was largely on account of annual increment awarded to employees. In 2011 Saudi ORIX's salaries and employee related expenses increased to SAR 30.5 million from SAR 26.7 million in 2010, representing an increase of 14.3%. Saudi ORIX's staff strength was largely the same in 2011 (total staff of 123 as at 31 December 2011) compared to 2010 (total staff of 118 as at 31 December 2010). Therefore, the increase of 14.3% in the salaries and employee related expenses in 2011 was largely on account of Saudi ORIX awarding a special bonus of two basic salaries to all its employees during the year. While in absolute terms Saudi ORIX's salaries and employee related expenses have increased at a CAGR of 9.9% from SAR 25.3 million in 2009, to SAR 30.5 million in 2011, the salaries and employee related expenses as a percentage of lease finance income have been fairly stable at 21.9%, 22.6% and 22.9% in the financial years ended 31 December 2009, 2010 and 2011 respectively.

#### ***Rent and premises related expenses, net***

Rents and premises related expenses comprise of rental expenses, maintenance expenses and payments for utilities for Saudi ORIX's head office and its various branch offices. While Saudi ORIX has leased its entire head office building consisting of ten floor (including the ground floor), it currently utilizes only four floors, and sublets the remaining five floors plus ground to other tenants. Therefore, Saudi ORIX's head office expense is set off against rentals received from subletting the unutilized floors in the head office building.

Saudi ORIX's rent and premises related expenses increased from SAR 0.8 million in 2009 to SAR 1.3 million in 2010, representing an increase of 49.3%. This increase was due to the fact that during 2010 one floor in the head office building was not sublet by Saudi ORIX. During 2011 Saudi ORIX was able to sublet this vacant floor and as a result Saudi ORIX's rent and premises related expenses reduced from SAR 1.3 million in 2010 to SAR 1.0 million in 2011, representing a decrease of 20.8%.

#### ***Depreciation***

Depreciation charges apply to the property and equipment and vehicles used by Saudi ORIX. Saudi ORIX depreciates its property and equipment and vehicles using the straight line method over the useful lives of its property and equipment. Saudi ORIX's depreciation charges reduced at a negative compound annual rate of 4.8% from SAR 0.7 million in 2009 to SAR 0.7 million in 2011, due to disposal of certain assets and a reduction in depreciation expenses on certain assets due to a reduction in net book value of these assets. Saudi ORIX does not plan to make any changes to its depreciation policy.

### ***Provisions for Lease Losses***

Saudi ORIX makes provisions for doubtful receivables and possible lease losses. In this regard, Saudi ORIX makes two types of provisions which include (i) general provisions, and (ii) specific provisions. Saudi ORIX's provisioning charges increased by 2.0% to SAR 9.2 million in 2011 from SAR 9.0 million in 2010, having decreased in 2010 by 24.6% from SAR 12.0 million in 2009.

The decline in provisioning charges in 2010 was mainly due to the reversal of certain specific provisions as recoveries were made on these non-performing and overdue leases during the year. The increase in provisioning charges in 2011 is largely explained by the growth in Saudi ORIX's finance lease portfolio during the year and the subsequent increase in general provisioning. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Specific Provisions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – General Provision" sections of this Prospectus for further details on Saudi ORIX's provisioning policy.

### ***General and administrative expenses***

The following table sets out the breakdown of Saudi ORIX's general and administrative expenses for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of General and Administrative Expenses		
License, legal and professional charges	1,280	1,235	1,208	-2.9%	44.3%	43.5%	43.6%
Communication expenses	679	555	604	-5.7%	23.5%	19.5%	21.8%
Office repair and maintenance cost	274	256	210	-12.5%	9.5%	9.0%	7.6%
Printing and stationery	198	183	201	0.8%	6.9%	6.4%	7.3%
Travelling and transportation	93	124	178	38.3%	3.2%	4.4%	6.4%
Advertising and promotion expenses	85	219	158	36.3%	2.9%	7.7%	5.7%
Insurance of own assets	63	54	50	-10.9%	2.2%	1.9%	1.8%
Others	216	214	160	-13.9%	7.5%	7.5%	5.8%
<b>General and administrative expenses</b>	<b>2,889</b>	<b>2,840</b>	<b>2,769</b>	<b>-2.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

Saudi ORIX's general and administrative expenses decreased at a negative compound annual rate of 2.1% from SAR 2.9 million in 2009 to SAR 2.8 million in 2011.

License, legal and professional charges and communication expenses contribute most to Saudi ORIX's general and administrative expenses, and collectively accounted for 67.8%, 63.0% and 65.4% of general and administrative expenses in the financial years ended 31 December 2009, 2010 and 2011 respectively.

### ***License, legal and professional charges***

License, legal and professional charges decreased at a negative compound annual rate of 2.9% from SAR 1.3 million in 2009 to SAR 1.2 million in 2011. These expenses (among others) include payments to the Saudi Credit Bureau, legal expenses and payment to Shariah advisors. These expenses can be categorized as "fixed" expenses and therefore have been largely stable over the last three financial years.

## Communication expenses

Communication expenses decreased at a negative compound annual rate of 5.7% from SAR 0.7 million in 2009 to SAR 0.6 million in 2011. Communication expenses increased by 8.8% in 2011 from SAR 0.6 million in 2010, having decreased by 18.3% in 2010 from SAR 0.7 million in 2009. The decrease in communication expenses in 2010 was as a result of Saudi ORIX's focus on controlling its operating expenses through promoting the use of cheaper modes of communication. The increase in communication expenses in 2011 was due to the growth in business volume, which consequently increased the need for both internal as well as external communication.

## BALANCE SHEET

The following table sets out Saudi ORIX's balance sheets as at 31 December 2009, 2010 and 2011:

	Year ended 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Total Assets		
<b>Assets</b>							
Cash and cash equivalents	16,371	41,001	70,929	108.1%	1.7%	4.1%	5.7%
Net investment in finance leases	948,522	945,562	1,159,110	10.5%	97.8%	95.3%	93.6%
Advances, prepayments & other receivables	3,145	3,765	5,917	37.2%	0.3%	0.4%	0.5%
Fixed assets	2,129	1,732	1,795	-8.2%	0.2%	0.2%	0.1%
<b>Total Assets</b>	<b>970,167</b>	<b>992,061</b>	<b>1,237,751</b>	<b>13.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Liabilities</b>							
Short term loans (including current maturity of long term loans)	162,104	122,930	314,261	39.2%	16.7%	12.4%	25.4%
Accounts payable	23,431	52,407	62,126	62.8%	2.4%	5.3%	5.0%
Accrued expenses and other liabilities	32,648	38,310	32,750	0.2%	3.4%	3.9%	2.6%
Long term loans	441,138	427,709	422,443	-2.1%	45.5%	43.1%	34.1%
Employees' terminal benefits	3,266	4,132	5,332	27.8%	0.3%	0.4%	0.4%
Fair value of derivatives	604	287	77	-64.3%	0.1%	0.0%	0.0%
<b>Total Liabilities</b>	<b>663,192</b>	<b>645,775</b>	<b>836,989</b>	<b>12.3%</b>	<b>68.4%</b>	<b>65.1%</b>	<b>67.6%</b>
<b>Total Shareholders' Equity</b>	<b>306,975</b>	<b>346,286</b>	<b>400,762</b>	<b>14.3%</b>	<b>31.6%</b>	<b>34.9%</b>	<b>32.4%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>970,167</b>	<b>992,061</b>	<b>1,237,751</b>	<b>13.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

## Assets

Saudi ORIX's total assets increased at a CAGR of 13.0% from SAR 970.2 million in 2009 to SAR 1,237.8 million in 2011. The increase in total assets during this period was mainly due to an increase in net investment in finance leases and cash and cash equivalents. Net investment in finance lease accounted for 97.8%, 95.3% and 93.5% of Saudi ORIX's total assets as at 31 December 2009, 2010 and 2011 respectively, followed by cash and cash equivalents which accounted for 1.7%, 4.1% and 5.7% of Saudi ORIX's total assets as at 31 December 2009, 2010 and 2011 respectively.

The following table sets out the breakdown of Saudi ORIX's total assets as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009 - 2010	2010 - 2011	CAGR
	SAR '000			% Change		%
Cash and cash equivalents	16,371	41,001	70,929	150.4%	73.0%	108.1%
Net investment in finance leases	948,522	945,562	1,159,110	-0.3%	22.6%	10.5%
Advances, prepayments and other receivables	3,145	3,765	5,917	19.7%	57.2%	37.2%
Fixed assets	2,129	1,732	1,795	-18.6%	3.6%	-8.2%
<b>Total assets</b>	<b>970,167</b>	<b>992,061</b>	<b>1,237,751</b>	<b>2.3%</b>	<b>24.8%</b>	<b>13.0%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

### *Cash and cash equivalents*

Cash and cash equivalents comprise of cash in hand and bank balances as at the date of the respective balance sheets. Cash and cash equivalents increased at a CAGR of 108.1% from SAR 16.4 million in 2009 to SAR 70.9 million in 2011. This increase was in accordance with a Board approved policy, pursuant to which, Saudi ORIX is in the process of establishing and maintaining a contingent liquidity reserve. The objective of this funded reserve will be to provide a liquidity back stop to meet any unexpected events, adverse economic conditions, market fluctuations and earnings problems that may cause liquidity constraints.

### *Net investment in finance leases*

Net investment in finance leases (also referred to herein as the “finance lease portfolio”) accounted for 97.8%, 95.3% and 93.6% of Saudi ORIX’s total assets as at 31 December 2009, 2010 and 2011 respectively. While Saudi ORIX’s finance lease portfolio has increased at a CAGR of 10.5% from SAR 948.5 million in 2009 to SAR 1,159.1 million in 2011, it is important to note that in light of the then prevailing uncertainties in the global credit and economic environment, during the years 2009 and 2010, Saudi ORIX increased its focus on preserving its portfolio quality as opposed to portfolio growth. As a result, Saudi ORIX’s net investment in finance leases decreased from SAR 1,097.3 million in 2008 to SAR 948.5 million in 2009, and then decreased further to SAR 945.6 million in 2010. With the relative improvement in the global economic environment in 2011, Saudi ORIX refocused its energies on portfolio growth and consequently, Saudi ORIX’s finance lease portfolio grew by 22.6% from SAR 945.6 million in 2010 to SAR 1,159.1 million in 2011.

### *Portfolio quality and provisioning for non-performing lease receivables*

The following table sets out a breakdown of Saudi ORIX’s performing and non-performing finance lease portfolio as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009 - 2010	2010 - 2011	CAGR
	SAR '000			% Change		%
Performing finance lease contracts, net	981,247	995,934	1,214,982	1.5%	22.0%	11.3%
Non – performing finance lease contracts, net	15,987	7,386	11,113	-53.8%	50.5%	-16.6%
<b>Total investment in finance lease</b>	<b>997,234</b>	<b>1,003,320</b>	<b>1,226,095</b>	<b>0.6%</b>	<b>22.2%</b>	<b>10.9%</b>
Reserve for finance lease losses	(48,713)	(57,756)	(66,986)	18.6%	16.0%	17.3%
<b>Investment in finance leases , net</b>	<b>948,522</b>	<b>945,562</b>	<b>1,159,110</b>	<b>-0.3%</b>	<b>22.6%</b>	<b>10.5%</b>
<b>Non performing finance lease contracts as a % of total investment in finance lease (pre provisions)</b>	<b>1.6%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
“N.M.” refers to Not Meaningful

Saudi ORIX has a fairly robust finance lease portfolio, as evidenced by the fact that its non-performing lease contracts as a percentage of total investment in finance lease (pre provisions) were 1.6%, 0.7% and 0.9% as at 31 December 2009, 2010 and 2011 respectively.

Furthermore, Saudi ORIX makes provisions for doubtful receivables and possible lease losses. In this regard, Saudi ORIX makes two types of provisions which include (i) general provisions, and (ii) specific provisions.

The following table sets out the provisions that Saudi ORIX had made against possible lease losses as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Specific provisions	7,602	6,890	5,552	-9.4%	-19.4%	-14.5%
General provisions	41,111	50,867	61,434	23.7%	20.8%	22.2%
<b>Reserves for lease losses</b>	<b>48,713</b>	<b>57,758</b>	<b>66,986</b>	<b>18.6%</b>	<b>16.0%</b>	<b>17.3%</b>
Reserves for lease losses % of net non-performing lease contracts	304.7%	782.0%	602.7%	N.M.	N.M.	N.M.

Source: Saudi ORIX  
 "N.M." refers to Not Meaningful

### Specific provisions

Specific provisions are recorded by Saudi ORIX against a lease transaction depending on its performance. Each lease in default and/or in non performing status is regularly reviewed and provisions are made accordingly. After a lease has been in default for six months, Saudi ORIX starts creating a specific provision for that particular lease as follows:

- Within six to nine months of a default a specific provision is made for 5% of the outstanding exposure.
- Within nine to fifteen months of a default a specific provision is made for 25% of the outstanding exposure.
- Within fifteen to twenty-four months of a default a specific provision is made for 50% of the outstanding exposure.
- After twenty-four months of a default a specific provision is made for 100% of the net outstanding exposure.

Specific provisions made by Saudi ORIX decreased at a negative compound annual rate of 14.5% from SAR 7.6 million in 2009 to SAR 5.6 million in 2011. This decrease resulted from the fact that lease rentals from certain overdue and/or non-performing leases were recovered during 2010 and 2011, which reduced the requirement for specific provisions against these leases.

### General provisions

General provisions are recorded by Saudi ORIX at initiation of each lease transaction. General provisions are created at the rate of 1.25% of the total rental receivable amortized, over the term of each lease term. Accordingly, general provisions made by Saudi ORIX have increased at a CAGR of 22.2% from SAR 41.1 million in 2009 to SAR 61.4 million in 2011 on account of the increase in Saudi ORIX's finance lease portfolio over the same period.

In addition, Saudi ORIX reviews the adequacy of its provisions on a monthly basis, in light of its overdue lease portfolio (where rentals are overdue for more than 30 days), customer exposure (top five customers), business sector exposure and the overall finance lease portfolio to ensure that provision levels are adequate. If required, provision balances are altered accordingly to arrive at the final provision amount to be booked for each month.

### ***Breakdown of net investment in finance leases by business sectors***

For finance and accounting purposes, Saudi ORIX groups its net investment in finance leases in the following four broad industry sectors: manufacturing, construction and contracting, services, and trading.

The following table sets out Saudi ORIX's gross and net investment in finance leases in each of its broad industry sectors as at 31 December 2009, 2010 and 2011:

	As at 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Investment in Finance Leases (Pre Provisions)		
Manufacturing	347,458	363,238	428,218	11.0%	34.8%	36.2%	34.9%
Construction and contracting	206,719	247,128	314,287	23.3%	20.7%	24.6%	25.6%
Services	283,507	259,202	296,977	2.3%	28.4%	25.8%	24.2%
Trading	140,572	120,151	176,273	12.0%	14.1%	12.0%	14.4%
Others	18,979	13,601	10,341	-26.2%	2.0%	1.4%	0.8%
<b>Investment in finance leases (pre provisions)</b>	<b>997,234</b>	<b>1,003,320</b>	<b>1,226,095</b>	<b>10.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Reserves for lease losses	(48,713)	(57,758)	(66,986)	17.3%	N.M.	N.M.	N.M.
<b>Net investment in finance leases</b>	<b>948,522</b>	<b>945,562</b>	<b>1,159,110</b>	<b>10.5%</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
 "N.M." refers to Not Meaningful

### **Manufacturing**

The manufacturing sector is Saudi ORIX's key focus industry sector and accordingly accounted for 34.8%, 36.2% and 34.9% of Saudi ORIX's pre provisioning investment in finance leases (also referred to herein as "gross investment in finance leases") as at 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases in the manufacturing sector increased at a CAGR of 11.0% from SAR 347.5 million in 2009 to SAR 428.2 million in 2011. This increase was largely in line with the overall growth in the Saudi economy and in particular the Kingdom's manufacturing sector. See "*Market and Industry Information*" section of this Prospectus for further details on the Kingdom's economic overview.

### **Construction and contracting**

The construction and contracting sector accounted for 20.7%, 24.6% and 25.6% of Saudi ORIX's gross investment in finance leases as at 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases in the construction and contracting sector increased at a CAGR of 23.3% from SAR 206.7 million in 2009 to SAR 314.3 million in 2011. This increase was largely due to the increased activity seen over the last few years in the Kingdom's construction and contracting sector, which has been positively impacted by, among other things, the increased spending by the Government on large scale public sector development and infrastructure projects.



## Services

The services sector (that includes sub-sectors such as healthcare, electrical and mechanical contracting, hotel and entertainment, and petroleum distribution services) accounted for 28.4%, 25.8% and 24.2% of Saudi ORIX's gross investment in finance leases as at 31 December 2009, 2010 and 2011 respectively. In 2010 Saudi ORIX's gross investment in finance leases in the services sector decreased by 8.6% from SAR 283.5 million in 2009 to SAR 259.2 million in 2010. This decrease was in line with management's focus on preserving portfolio quality as opposed to portfolio growth in 2010. In 2011, Saudi ORIX's gross investment in finance leases in the services sector increased by 14.6% to SAR 297.0 million from SAR 259.2 million in 2010, which was due to the overall growth in Saudi ORIX's finance lease portfolio.

## Trading

The trading sector accounted for 14.1%, 12.0% and 14.4% of Saudi ORIX's the gross investment in finance leases as at 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases in the trading sector increased by 46.7% to SAR 176.3 million in 2011, from SAR 120.2 million in 2010, while it decreased by 14.5% in 2010 from SAR 140.6 million in 2009. The decrease in portfolio growth of the trading sector in 2010 was in line with management's focus on preserving portfolio quality as opposed to portfolio growth in 2010, whereas the increase in 2011 was due to the overall growth in Saudi ORIX's finance lease portfolio.

### *Breakdown of net investment in finance leases by asset class*

As previously discussed, the assets financed by Saudi ORIX generally fall into one of four main categories, commercial and motor vehicles, industrial machinery, commercial equipment and real estate. The following table sets out Saudi ORIX's gross and net investment in finance leases in each of its broad asset classes as at 31 December 2009, 2010 and 2011:

	As at 31 December						
	2009	2010	2011	CAGR	2009	2010	2011
	SAR '000			%	% of Investment in Finance Leases (pre provisions)		
Commercial and motor vehicles	406,491	405,716	512,312	12.3%	40.8%	40.4%	41.8%
Industrial machinery	293,944	274,892	328,265	5.7%	29.5%	27.4%	26.8%
Commercial equipment	134,266	157,933	213,891	26.2%	13.5%	15.7%	17.4%
Real estate	162,534	164,779	171,628	2.8%	16.3%	16.4%	14.0%
<b>Investment in finance leases (pre provisions)</b>	<b>997,234</b>	<b>1,003,320</b>	<b>1,226,095</b>	<b>10.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Reserves for lease losses	(48,713)	(57,758)	(66,986)	N.M.	N.M.	N.M.	N.M.
<b>Net investment in finance leases</b>	<b>948,522</b>	<b>945,562</b>	<b>1,159,110</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to Not Meaningful

## Commercial and motor vehicles

The commercial and motor vehicles segment is comprised of cars, trucks, trailers and busses used in all the major industry sectors that Saudi ORIX serves.

Commercial and motor vehicles accounted for 40.8%, 40.4% and 41.8% of Saudi ORIX's gross investment in finance leases as at 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases attributable to commercial and motor vehicles increased at a CAGR of 12.3% from SAR 406.5 million in 2009 to SAR 512.3 million in 2011.

## Industrial machinery

The industrial machinery segment is comprised of all type of machinery used in industrial and manufacturing plants.

Industrial machinery accounted for 29.5%, 27.4% and 26.8% of Saudi ORIX's gross investment in finance leases as at 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases attributable to industrial machinery increased by 19.4% to SAR 328.3 million in 2011 from SAR 274.9 million in 2010, having decreased by 6.5% in 2010 from SAR 294.0 million in 2009.

## Commercial equipment

The commercial equipment segment is comprised of heavy machinery and office equipment, which is mainly used in the manufacturing, construction and building sectors like cranes, medical equipment.

Commercial equipment accounted for 13.5%, 15.7% and 17.4% of Saudi ORIX's gross investment in finance leases as at 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases attributable to commercial equipment increased at a CAGR of 26.2% from SAR 134.3 million in 2009 to SAR 213.9 million in 2011.

## Real estate

The real estate segment is comprised of leases that relate to the financing by Saudi ORIX of offices, factories and warehouse buildings.

Real estate leases accounted for 16.3%, 16.4% and 14.0% of Saudi ORIX's gross investment in finance leases as at ended 31 December 2009, 2010 and 2011 respectively. Saudi ORIX's gross investment in finance leases attributable to real estate increased by 4.2% to SAR 171.6 million in 2011 from SAR 164.8 million in 2010, while having increased by 1.4% in 2010 from SAR 162.5 million in 2009. The increase in 2011 is mainly attributable to Saudi ORIX's focus on real estate finance leases, resulting in increased marketing efforts.

## *Advances, prepayments and other receivables*

The following table sets out the breakdown of Saudi ORIX's advances, prepayments and other receivables as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Loans and advances to staff	1,582	1,673	1,976	5.8%	18.1%	11.8%
Advance against letter of credit	0	0	1,383	N.M.	N.M.	N.M.
Prepaid rent	759	794	656	4.6%	-17.4%	-7.0%
Other receivables from lessees	204	723	681	254.4%	-5.8%	82.7%
Prepaid insurance	85	80	311	-5.9%	288.8%	91.3%
Prepaid visa cost	44	60	91	36.4%	51.7%	43.8%
Receivable from suppliers and insurance companies	88	0	178	-100.0%	N.M.	42.2%
Other receivables	384	435	641	13.3%	47.4%	29.3%
<b>Total advances, prepayments and other receivables</b>	<b>3,145</b>	<b>3,765</b>	<b>5,917</b>	<b>19.7%</b>	<b>57.2%</b>	<b>37.2%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011  
"N.M." refers to Not Meaningful

Advances, prepayments and other receivables increased at a CAGR of 37.2% from SAR 3.1 million in 2009 to SAR 6.0 million in 2011. This increase was mainly due to an increase in loans and advances to staff and advances against letter of credit.

#### **Loans and advances to staff**

Loans and advances to staff contributed 50.3%, 44.4% and 33.4% of Saudi ORIX's total advances, prepayments and other receivables as at 31 December 2009, 2010 and 2011 respectively. Loans and advances to staff consist of staff loans, advances for housing rent, and travelling advances. The staff loans are provided according to Saudi ORIX's Employee Loans Policy as either an advance salary, salary loan or a house rent allowance. The increase is a result of change in policy by Saudi ORIX with regards to the entitlement of loans and advances to its staff. Saudi ORIX from 2010 onwards granted its employees an option, wherein staff with an employment period of less than three years were entitled to two basic salaries and the employees with employment period of over 3 years entitled to four basic salaries.

#### **Advances against letter of credit**

Advance against letter of credit in 2011 pertained to the import of machinery for a customer. This was an unexecuted lease as at 31 December 2011. It accounted for 23.4% of the total advances, prepayments and other receivables as at the financial years ended 31 December 2011.

#### **Prepaid rent**

Prepaid rent contributed 24.1%, 21.1% and 11.1% of the total advances, prepayments and other receivables as at 31 December 2009, 2010 and 2011 respectively. Prepaid rent decreased at a compounded annual rate of 7.0% from SAR 0.8 million in 2009 to SAR 0.7 million in 2011. Prepaid rent consists of prepaid rent for the head office, branches, Saudi ORIX guest house and shifting allowance for employees.

#### **Other receivables from lessees**

Other receivables from lessees, contributed 6.5%, 19.2% and 11.5% of the total advances, prepayments and other receivables as at 31 December 2009, 2010 and 2011 respectively. Other receivables increased at a CAGR of 82.7% from SAR 0.2 million in 2009 to SAR 0.7 million in 2011. Other receivables from lessees include balances due from lessees relating to insurance expenses, fines other penalties. The increase in other receivables from lessees in 2010 was mainly due to an increase in receivables related to traffic fines and other related government payments. In 2011 this amount was reduced as Saudi ORIX streamlined the recovery process for such dues.

#### **Other receivables**

Other receivables largely consist of security deposits, prepaid subscriptions and fees. Other receivables contributed 12.2%, 11.6% and 10.8% of the total advances, prepayments and other receivables as at 31 December 2009, 2010 and 2011 respectively. Other receivables increased at a CAGR of 29.3% from SAR 0.4 million in 2009 to SAR 0.6 million in 2011.

#### **Fixed Assets**

The following table sets out the breakdown of Saudi ORIX's fixed assets (at net book value) as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Leasehold improvements	672	585	495	-12.9%	-15.4%	-14.1%
Office furniture and fixtures	447	274	194	-38.7%	-29.2%	-34.1%
Motor vehicles	452	326	294	-27.9%	-9.8%	-19.4%
Information technology equipment	559	546	813	-2.3%	48.9%	20.6%
<b>Total fixed assets</b>	<b>2,129</b>	<b>1,732</b>	<b>1,795</b>	<b>-18.7%</b>	<b>3.6%</b>	<b>-8.2%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

The total net book value of the Company's fixed assets decreased at a negative compound annual rate of 8.2% from SAR 2.1 million in 2009 to SAR 1.8 million in 2011. The decrease in total fixed assets during this period was mainly due to no major new additions being made to any asset class apart from information technology equipment and motor vehicles (which were again mostly as a result of disposals of older vehicles).

Saudi ORIX's total fixed assets mainly consist of information technology equipment and leasehold improvements which collectively represented 57.8%, 65.3% and 72.9% of Saudi ORIX's total fixed assets as at financial year ending 31 December 2009, 2010 and 2011 respectively. Net book value of information and technology equipment increased from SAR 0.6 million in 2009 to SAR 0.8 million in 2011, due to investments in IT infrastructure. Office furniture and fixtures include fixtures and fittings in Saudi ORIX's head office building and its various branches. Motor vehicles include the vehicles provided for use to Saudi ORIX staff.

In accordance with its depreciation policy, Saudi ORIX depreciates its fixed assets on a straight line basis, as per the following annual rates:

- Leaseholder improvements – 10%
- Office furniture and fixtures – 20%
- Motor vehicles – 20%
- Information technology equipment – 25%

Saudi ORIX is active in the services industry and therefore has minimal capital expenditure requirements. It currently has no plans to purchase any material fixed assets.

### **Liabilities**

Saudi ORIX's total liabilities mainly include long term loans, which accounted for 66.5%, 66.2% and 50.5% of Saudi ORIX's total liabilities as at 31 December 2009, 2010 and 2011 respectively, followed by current maturity of long term loans, which accounted for 17.2%, 19.0% and 25.6% of the total liabilities as at 31 December 2009, 2010 and 2011 respectively.

The total liabilities increased from SAR 663.2 million in 2009 to SAR 837.0 million in 2011. The increase was mainly due to an increase in current portion of long term loans and short term loans. Short term loans increased from SAR 48.0 million in 2009 to SAR 100.0 million in 2011, while the current portion of the long term loans increased to SAR 214.3 million in 2011 from SAR 114.1 million in 2009.

The following table sets out the breakdown of Saudi ORIX's liabilities as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Short term loans	48,000	0	99,997	-100.0%	N.M.	44.3%
Current maturity of long term loans	114,104	122,930	214,265	7.7%	74.3%	37.0%
Accounts payable	23,431	52,407	62,126	123.7%	18.5%	62.8%
Accrued expenses and other liabilities	32,648	38,310	32,750	17.3%	-14.5%	0.2%
Long term loans	441,138	427,709	422,443	-3.0%	-1.2%	-2.1%
Employees' terminal benefits	3,266	4,132	5,332	26.5%	29.0%	27.8%
Fair value of derivatives	604	287	77	-52.5%	-73.2%	-64.3%
<b>Total Liabilities</b>	<b>663,192</b>	<b>645,775</b>	<b>836,989</b>	<b>-2.6%</b>	<b>29.6%</b>	<b>12.3%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

### Short term loans

Short term loan accounted for 7.2% and 11.9% of the total liabilities as at 31 December 2009 and 2011 respectively. Saudi ORIX did not avail any short term facilities as at 31 December 2010. Short term loans increased at a CAGR of 44.3% from SAR 48.0 million in 2009 to SAR 100.0 million in 2011.

### Current portion of long term loans

Current portion of long term loans accounted for 17.2%, 19.0% and 25.6% of the total liabilities as at 31 December 2009, 2010 and 2011 respectively. Current portion of long term loans increased at a CAGR of 37.0% from SAR 114.1 million in 2009 to SAR 214.3 million in 2011. The increase was mainly due to the contractual repayment obligations on Saudi ORIX's long term financing facilities.

### Accounts payable

Accounts payable accounted for 3.5%, 8.1% and 7.4% of the total liabilities as at 31 December 2009, 2010 and 2011 respectively. Accounts payable increased at a CAGR of 62.8% from SAR 23.4 million in 2009 to SAR 62.1 million in 2011. Accounts payable consists of amounts payable to suppliers for assets purchased by Saudi ORIX for lease to its customers.

The increase in the accounts payable balance was due to a higher number of leases being executed at month end of December 2010 and 2011 compared to December 2009. All accounts payables are normally settled within available credit periods and Saudi ORIX does not have long term agreements with any dealers/suppliers.

### Accrued expenses and other liabilities

The following table sets out the breakdown of Saudi ORIX's accrued expenses and other liabilities as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Proposed lease related payables	14,018	12,706	12,715	-9.4%	0.1%	-4.8%
Zakat and income tax accrued on behalf of shareholders	1,808	2,945	4,165	62.9%	41.4%	51.8%
Accrued special commission expense	9,134	13,077	3,647	43.2%	-72.1%	-36.8%

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Insurance premium payable	1,761	1,557	2,259	-11.6%	45.1%	13.3%
Insurance claims to be settled	577	1,060	1,161	83.7%	9.5%	41.9%
Salaries and employee related expenses	3,769	4,550	5,539	20.7%	21.7%	21.2%
Legal and professional charges	350	506	676	44.6%	33.6%	39.0%
Others	1,231	1,909	2,589	55.1%	35.6%	45.0%
<b>Total</b>	<b>32,648</b>	<b>38,310</b>	<b>32,750</b>	<b>17.3%</b>	<b>-14.5%</b>	<b>0.2%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

Accrued expenses and other liabilities accounted for 4.9%, 5.9% and 3.9% of the Saudi ORIX's total liabilities as at 31 December 2009, 2010 and 2011 respectively. Accrued expenses and other liabilities increased at a CAGR of 0.2% from SAR 32.6 million in 2009 to SAR 32.8 million in 2011. Accrued expenses and other liabilities mainly result from proposed lease related payables, Zakat and income tax accrued on behalf of shareholders, accrued special commission expense and salaries and employee related expenses.

#### ***Proposed lease related payables***

Proposed lease related payables accounted for 42.9%, 33.2% and 38.8% of the total accrued expenses and other liabilities as at 31 December 2009, 2010 and 2011 respectively. These decreased at a CAGR of 4.8% from SAR 14.0 million in 2009 to SAR 12.7 million in 2011. Proposed lease related payables mainly include lease deposit payables, balances refundable to the lessees, prepaid rentals and deposits relating to unexecuted leases, and lease related deposits.

#### ***Zakat and income tax accrued on behalf of shareholders***

Zakat and income tax accrued on behalf of shareholders accounted for 5.5%, 7.7% and 12.7% of the total accrued expenses and other liabilities as at 31 December 2009, 2010 and 2011 respectively. These increased at a CAGR of 51.8% from SAR 1.8 million in 2009 to SAR 4.2 million in 2011. Zakat and income tax is accrued on behalf of shareholders. This is based on the level of income generated by Saudi ORIX and the level of tax payable as determined by the department of zakat and income tax which causes year on year variation in this balance.

#### ***Accrued special commission expense***

Accrued special commission expenses accounted for 28.0%, 34.1% and 11.1% of the total accrued expenses and other liabilities as at 31 December 2009, 2010 and 2011 respectively. These decreased at a CAGR of 36.8% from SAR 9.1 million in 2009 to SAR 3.6 million in 2011. This relate to payable relating to interest expenses as at each year end, and fluctuate according to the repayment terms agreed on the outstanding borrowing.

#### ***Salaries and employee related expenses***

Salaries and employee related expenses accounted for 11.5%, 11.9% and 16.9% of the total accrued expenses and other liabilities as at 31 December 2009, 2010 and 2011 respectively. Growth in salary accruals as at 31 December 2011 was due to an increase in salary and other benefits by 9.9% compared to 2009 levels.

#### **Long Term Loans**

The following table sets out the breakdown of Saudi ORIX's long term loans as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Long term loans (including current portion of long term loans)	512,925	444,750	541,182	-13.3%	21.7%	2.7%
International Finance Corporation loan	42,500	106,875	96,250	151.5%	-9.9%	50.5%
Less: unamortized transaction costs	(183)	(986)	(725)	438.8%	-26.5%	99.0%
Subtotal	555,242	550,639	636,707	-0.8%	15.6%	7.1%
Less: current maturity	(114,104)	(122,930)	(214,265)	7.7%	74.3%	37.0%
<b>Due after over 12 months later</b>	<b>441,138</b>	<b>427,709</b>	<b>422,443</b>	<b>-3.0%</b>	<b>-1.2%</b>	<b>-2.1%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

As at 31 December 2011, Saudi ORIX had utilized (long term and short term) financing facilities amounting to SAR 736.7 million out of total approved facilities of SAR 1,067.5 million. The long term loans carry special commission rate equal to SIBOR plus bank margin or fixed rates payable on quarterly basis and semi annual basis. These facilities are secured by the assignment of lease contract receivables. Under the terms of arrangements, Saudi ORIX has to adhere to certain financial and non financial covenants.

### ***Employees' terminal benefits***

Employees' terminal benefits accounted for 0.5%, 0.6% and 0.6% of the total liabilities as at 31 December 2009, 2010 and 2011 respectively. These increased at a CAGR of 27.8% from SAR 3.3 million in 2009 to SAR 5.3 million in 2011. Saudi ORIX has provided for employees' terminal benefits in compliance with labour law provisions in the Kingdom. As mentioned earlier, Saudi ORIX has a low staff turnover, as a result of which there is a year-on-year increase in employees' terminal benefits.

### ***Fair value of derivatives***

The fair value of derivatives represents interest rate swaps related to one of Saudi ORIX's long term loans. Saudi ORIX uses derivative financial instruments (interest rate swaps) to hedge its exposure to interest rate (SIBOR) changes against a loan facility from a local bank amounting to SAR 180.0 million. This relates to the SAR 200.0 million facility from Samba Financial Group; for details please see the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Existing Finance Agreements" section of this Prospectus.

### **Shareholders' Equity**

The following table sets out the breakdown of Saudi ORIX's shareholders equity as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009	2010	2011	2009-2010	2010-2011	CAGR
	SAR '000			% Change		%
Share capital	250,000	250,000	300,000	0.0%	20.0%	9.5%
Statutory reserve	14,777	20,170	27,547	36.5%	36.6%	36.5%
Reserve for issue of bonus shares	0	50,000	40,000	N.M.	-20.0%	N.M.
Retained earnings	24,053	7,653	10,793	-68.2%	41.0%	-33.0%
Cash flow hedge reserve	(604)	(287)	(77)	-52.5%	-73.2%	-64.3%
Proposed dividend	18,750	18,750	22,500	0.0%	20.0%	9.5%
<b>Total shareholders' equity</b>	<b>306,975</b>	<b>346,286</b>	<b>400,762</b>	<b>12.8%</b>	<b>15.7%</b>	<b>14.3%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

### ***Share capital***

As at 31 December 2011, Saudi ORIX's share capital was SAR 300.0 million divided into 30 million ordinary shares with a nominal value of SAR 10 each. As highlighted in "Description of Saudi ORIX – Share Capital" section of this Prospectus on page 50, the share capital of Saudi ORIX was subsequently increased in 2012 from SAR 300 million to SAR 340 million through an issue of 4,000,000 new bonus shares, capitalizing retaining earnings, amounting to SAR 40.0 million.

### ***Statutory reserve***

In accordance with article 125 of the Companies Regulations, 10% of the net annual income is required to be transferred to the statutory reserve under shareholders' equity. Saudi ORIX may resolve to discontinue such transfers when the reserve totals a minimum of 50% of the share capital. This reserve is not available for distribution.

### ***Reserve for proposed capital increase***

As at 31 December 2011, Saudi ORIX had reserves of SAR 40.0 million for the issuance of bonus shares, through a capitalization of retained earnings allowing the issuance of 4,000,000 new shares. These shares were issued on 3 June 2012.

### ***Retained earnings***

Retained earnings accounted for 7.8%, 2.2% and 2.7% of the total shareholders' equity as at 31 December 2009, 2010 and 2011 respectively. These decreased at a CAGR of 33.0% from SAR 24.1 million in 2009 to SAR 10.8 million in 2011. The main reasons for this decrease included, dividend distributions to shareholders and issue of bonus shares using the retained earnings balance.

### ***Cash flow hedge reserve***

The cash flow hedge reserve represents the interest rate swap valuation in relation to the one loan facility mentioned under fair value of derivatives.

### ***Dividend***

Saudi ORIX declared and distributed annual dividends amounting to SAR 18.8 million in 2009, SAR 18.8 million in 2010 and SAR 22.5 million in 2011. In addition, the shareholders of Saudi ORIX approved the issuance of 4.0 million new bonus shares through the capitalisation of retained earnings in the Extraordinary General Meeting held on 3 June 2012.

### ***Capital adequacy and gearing***

The following table sets out Saudi ORIX's gearing, equity and capital adequacy ratios as at 31 December 2009, 2010 and 2011:

	Year ended 31 December		
	2009	2010	2011
	In SAR '000, unless stated otherwise		
Short term debt	48,000	0	99,997
Long term debt (including current maturity of long term debt)	555,242	550,639	636,707
Total debt	603,242	550,639	736,704
Shareholders' equity	306,975	346,286	400,762
Total debt / Total equity (x)	2.0x	1.6x	1.8x
Capital ratio* (%)	29.3%	31.7%	29.9%
Tier I capital ratio* (%)	28.9%	30.4%	28.7%

\*Capital adequacy ratios measure capital adequacy by comparing the company's eligible capital with its balance sheet assets, commitments and notional amount of derivatives, if any, at a weighted amount to reflect their relative risk  
Source: Saudi ORIX



## CASH FLOW STATEMENTS

The following table sets out a summary of Saudi ORIX's cash flows for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December			
	2009	2010	2011	CAGR
	SAR '000			%
Net cash (used)/from operating activities	195,799	91,492	(136,871)	N.M.
Net cash used in investing activities	(386)	(287)	(706)	35.2%
Net cash (used)/from financing activities	(227,409)	(66,575)	167,505	N.M.
<b>Net change in cash and cash equivalents</b>	<b>(31,996)</b>	<b>24,631</b>	<b>29,927</b>	<b>N.M.</b>
Cash and cash equivalents at beginning of year	48,367	16,371	41,001	-7.9%
<b>Cash and cash equivalents at the end of the year</b>	<b>16,371</b>	<b>41,001</b>	<b>70,929</b>	<b>108.1%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

### Net cash (used)/ from operating activities

Cash flows from operations mainly include the inflow of profits earned by Saudi ORIX during each financial year, and the outflow of cash as a result of new leases executed by Saudi ORIX during each financial year.

The following table sets out Saudi ORIX's cash flows from operating activities for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December			
	2009	2010	2011	CAGR
	SAR '000			%
Net income for the year	42,887	53,931	73,765	31.1%
<i>Adjustments to reconcile net income to net cash from operating activities:</i>				
Amortization of transaction cost	126	171	282	49.6%
Depreciation	726	692	658	-4.8%
Provision for lease losses	11,997	9,045	9,228	-12.3%
Gain on disposal of fixed assets	(62)	(7)	(15)	-50.8%
Operating cash flows before changes in operating assets and liabilities	55,674	63,831	83,918	22.8%
<i>Changes in operating assets and liabilities</i>				
Net investment in finance leases	136,807	(6,086)	(222,776)	N.M.
Advances, prepayments and other receivables	651	(620)	(2,152)	N.M.
Accounts payable	(5,765)	28,975	9,719	N.M.
Accrued expenses and other liabilities	7,531	4,525	(6,780)	N.M.
Employees' terminal benefits	901	866	1,200	15.4%
<b>Net cash (used in) from operating activities</b>	<b>195,799</b>	<b>91,492</b>	<b>(136,871)</b>	<b>N.M.</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

Saudi ORIX's net cash flow from operations decreased from SAR 195.8 million in 2009 to negative SAR 136.9 million in 2011. Saudi ORIX's net cash flow from operations was positive during 2009 and 2010 largely on account of a reduction (in the case of 2009) and a slowdown in growth (in case of 2010) of its finance lease portfolio. As highlighted earlier, this was in line with management's focus on preserving portfolio quality as opposed to portfolio growth during the years 2009 and 2010. Saudi ORIX's net cash flow from operations was negative SAR 136.9 million in 2011, due to the strong

growth of 22.6% in its finance lease portfolio in 2011, which resulted in a cash requirement of SAR 222.8 million for the year.

#### **Net cash (used)/ from investing activities**

Net cash used in investing activities primarily includes cash used in purchases of fixed assets and cash from disposals proceeds.

The following table sets out Saudi ORIX's cash flows from investing activities for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December			
	2009	2010	2011	CAGR
	SAR '000			%
Purchase of fixed assets	(535)	(294)	(825)	24.2%
Proceeds from disposal of fixed assets	149	7	119	-10.6%
<b>Net cash used in investing activities</b>	<b>(386)</b>	<b>(287)</b>	<b>(706)</b>	<b>35.2%</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

Net cash used in investing activities has increased due to the additions to fixed assets. Considering that Saudi ORIX is active in the services industry, it has minimal capital expenditure requirements, as is evident from Saudi ORIX's net cash used in investment activities over the period 2009 to 2011.

#### **Net cash (used)/ from financing activities**

Cash flows from financing activities mainly include cash inflows from new loans or tranches of loans being drawn down and cash outflows from repayments of current loans as and when they fall due.

The following table sets out Saudi ORIX's cash flows from financing activities for the financial years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December			
	2009	2010	2011	CAGR
	SAR '000			%
Proceeds from loans	264,797	150,000	539,585	42.7%
Repayment of loans	(485,107)	(201,800)	(353,780)	-14.6%
Transaction cost paid	0	(974)	(21)	N.M.
Income tax paid on behalf of non-Saudi shareholders	(6,326)	(3,748)	(4,663)	-14.1%
Zakat paid on behalf of Saudi shareholders	(774)	(511)	(916)	8.8%
Dividends paid, net	0	(9,543)	(12,700)	N.M.
<b>Net cash from (used in) financing activities</b>	<b>(227,409)</b>	<b>(66,575)</b>	<b>167,505</b>	<b>N.M.</b>

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

Saudi ORIX's net cash flow from financing activities increased from negative SAR 227.4 million in 2009 to SAR 167.5 million in 2011. In 2009 and 2010 Saudi ORIX's cash flow from financing activities was negative SAR 227.4 million and negative SAR 66.6 million respectively, due to the fact that Saudi ORIX (i) continued to make its contractual repayments on its financing facilities, and (ii) slowed down its drawdown on new financings, which was in line with the slowdown in Saudi ORIX's finance lease portfolio growth during this period. However, in 2011 Saudi ORIX's net cash flow from financing activities increased to SAR 167.5 million due to increased draw downs by Saudi ORIX on its financing facilities, which was required to fund the growth of Saudi ORIX's finance lease portfolio during the year.

## COMMITMENTS

	Year ended 31 December		
	2009	2010	2011
	SAR '000		
Finance lease contracts not yet executed	43,692	114,785	175,111
Operating lease commitment for office premises	4,162	2,292	463
Letter of credit	0	0	75,211
Bank guarantees issued on behalf of Saudi ORIX	0	1,709	6,709
Capital commitment for IT equipment	13,250	0	0

Source: Audited financial statements of Saudi ORIX for the years ended 31 December 2009, 2010 and 2011

The increase in outstanding letter of credit was on account of a new syndicated lease arrangement, Saudi ORIX was in the process of finalizing at the year end. The gross lease amount of the syndicate is expected to be SAR 75.0 million.

As at 31 December 2011, a local bank had given a bank guarantee to one supplier for SAR 5.0 million on behalf of Saudi ORIX as a payment guarantee against lease contracts. This guarantee is valid and effective until 28 May 2013. Another guarantee has been provided to DZIT amounting to SAR 1.7 million using the same facility. The bank has provided these bank guarantees against a SAR 200.0 million loan facility it has provided to Saudi ORIX.

Saudi ORIX does not have any contingent liabilities or guarantees save as disclosed in this section or other sections of this Prospectus.

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 2012 COMPARED WITH THE CORRESPONDING SIX MONTHS ENDED 30 JUNE 2011

### RESULTS OF OPERATIONS

The following table sets out Saudi ORIX's income statement for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
<b>Income</b>			
Lease finance income	63,322	77,890	23.0%
Special commission expense including amortized transaction costs	(8,596)	(11,478)	33.5%
<b>Net lease finance income</b>	<b>54,726</b>	<b>66,413</b>	<b>21.4%</b>
Other operating income	502	749	49.2%
<b>Total operating income</b>	<b>55,227</b>	<b>67,162</b>	<b>21.6%</b>
<b>Operating expenses</b>			
Salaries and employee related expenses	12,980	13,323	2.6%
Rent and premises related expenses, net	490	542	10.6%
Depreciation	341	351	2.9%
Other general and administrative expenses	1,466	1,819	24.1%
Provision for lease losses	4,595	7,873	71.3%
<b>Total operating expenses</b>	<b>19,872</b>	<b>23,909</b>	<b>20.3%</b>
<b>Net income for the period</b>	<b>35,356</b>	<b>43,253</b>	<b>22.3%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's net income increased by 22.3% from SAR 35.4 million for the six months ended 30 June 2011 to SAR 43.3 million for the six months ended 30 June 2012. The increase in net income was mainly attributable to the growth in net lease finance income, which increased by 21.4% from SAR 54.7 million for the six months ended 30 June 2011 to SAR 66.4 million for the six months ended 30 June 2012.

### **Lease Finance Income**

The following table sets out the breakdown of Saudi ORIX's lease finance income for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Gross Lease Finance Income	
Lease rental income	67,489	84,200	24.8%	95.0%	96.4%
Front end fees	3,560	3,177	-10.8%	5.0%	3.6%
<b>Gross lease finance income</b>	<b>71,049</b>	<b>87,377</b>	<b>23.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Direct expenses	(7,727)	(9,486)	22.8%	N.M.	N.M.
<b>Net lease finance income</b>	<b>63,322</b>	<b>77,890</b>	<b>23.0%</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to not meaningful

Lease finance income is Saudi ORIX's main source of income and represents, lease income earned by Saudi ORIX on its finance lease portfolio. Saudi ORIX's net lease finance income increased by 23.0% from SAR 63.3 million for the six months ended 30 June 2011 to SAR 77.9 million for the six months ended 30 June 2012. This increase was primarily due to an increase in gross lease finance income, although this increase was off-set partly by an increase in direct expenses.

### ***Gross lease finance income***

Saudi ORIX's gross lease finance income increased by 23.0% from SAR 71.0 million for the six months ended 30 June 2011 to SAR 87.4 million for the six months ended 30 June 2012. The strong growth in gross lease finance income in the first 6 months of 2012 (as compared to the same period last year) was largely due to a corresponding increase in Saudi ORIX's finance lease portfolio during the period under review.

Saudi ORIX's gross lease finance income consists of (i) income earned through lease rentals, and (ii) front end fees, which cover administrative and other documentation costs related to lease execution that are charged by Saudi ORIX from its lessees. Lease rental income accounted for 95.0% and 96.4% of Saudi ORIX's total gross lease finance income for the six months ended 30 June 2011 and 30 June 2012 respectively.

### ***Direct expenses***

The following table sets out the breakdown of Saudi ORIX's direct expenses (related to its lease finance income) for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Total Direct Expenses	
Insurance expenses	(7,721)	(9,467)	22.6%	99.9%	99.8%
Document notarization costs	(2)	(4)	100.0%	0.0%	0.0%
Credit life leased expenses	(4)	(6)	50.0%	0.1%	0.1%

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Total Direct Expenses	
Other direct costs	0	(10)	N.M.	0.0%	0.1%
<b>Total direct expenses</b>	<b>(7,727)</b>	<b>(9,486)</b>	<b>22.8%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Saudi ORIX  
"N.M." refers to not meaningful

Direct expenses relate to insurance and other processing costs and expenses incurred by Saudi ORIX that can be directly identified with each lease transaction that Saudi ORIX undertakes. Direct expenses increased by 22.8% from SAR 7.7 million for the six months ended 30 June 2011 to SAR 9.5 million for the six months ended 30 June 2012.

The main expense item in direct expenses is insurance expense, which accounted for 99.9% and 99.8% of Saudi ORIX's total direct expenses for the six months ended 30 June 2011 and 30 June 2012 respectively.

### **Insurance expenses**

Insurance expenses increased by 22.6% from SAR 7.7 million for the six months ended 30 June 2011 to SAR 9.5 million for the six months ended 30 June 2012. In line with Saudi ORIX's "Statement of Operating Procedures and Leasing Policy", Saudi ORIX obtains insurance coverage for each asset that it leases (barring where the lessee provides Saudi ORIX with a bank guarantee). Therefore, the increase in insurance expenses in the first 6 months of 2012 (as compared to the same period last year) was mainly attributable to the overall growth in Saudi ORIX's finance lease portfolio, which increased by 29.3% from SAR 1,033.2 million as at 30 June 2011 to SAR 1,335.7 million as at 30 June 2012.

### **Document notarization costs**

Document notarization costs relate to notarization charges incurred at transaction inception by Saudi ORIX on certain type of leases.

### **Credit life leased expenses**

Credit life leased expenses relate to insurance premium paid by Saudi ORIX on all of the auto lease transactions that Saudi ORIX enters with lessees in the retail sector (i.e. individuals). In these cases, Saudi ORIX obtains insurance coverage to secure its outstanding lease rentals in the event of death of the lessee. However, as a matter of strategy, since 2007 Saudi ORIX has shifted focus away from retail auto leases.

### **Other direct costs**

Other direct costs relate to charges incurred by Saudi ORIX at lease inception, which cover costs of attestations, translations and any regulatory letters required by Saudi ORIX for specific leases.

### ***Geographical breakdown of gross lease finance income***

Saudi ORIX carries out lease financing in the Kingdom in three main regions, the Eastern region (serviced by branches in Al-Khobar and Jubail), the Central region (serviced by Saudi ORIX's head office in Riyadh) and the Western region (serviced by branches in Jeddah and Khamis Mushaet).

The following table sets out a breakdown of Saudi ORIX's gross lease finance income and net lease finance income by geographic regions for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Gross Lease Finance Income	
Central region	34,754	43,079	24.0%	48.9%	49.3%
Eastern region	16,038	22,540	40.5%	22.6%	25.8%
Western region	20,257	21,758	7.4%	28.5%	24.9%
<b>Gross lease finance income</b>	<b>71,049</b>	<b>87,377</b>	<b>23.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Direct expenses	(7,727)	(9,486)	22.8%	N.M.	N.M.
<b>Net lease finance income</b>	<b>63,322</b>	<b>77,890</b>	<b>23.0%</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to Not Meaningful

### Central region

Gross lease finance income generated by Saudi ORIX from the central region accounted for 48.9%, and 49.3% of Saudi ORIX's total gross lease finance income for the six months ended 30 June 2011 and 30 June 2012 respectively.

Saudi ORIX's gross lease finance income from the central region increased by 24.0% from SAR 34.8 million for the six months ended 30 June 2011 to SAR 43.1 million for the six months ended 30 June 2012. This increase was largely due to (i) the overall growth in Saudi ORIX's finance lease portfolio, and (ii) the fact that the portfolio concentration of the central region (in Saudi ORIX's finance lease portfolio) largely stayed stable during the period under review – the central region accounted for 47.1% and 47.2% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

### Eastern region

Gross lease finance income generated by Saudi ORIX from the eastern region accounted for 22.6%, and 25.8% of Saudi ORIX's total gross lease finance income for the six months ended 30 June 2011 and 30 June 2012 respectively.

Saudi ORIX's gross lease finance income from the eastern region increased by 40.5% from SAR 16.0 million for the six months ended 30 June 2011 to SAR 22.5 million for the six months ended 30 June 2012. This increase was largely due to increased marketing efforts by Saudi ORIX in the eastern region, as a result of which the eastern region's portfolio concentration (in Saudi ORIX's finance lease portfolio) increased during the period under review – the eastern region accounted for 24.4% and 26.7% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

### Western region

Gross lease finance income generated by Saudi ORIX from the western region accounted for 28.5%, and 24.9% of Saudi ORIX's total gross lease finance income for the six months ended 30 June 2011 and 30 June 2012 respectively.

Saudi ORIX's gross lease finance income from the western region increased by 7.4% from SAR 20.3 million for the six months ended 30 June 2011 to SAR 21.8 million for the six months ended 30 June 2012. Compared to the other two regions, the growth in gross lease finance income from the western region was less pronounced due to the fact that the western region's portfolio concentration (in Saudi ORIX's finance lease portfolio) decreased during the period under review – the western region accounted for 28.5% and 26.1% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

## Asset wise breakdown of lease finance income

The assets financed by Saudi ORIX generally fall into one of four main categories, commercial and motor vehicles, industrial machinery, commercial equipment and real estate.

The following table sets out Saudi ORIX's gross lease finance income (pre and post front end fees) by asset class, for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Gross Lease Finance Income (pre Front End Fees)	
Commercial and motor vehicles	33,057	41,523	25.6%	49.0%	49.3%
Industrial machinery	16,137	19,518	21.0%	23.9%	23.2%
Commercial equipment	10,094	14,519	43.8%	15.0%	17.2%
Real Estate	8,202	8,640	5.3%	12.2%	10.3%
<b>Gross lease finance income – pre front end fees</b>	<b>67,489</b>	<b>84,200</b>	<b>24.8%</b>	<b>100.0%</b>	<b>100.0%</b>
Front end fee	3,560	3,177	-10.8%	N.M.	N.M.
<b>Gross lease finance income</b>	<b>71,049</b>	<b>87,377</b>	<b>23.0%</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to Not Meaningful

### Commercial and motor vehicles

Gross lease finance income (pre front end fees) from commercial and motor vehicles increased by 25.6% from SAR 33.1 million for the six months ended 30 June 2011 to SAR 41.5 million for the six months ended 30 June 2012.

The growth in Saudi ORIX's gross lease finance income (pre front end fees) from commercial and motor vehicles was primarily due to a corresponding increase in Saudi ORIX's finance lease portfolio and the fact that the portfolio concentration of this asset class largely stayed stable over the period under review. Commercial and motor vehicles accounted for 41.7% and 40.8% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

### Industrial machinery

Gross lease finance income (pre front end fees) from industrial machinery increased by 21.0% from SAR 16.1 million for the six months ended 30 June 2011 to SAR 19.5 million for the six months ended 30 June 2012.

The increase in Saudi ORIX's gross lease finance income (pre front end fees) from industrial machinery was primarily due to a corresponding increase in Saudi ORIX's finance lease portfolio and the fact that the portfolio concentration of this asset class largely stayed stable over the period under review. Industrial machinery accounted for 26.4% and 26.2% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

### Commercial equipment

Gross lease finance income (pre front end fees) from commercial equipment increased by 43.8% from SAR 10.1 million for the six months ended 30 June 2011 to SAR 14.5 million for the six months ended 30 June 2012.

The growth in Saudi ORIX's gross lease finance income (pre front end fees) from commercial equipment is primarily due to a corresponding increase in Saudi ORIX's finance lease portfolio and

the increase in portfolio concentration of this asset class in Saudi ORIX's finance lease portfolio. Commercial equipment accounted for 16.9% and 18.7% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

### **Real estate**

Gross lease finance income (pre front end fees) from real estate increased by 5.3% from SAR 8.2 million for the six months ended 30 June 2011 to SAR 8.6 million for the six months ended 30 June 2012.

The growth in Saudi ORIX's gross lease finance income (pre front end fees) from real estate was less pronounced compared to other asset mainly due to (i) a decrease in margins, and (ii) a reduction in portfolio concentration of this asset class in Saudi ORIX's finance lease portfolio during the 6 month period ending 30 June 2012. Real estate accounted for 15.0% and 14.2% of Saudi ORIX's finance lease portfolio (pre provisions) as at 30 June 2011 and 30 June 2012 respectively.

### **Special commission expense and amortized transaction costs**

The following table sets out the breakdown of Saudi ORIX's special commission expense and amortized transaction costs for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Special Commission Expense and Amortized Transaction Costs	
Funding costs and commission expense	8,337	10,910	30.9%	97.0%	95.1%
Bank charges, fees, and others	260	568	118.5%	3.0%	4.9%
<b>Special commission expense and amortized transaction costs</b>	<b>8,596</b>	<b>11,478</b>	<b>33.5%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Saudi ORIX

### ***Funding costs and commission expenses***

Funding costs and commission expense relates to financing charges incurred by Saudi ORIX on its financing facilities with commercial banks and other financial institutions. Funding costs and commission expense increased by 30.9% from SAR 8.3 million for the six months ended 30 June 2011 to SAR 10.9 million for the six months ended 30 June 2012. The increase in financing charges was mainly due to the increase in commercial financing utilized by Saudi ORIX (during the period under review), to finance its portfolio growth. Saudi ORIX had outstanding short term and long term financing facilities of SAR 592.8 million and SAR 804.6 million as at 30 June 2011 and 30 June 2012 respectively.

### ***Bank charges, fees and others***

Bank charges, fees and others relate to expenses incurred by Saudi ORIX in relation to the arrangement and set up of its financing facilities with commercial banks and other financial institutions. Bank charges, fees and other expenses increased by 118.5% from SAR 0.3 million for the six months ended 30 June 2011 to SAR 0.6 million for the six months ended 30 June 2012. As per Saudi ORIX's accounting policy, these expenses are amortised on a straight line basis over the term of the financing facilities. The increase in bank charges, fees and other expenses was due to: (i) new financing facilities obtained by Saudi ORIX during the review period; (ii) renewal of existing financing facilities during the review period; and (iii) use of banking services in the normal course of business.



### **Other operating income**

The following table sets out the breakdown of Saudi ORIX's other operating income for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Operating Income	
Surcharge on late payments	463	325	-29.8%	92.2%	43.4%
Other income	5	48	860.0%	1.0%	6.4%
Gain on sale of property, plant and equipment	15	0	-100.0%	3.0%	0.0%
Gain on sale of leased assets	19	376	1878.9%	3.8%	50.2%
<b>Other operating income</b>	<b>502</b>	<b>749</b>	<b>49.2%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Saudi ORIX

Saudi ORIX's other operating income increased by 49.2% from SAR 0.5 million for the six months ended 30 June 2011 to SAR 0.7 million for the six months ended 30 June 2012. This increase was mainly on account of an increase in gains on sale of leased assets.

#### ***Surcharge on late payments***

These represent additional lease rentals paid by lessees on late payments, which constituted 92.2% and 43.4% of Saudi ORIX's other operating income for the six months ended 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's income from late payment surcharges decreased by 29.8% from SAR 0.5 million for the six months ended 30 June 2011 to SAR 0.3 million for the six months ended 30 June 2012. This decline was due to the fact that since January 2010, all of Saudi ORIX's lease transactions have been structured on a Shariah compliant basis, and therefore while Saudi ORIX continues to receive surcharges from its lessees on late payments, the same are paid out as charity (in compliance with the Shariah guidelines) and are not recognised as income. Saudi ORIX believes that as and when its legacy conventional lease portfolio matures, contribution of this income item would become negligible.

#### ***Other income***

"Other income" does not represent a meaningful source of income for Saudi ORIX. Saudi ORIX registered other income of SAR 0.05 million for the six months ended 30 June 2012 as compared to SAR 0.005 million for the same period last year.

#### ***Gain on sale of property, plant and equipment***

"Gain on sale of property, plant and equipment" does not represent a meaningful source of income for Saudi ORIX. Gain on sale of property, plant and equipment comprises of profit generated upon disposal of Saudi ORIX's own (internal) assets.

#### ***Gain on sale of leased assets***

Gain on sale of leased assets is accounting gain generated upon early termination or cancellation of leases. Gain on sale of leased assets increased sizably from SAR 0.02 million for the 6 months ended 30 June 2011 to SAR 0.4 million for the six months ended 30 June 2012, primarily as a result of early cancellation of some large leases during the period under review.

### **Operating expenses**

The following table sets out the breakdown of Saudi ORIX's operating expenses for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011 (Un-audited)	2012 (Audited)	Change	2011 (Un-audited)	2012 (Audited)
	SAR '000		%	% of Total Operating Expenses	
Salaries and employee related expenses	12,980	13,323	2.6%	65.3%	55.7%
Rent and premises related expenses, net	490	542	10.6%	2.5%	2.3%
Depreciation	341	351	2.9%	1.7%	1.5%
General and administrative expenses	1,466	1,819	24.1%	7.4%	7.6%
Provision for lease losses	4,595	7,873	71.3%	23.1%	32.9%
<b>Total operating expenses</b>	<b>19,872</b>	<b>23,909</b>	<b>20.3%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's total operating expenses increased by 20.3% from SAR 19.9 million for the six months ended 30 June 2011 to SAR 23.9 million for the six months ended 30 June 2012. Saudi ORIX's main operating expenses include (i) salaries and employee related expenses, (ii) general and administrative expenses, and (iii) provision for lease losses.

#### *Salaries and employee related expenses*

Salaries and employee related expenses comprise of basic salaries, housing allowances, transportation allowances, bonuses and other employee-related expenses. Saudi ORIX's salaries and employee related expenses increased by 2.6% from SAR 13.0 million for the six months ended 30 June 2011 to SAR 13.3 million for the six months ended 30 June 2012.

As is typical for companies active in the financial services sector, salaries and employee related expenses represent the largest operating expense item for Saudi ORIX, and accordingly accounted for 65.3% and 55.7% of Saudi ORIX's total operating expenses for the six months ended 30 June 2011 and 30 June 2012 respectively.

#### *Rent and premises related expenses, net*

Rents and premises related expenses comprise of rental expenses, maintenance expenses and payments for utilities for Saudi ORIX's head office and its various branch offices. While Saudi ORIX has leased its entire head office building consisting of ten floor (including the ground floor), it currently utilizes only four floors, and sublets the remaining five floors plus ground to other tenants. Therefore, Saudi ORIX's head office expense is set off against rentals received from subletting the unutilized floors in the head office building.

Saudi ORIX's rent and premises related expenses increased by 10.6% from SAR 0.49 million for the six months ended 30 June 2011 to SAR 0.54 million for the six months ended 30 June 2012. This increase was largely due to the branches in Jeddah and Al-Khobar moving to new offices with larger spaces.

#### *Depreciation*

Depreciation charges apply to the property and equipment and vehicles used by Saudi ORIX. Saudi ORIX depreciates its property and equipment and vehicles using the straight line method over the useful lives of its property and equipment. Saudi ORIX's depreciation charges increased by 2.9% from SAR 0.34 million for the six months ended 30 June 2011 to SAR 0.35 million for the six months ended 30 June 2012.

Saudi ORIX does not plan to make any changes to its depreciation policy.

### **Provisions for Lease Losses**

Saudi ORIX makes provisions for doubtful receivables and possible lease losses. In this regard, Saudi ORIX makes two types of provisions which include (i) general provisions, and (ii) specific provisions. Saudi ORIX's provisioning charges increased by 71.3% from SAR 4.6 million for the six months ended 30 June 2011 to SAR 7.9 million for the six months ended 30 June 2012.

The increase in provisioning charges in the period under review is largely explained by the growth in Saudi ORIX's finance lease portfolio during the same period and the subsequent increase in general provisioning. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Specific Provisions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – General Provision" sections of this Prospectus for further details on Saudi ORIX's provisioning policy.

### **General and administrative expenses**

The following table sets out the breakdown of Saudi ORIX's general and administrative expenses for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June				
	2011 (Un-audited)	2012 (Audited)	Change	2011 (Un-audited)	2012 (Audited)
	SAR '000		%	% of General and Administrative Expenses	
License, legal and professional charges	618	643	4.0%	42.2%	35.3%
Communication expenses	302	338	11.9%	20.6%	18.6%
Advertising and promotion expenses	166	284	71.1%	11.3%	15.6%
Office repair and maintenance cost	107	161	51.5%	7.3%	8.9%
Printing and stationery	92	136	47.8%	6.3%	7.5%
Travelling and transportation	76	98	28.9%	5.2%	5.4%
Insurance of own assets	26	26	0.0%	1.8%	1.4%
Others	81	133	64.2%	5.5%	7.3%
<b>General and administrative expenses</b>	<b>1,466</b>	<b>1,819</b>	<b>24.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's general and administrative expenses increased by 24.0% from SAR 1.5 million for the six months ended 30 June 2011 to SAR 1.8 million for the six months ended 30 June 2012.

"Licence, legal and professional charges", "communication expenses" and "advertising and promotion expenses" contributed the most to Saudi ORIX's general and administrative expenses for the period under review, and collectively accounted for 74.0% and 69.5% of general and administrative expenses for the six months ended 30 June 2011 and 30 June 2012 respectively.

### **License, legal and professional charges**

License, legal and professional charges increased by 4.0% from SAR 0.61 million for the six months ended 30 June 2011 to SAR 0.64 million for the six months ended 30 June 2012. These expenses (among others) include payments to the Saudi Credit Bureau, legal expenses and payment to Shariah advisors.

## Communication expenses

Communication expenses increased by 11.9% from SAR 0.30 million for the six months ended 30 June 2011 to SAR 0.34 million for the six months ended 30 June 2012. The increase in communication expenses in the period under review was due to the growth in business volume, which consequently increased the need for both internal as well as external communication.

## Advertising and promotion expenses

In line with Saudi ORIX's planned advertising in 2012, the advertising and promotion expenses increased by 71.1% from SAR 0.2 million for the six months ended 30 June 2011 to SAR 0.3 million for the six months ended 30 June 2012.

## BALANCE SHEET

The following table sets out Saudi ORIX's balance sheet as at 30 June 2011 and 30 June 2012:

	As at 30 June				
	2011 (Un-audited)	2012 (Audited)	Change	2011 (Un-audited)	2012 (Audited)
	SAR '000		%	% of Total Assets	
<b>Assets</b>					
Cash and cash equivalents	31,340	93,841	199.4%	2.9%	6.5%
Net investment in finance leases	1,033,224	1,335,696	29.3%	96.3%	92.7%
Advances, prepayments and other receivables	6,406	8,881	38.6%	0.6%	0.6%
Fixed assets	1,613	1,787	10.8%	0.2%	0.1%
<b>Total Assets</b>	<b>1,072,581</b>	<b>1,440,204</b>	<b>34.3%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Liabilities</b>					
Short term loans (including current maturity of long term loans)	260,486	616,986	136.9%	24.3%	42.8%
Accounts payable	69,878	164,903	136.0%	6.5%	11.4%
Accrued expenses and other liabilities	39,509	40,261	1.9%	3.7%	2.8%
Long term loans	332,293	187,654	-43.5%	31.0%	13.0%
Employees' terminal benefits	4,661	5,916	26.9%	0.4%	0.4%
Fair value of derivatives	154	134	-13.0%	0.0%	0.0%
<b>Total Liabilities</b>	<b>706,980</b>	<b>1,015,854</b>	<b>43.7%</b>	<b>65.9%</b>	<b>70.5%</b>
<b>Total Shareholders' Equity</b>	<b>365,601</b>	<b>424,350</b>	<b>16.1%</b>	<b>34.1%</b>	<b>29.5%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,072,581</b>	<b>1,440,204</b>	<b>34.3%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

## Assets

Saudi ORIX's total assets increased by 34.3% from SAR 1,072.6 million as at 30 June 2011 to SAR 1,440.2 million as at 30 June 2012. The increase in total assets during the period under review was mainly due to an increase in net investment in finance leases and cash and cash equivalents. Net investment in finance leases accounted for 96.3% and 92.7% of Saudi ORIX's total assets as at 30 June 2011 and 30 June 2012 respectively, followed by cash and cash equivalents which accounted for 2.9% and 6.5% of Saudi ORIX's total assets as at 30 June 2011 and 30 June 2012 respectively.

The following table sets out the breakdown of Saudi ORIX's total assets as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Cash and cash equivalents	31,340	93,841	199.4%
Net investment in finance leases	1,033,224	1,335,696	29.3%
Advances, prepayments and other receivables	6,406	8,881	38.6%
Fixed assets	1,613	1,787	10.8%
<b>Total assets</b>	<b>1,072,581</b>	<b>1,440,204</b>	<b>34.3%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

### *Cash and cash equivalents*

Cash and cash equivalents comprise of cash in hand and bank balances as at the date of the respective balance sheets. Cash and cash equivalents increased by 199.4% from SAR 31.3 million as at 30 June 2011 to SAR 93.8 million as at 30 June 2012. This increase was in accordance with a Board approved policy, pursuant to which, Saudi ORIX is in the process of establishing and maintaining a contingent liquidity reserve. The objective of this funded reserve will be to provide a liquidity back stop to meet any unexpected events, adverse economic conditions, market fluctuations and earnings problems that may cause liquidity constraints.

### *Net investment in finance leases*

Net investment in finance leases (also referred to herein as the “finance lease portfolio”) accounted for 96.3% and 92.7% of Saudi ORIX’s total assets as at 30 June 2011 and 30 June 2012 respectively. Supported by the strong growth in the Kingdom’s economy and industry, Saudi ORIX’s finance lease portfolio grew by 29.3% from SAR 1,033.2 million as at 30 June 2011 to SAR 1,335.7 million as at 30 June 2012.

### *Portfolio quality and provisioning for non-performing lease receivables*

The following table sets out a breakdown of Saudi ORIX’s performing and non-performing finance lease portfolio as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011	2012	Change
	SAR '000		%
Performing finance lease contracts, net	1,083,804	1,393,430	28.6%
Non – performing finance lease contracts, net	11,773	15,604	32.5%
<b>Total investment in finance lease</b>	<b>1,095,577</b>	<b>1,409,033</b>	<b>28.6%</b>
Reserve for finance lease losses	(62,353)	(73,338)	17.6%
<b>Investment in finance leases , net</b>	<b>1,033,224</b>	<b>1,335,696</b>	<b>29.3%</b>
<b>Non performing finance lease contracts as a % of total investment in finance lease (pre provisions)</b>	<b>1.1%</b>	<b>1.1%</b>	<b>N.M.</b>

Source: Saudi ORIX  
“N.M.” refers to Not Meaningful

Saudi ORIX has a fairly robust finance lease portfolio, as evidenced by the fact that its non-performing lease contracts as a percentage of total investment in finance lease (pre provisions) were 1.1% and 1.1% as at 30 June 2011 and 30 June 2012 respectively.

Furthermore, Saudi ORIX makes provisions for doubtful receivables and possible lease losses. In this regard, Saudi ORIX makes two types of provisions which include (i) general provisions, and (ii) specific provisions.

The following table sets out the provisions that Saudi ORIX had made against possible lease losses as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011	2012	Change
	SAR '000		%
Specific provisions	6,462	5,788	-10.4%
General provisions	55,891	67,550	20.9%
<b>Reserves for lease losses</b>	<b>62,353</b>	<b>73,338</b>	<b>17.6%</b>
Reserves for lease losses % of net non-performing lease contracts	529.6%	470.0%	-11.3%

Source: Saudi ORIX

### Specific provisions

Specific provisions are recorded by Saudi ORIX against a lease transaction depending on its performance. Each lease in default and/or in non performing status is regularly reviewed and provisions are made accordingly. After a lease has been in default for six months, Saudi ORIX starts creating a specific provision for that particular lease as follows:

- Within six to nine months of a default a specific provision is made for 5% of the outstanding exposure.
- Within nine to fifteen months of a default a specific provision is made for 25% of the outstanding exposure.
- Within fifteen to twenty-four months of a default a specific provision is made for 50% of the outstanding exposure.
- After twenty-four months of a default a specific provision is made for 100% of the net outstanding exposure.

Specific provisions made by Saudi ORIX decreased by 10.4% from SAR 6.5 million as at 30 June 2011 to SAR 5.8 million as at 30 June 2012. This decrease resulted from the fact that lease rentals from certain overdue and/or non-performing leases were recovered during the period under review, which reduced the requirement for specific provisions against these leases.

### General provisions

General provisions are recorded by Saudi ORIX at initiation of each lease transaction. General provisions are created at the rate of 1.25% of the total rental receivable amortized, over the term of each lease term. Accordingly, general provisions made by Saudi ORIX have increased by 20.9% from SAR 55.9 million as at 30 June 2011 to SAR 67.6 million as at 30 June 2012 on account of the increase in Saudi ORIX's finance lease portfolio over the same period.

In addition, Saudi ORIX reviews the adequacy of its provisions on a monthly basis, in light of its overdue lease portfolio (where rentals are overdue for more than 30 days), customer exposure (top five customers), business sector exposure and the overall finance lease portfolio to ensure that provision levels are adequate.

### *Breakdown of net investment in finance leases by business sectors*

For finance and accounting purposes, Saudi ORIX groups its net investment in finance leases in the following four broad industry sectors: manufacturing, construction and contracting, services, and trading.

The following table sets out Saudi ORIX's gross and net investment in finance leases in each of its broad industry sectors as at 30 June 2011 and 30 June 2012:

	As at 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Investment in Finance Leases (Pre Provisions)	
Manufacturing	416,616	457,382	9.8%	38.0%	32.5%
Construction and contracting	285,562	371,630	30.1%	26.1%	26.4%
Services	249,105	362,798	45.6%	22.7%	25.7%
Trading	131,215	205,073	56.3%	12.0%	14.6%
Others	13,079	12,151	-7.1%	1.2%	0.9%
<b>Investment in finance leases (pre provisions)</b>	<b>1,095,576</b>	<b>1,409,033</b>	<b>28.6%</b>	<b>100.0%</b>	<b>100.0%</b>
Reserves for lease losses	(62,353)	(73,338)	17.6%	N.M.	N.M.
<b>Net investment in finance leases</b>	<b>1,033,224</b>	<b>1,335,696</b>	<b>29.3%</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
 "N.M." refers to Not Meaningful

### Manufacturing

The manufacturing sector is Saudi ORIX's key focus industry sector and accordingly accounted for 38.0% and 32.5% of Saudi ORIX's pre provisioning investment in finance leases (also referred to herein as "gross investment in finance leases") as at 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's gross investment in finance leases in the manufacturing sector increased by 9.8% from SAR 416.6 million as at 30 June 2011 to SAR 457.4 million as at 30 June 2012. This increase was largely in line with the expected growth in the Saudi economy and in particular the Kingdom's manufacturing sector. See "*Market and Industry Information*" section of this Prospectus for further details on the Kingdom's economic overview.

### Construction and contracting

The construction and contracting sector accounted for 26.1% and 26.4% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's gross investment in finance leases in the construction and contracting sector increased by 30.1% from SAR 285.6 million as at 30 June 2011 to SAR 371.6 million as at 30 June 2012. This increase was largely due to the increased activity seen over the last few years in the Kingdom's construction and contracting sector, which has been positively impacted by, among other things, the increased spending by the Government on large scale public sector development and infrastructure projects.

### Services

The services sector (that includes sub-sectors such as healthcare, electrical and mechanical contracting, hotel and entertainment, and petroleum distribution services) accounted for 22.7% and 25.7% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 30 June 2012 respectively. This increase in Saudi ORIX's gross investment in finance leases in the services sector was largely in line with the expected growth in the Saudi economy.

## Trading

The trading sector accounted for 12.0% and 14.6% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 2012 respectively. Saudi ORIX's gross investment in finance leases in the trading sector increased by 56.3% from SAR 131.2 million as at 30 June 2011 to SAR 205.1 million as at 30 June 2012. This increase in Saudi ORIX's gross investment in finance leases in the trading sector was largely in line with the expected growth in the Saudi economy.

### *Breakdown of net investment in finance leases by asset class*

As previously discussed, the assets financed by Saudi ORIX generally fall into one of four main categories, commercial and motor vehicles, industrial machinery, commercial equipment and real estate.

The following table sets out Saudi ORIX's gross and net investment in finance leases in each of its broad asset classes as at 30 June 2011 and 30 June 2012:

	As at 30 June				
	2011	2012	Change	2011	2012
	SAR '000		%	% of Investment in Finance Leases (pre provisions)	
Commercial and motor vehicles	457,249	575,326	25.8%	41.7%	40.8%
Industrial machinery	288,635	369,488	28.0%	26.3%	26.2%
Commercial equipment	185,414	263,853	42.3%	16.9%	18.7%
Real estate	164,278	200,366	22.0%	15.0%	14.2%
<b>Investment in finance leases (pre provisions)</b>	<b>1,095,576</b>	<b>1,409,033</b>	<b>28.6%</b>	<b>100.0%</b>	<b>100.0%</b>
Reserves for lease losses	(62,353)	(73,338)	17.6%	N.M.	N.M.
<b>Net investment in finance leases</b>	<b>1,033,224</b>	<b>1,335,696</b>	<b>29.3%</b>	<b>N.M.</b>	<b>N.M.</b>

Source: Saudi ORIX  
"N.M." refers to Not Meaningful

## Commercial and motor vehicles

The commercial and motor vehicles segment is comprised of cars, trucks, trailers and busses used in all the major industry sectors that Saudi ORIX serves.

Commercial and motor vehicles accounted for 41.7% and 40.8% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's gross investment in finance leases attributable to commercial and motor vehicles increased by 25.8% from SAR 457.2 million as at 30 June 2011 to SAR 575.3 million as at 30 June 2012.

## Industrial machinery

The industrial machinery segment is comprised of all type of machinery used in industrial and manufacturing plants.

Industrial machinery accounted for 26.3% and 26.2% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's gross investment in finance leases attributable to industrial machinery increased by 28.0% from SAR 288.6 million as at 30 June 2011 to SAR 369.5 million as at 30 June 2012.

## Commercial equipment

The commercial equipment segment is comprised of heavy machinery and office equipment, which is mainly used in the manufacturing, construction and building sectors like cranes, medical equipment.



Commercial equipment accounted for 16.9% and 18.7% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's gross investment in finance leases attributable to commercial equipment increased by 42.3% from SAR 185.4 million as at 30 June 2011 to SAR 263.9 million as at 30 June 2012.

### Real estate

The real estate segment is comprised of leases that relate to the financing by Saudi ORIX of offices, factories and warehouse buildings.

Real estate leases accounted for 15.0% and 14.2% of Saudi ORIX's gross investment in finance leases as at 30 June 2011 and 30 June 2012 respectively. Saudi ORIX's gross investment in finance leases attributable to real estate increased by 22.0% from SAR 164.3 million as at 30 June 2011 to SAR 200.4 million as at 30 June 2012.

### Advances, prepayments and other receivables

The following table sets out the breakdown of Saudi ORIX's advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Loans and advances to staff	1,850	2,527	36.6%
Advance against letter of credit	0	392	N.M.
Prepaid rent	1,619	1,898	17.2%
Advanced tax	1,083	1,426	31.7%
Prepaid professional costs	0	1,097	N.M.
Other receivables from lessees	716	541	-24.4%
Prepaid insurance	312	289	-7.4%
Prepaid visa cost	90	80	-11.1%
Receivable from suppliers and insurance companies	178	0	-100.0%
Other receivables	558	630	12.9%
<b>Total advances, prepayments and other receivables</b>	<b>6,406</b>	<b>8,881</b>	<b>38.6%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's advances, prepayments and other receivables increased by 38.6% from SAR 6.4 million as at 30 June 2011 to SAR 8.9 million as at 30 June 2012. This increase was mainly due to an increase in "loans and advances to staff", "advances against letter of credit", and "prepaid professional costs".

### Loans and advances to staff

Loans and advances to staff accounted for 28.9% and 28.5% of Saudi ORIX's total advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012 respectively. Loans and advances to staff consist of staff loans, advances for housing rent, and travelling advances. The staff loans are provided according to Saudi ORIX's Employee Loans Policy as either an advance salary, salary loan or a house rent allowance. Loans and advances to staff increased by 36.6% from SAR 1.9 million as at 30 June 2011 to SAR 2.5 million as at 30 June 2012. This increase was a result of a change in policy by Saudi ORIX with regards to the entitlement of loans and advances to its staff. From 2010 onwards, Saudi ORIX has granted its employees with the following option: staff with less

than 3 years of employment are entitled to two basic salaries, whereas staff with over 3 years of employment are entitled to four basic salaries.

#### **Advances against letter of credit**

Advance against letter of credit of SAR 0.4 million as at 30 June 2012, pertained to the import of machinery for a customer.

#### **Prepaid rent**

Prepaid rent accounted for 25.3% and 21.4% of Saudi ORIX's total advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012 respectively. Prepaid rent increased by 17.2% from SAR 1.6 million as at 30 June 2011 to SAR 1.9 million as at 30 June 2012. Prepaid rent consists of prepaid rent for the head office, branches, Saudi ORIX guest house and shifting allowance for employees.

#### **Advanced tax**

Advanced tax accounted for 16.9% and 16.1% of Saudi ORIX's total advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012 respectively. Advanced tax increased by 31.7% from SAR 1.1 million as at 30 June 2011 to SAR 1.4 million as at 30 June 2012. Advanced tax consists of tax paid in advance for the current year which is 25% of the tax paid last year.

#### **Prepaid professional costs**

Prepaid professional costs accounted for 0% and 12.4% of Saudi ORIX's total advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012 respectively. Prepaid professional costs relate to costs incurred to date by Saudi ORIX on its proposed Sukuk issuance.

#### **Other receivables from lessees**

Other receivables from lessees accounted for 11.2% and 6.1% of Saudi ORIX's total advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012 respectively. Other receivables from lessees decreased by 24.4% from SAR 0.7 million as at 30 June 2011 to SAR 0.5 million as at 30 June 2012. Other receivables from lessees include balances due from lessees relating to insurance expenses, fines other penalties. This decrease has been largely due to Saudi ORIX further streamlining its recovery process for such dues.

#### **Other receivables**

Other receivables largely consist of security deposits, prepaid subscriptions and fees. Other receivables accounted for 8.7% and 7.1% of Saudi ORIX's total advances, prepayments and other receivables as at 30 June 2011 and 30 June 2012 respectively. Other receivables increased by 12.9% from SAR 0.56 million as at 30 June 2011 to SAR 0.63 million as at 30 June 2012.

#### **Fixed Assets**

The following table sets out the breakdown of Saudi ORIX's fixed assets (at net book value) as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Leasehold improvements	504	476	-5.6%
Office furniture and fixtures	250	152	-39.2%

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Motor vehicles	308	228	-26.0%
Information technology equipment	551	932	69.1%
<b>Total fixed assets</b>	<b>1,613</b>	<b>1,787</b>	<b>10.8%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's net book value of fixed assets increased by 10.8% from SAR 1.6 million as at 30 June 2011 to SAR 1.8 million as at 30 June 2012. This increase was largely on account of continued investments in information technology equipment and infrastructure. Net book value of information and technology equipment increased by 69.1% from SAR 0.55 million as at 30 June 2011 to SAR 0.93 million as at 30 June 2012.

Saudi ORIX is active in the services industry and therefore has minimal capital expenditure requirements. It currently has no plans to purchase any material fixed assets.

### Liabilities

Saudi ORIX's total liabilities increased by 43.7% from SAR 707.0 million as at 30 June 2011 to SAR 1,015.9 million as at 30 June 2012. Saudi ORIX's total liabilities mainly include long term and short term loans. Long term loans (including current portion of long term loans) accounted for 74.7% and 49.8% of Saudi ORIX's total liabilities as at 30 June 2011 and 30 June 2012 respectively, whereas short term loans accounted for 9.2% and 29.4% of the total liabilities as at 30 June 2011 and 30 June 2012 respectively.

The following table sets out the breakdown of Saudi ORIX's liabilities as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Short term loans	64,995	299,000	360.0%
Current maturity of long term loans	195,491	317,986	62.7%
Accounts payable	69,878	164,903	136.0%
Accrued expenses and other liabilities	39,509	40,261	1.9%
Long term loans	332,293	187,654	-43.5%
Employees' terminal benefits	4,661	5,916	26.9%
Fair value of derivatives	154	134	-13.0%
<b>Total Liabilities</b>	<b>706,980</b>	<b>1,015,854</b>	<b>43.7%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

### **Short term loans**

Short term loan accounted for 9.2% and 29.4% of Saudi ORIX's total liabilities as at 30 June 2011 and 2012 respectively. The sizable increase in short term loans over the period under review was due to utilization of new short term loan facility of SAR 150 million from SAMBA Financial Group.

### Current portion of long term loans

Current portion of long term loans accounted for 27.7% and 31.3% of Saudi ORIX's total liabilities as at 30 June 2011 and 30 June 2012 respectively. Current portion of long term loans increased by 62.7% from SAR 195.5 million as at 30 June 2011 to SAR 318.0 million as at 30 June 2012, in line with scheduled maturity profile on Saudi ORIX's long term financing facilities.

### Accounts payable

Accounts payable accounted for 9.9% and 16.2% of Saudi ORIX's total liabilities as at 30 June 2011 and 30 June 2012 respectively. Accounts payable increased by 136.0% from SAR 69.9 million as at 30 June 2011 to SAR 164.9 million as at 30 June 2012. Accounts payable consists of amounts payable to suppliers for assets purchased by Saudi ORIX for leases to its customers.

The increase in the accounts payable balance was due to a higher number of leases being executed at month end of June 2012 compared to June 2011. All accounts payables are normally settled within available credit periods and Saudi ORIX does not have long term agreements with any dealers/suppliers.

### Accrued expenses and other liabilities

The following table sets out the breakdown of Saudi ORIX's accrued expenses and other liabilities as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Proposed lease related payables	18,638	25,540	37.0%
Zakat and income tax accrued on behalf of shareholders	4,087	4,700	15.0%
Accrued special commission expense	11,483	3,662	-68.1%
Insurance claims to be settled	1,010	1,163	15.1%
Salaries and employee related expenses	971	1,360	40.1%
Legal and professional charges	498	595	19.5%
Others	2,822	3,241	14.8%
<b>Total</b>	<b>39,509</b>	<b>40,261</b>	<b>1.9%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Accrued expenses and other liabilities accounted for 5.6% and 4.0% of Saudi ORIX's total liabilities as at 30 June 2011 and 30 June 2012 respectively. Accrued expenses and other liabilities increased by 1.9% from SAR 39.5 million as at 30 June 2011 to SAR 40.3 million as at 30 June 2012. Accrued expenses and other liabilities mainly result from "proposed lease related payables", "zakat and income tax accrued on behalf of shareholders", "accrued special commission expense" and "salaries and employee related expenses".

### *Proposed lease related payables*

Proposed lease related payables accounted for 47.2% and 63.4% of Saudi ORIX's total accrued expenses and other liabilities as at 30 June 2011 and 30 June 2012 respectively. These increased by 37.0% from SAR 18.6 million as at 30 June 2011 to SAR 25.5 million as at 30 June 2012. Proposed lease related payables mainly include lease deposit payables, balances refundable to the lessees, prepaid rentals and deposits relating to unexecuted leases and lease related deposits.

### ***Zakat and income tax accrued on behalf of shareholders***

Zakat and income tax accrued on behalf of shareholders accounted for 10.3% and 11.7% of Saudi ORIX's total accrued expenses and other liabilities as at 30 June 2011 and 30 June 2012 respectively. These increased by 15.0% from SAR 4.1 million as at 30 June 2011 to SAR 4.7 million as at 30 June 2012. Zakat and income tax accrued on behalf of shareholders, is based on the level of income generated by Saudi ORIX and the level of tax payable as determined by the department of zakat and income tax, which causes year on year variation in this balance.

### ***Accrued special commission expense***

Accrued special commission expenses accounted for 29.1% and 9.1% of Saudi ORIX's total accrued expenses and other liabilities as at 30 June 2011 and 30 June 2012 respectively. These decreased by 68.1% from SAR 11.5 million as at 30 June 2011 to SAR 3.7 million as at 30 June 2012. Accrued special commission expenses are payables relating to interest expenses as at each period end, and fluctuate according to the repayment terms agreed on the outstanding borrowing.

### ***Salaries and employee related expenses***

Salaries and employee related expenses accounted for 2.5% and 3.4% of Saudi ORIX's total accrued expenses and other liabilities as at 30 June 2011 and 30 June 2012 respectively.

### **Long Term Loans**

The following table sets out the breakdown of Saudi ORIX's long term loans as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Long term loans (including current portion of long term loans)	427,082	415,299	-2.8%
International Finance Corporation loan	101,562	90,937	-10.5%
Less: unamortized transaction costs	861	596	-30.8%
Subtotal	527,783	505,640	-4.2%
Less: current maturity	195,491	317,986	62.7%
<b>Due after over 12 months later</b>	<b>332,293</b>	<b>187,654</b>	<b>-43.5%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

As at 30 June 2012, Saudi ORIX had utilized (long term and short term) financing facilities amounting to SAR 804.6 million out of total approved facilities of SAR 1,330 million. The long term loans carry special commission rate equal to SIBOR plus bank margin or fixed rates payable on quarterly basis and semi annual basis. These facilities are secured by the assignment of lease contract receivables. Under the terms of arrangements, Saudi ORIX has to adhere to certain financial and non financial covenants.

### ***Employees' terminal benefits***

Employees' terminal benefits accounted for 0.7% and 0.6% of Saudi ORIX's total liabilities as at 30 June 2011 and 30 June 2012 respectively. These increased by 26.9% from SAR 4.7 million as at 30 June 2011 to SAR 5.9 million as at 30 June 2012. Saudi ORIX has provided for employees' terminal benefits in compliance with labour law provisions in the Kingdom.

### ***Fair value of derivatives***

The fair value of derivatives represents interest rate swaps related to one of Saudi ORIX's long term loans. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Existing Finance Agreements" section of this Prospectus.

### **Shareholders' Equity**

The following table sets out the breakdown of Saudi ORIX's shareholders equity as at 30 June 2011 and 30 June 2012:

	As at 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Share capital	300,000	340,000	13.3%
Statutory reserve	20,170	27,547	36.6%
Retained earnings	45,585	56,937	24.9%
Cash flow hedge reserve	(154)	(134)	-13.0%
<b>Total shareholders' equity</b>	<b>365,601</b>	<b>424,350</b>	<b>16.1%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

### ***Share capital***

As at 30 June 2012, Saudi ORIX's share capital was SAR 340.0 million divided into 34 million ordinary shares with a nominal value of SAR 10 each. In 2012 Saudi ORIX increased its share capital from SAR 300.0 million to SAR 340.0 million by issuing bonus shares, through recapitalizing its retained earnings, amounting to SAR 40.0 million.

The alteration in the capital of Saudi ORIX is detailed in the business description section of the Prospectus. Also, Saudi ORIX has no capital issue or any subsidiary under option.

### ***Statutory reserve***

In accordance with article 125 of the Companies Regulations, 10% of the net annual income is required to be transferred to the statutory reserve under shareholders' equity. Saudi ORIX may resolve to discontinue such transfers when the reserve totals a minimum of 50% of the share capital. This reserve is not available for distribution.

### ***Retained earnings***

Retained earnings accounted for 12.5% and 13.4% of Saudi ORIX's total shareholders' equity as at 30 June 2011 and 30 June 2012 respectively. Retained earnings increased by 24.9% over the period under review in line with Saudi ORIX's financial performance over the same period.

### ***Cash flow hedge reserve***

The cash flow hedge reserve represents the interest rate swap valuation in relation to the one loan facility mentioned under fair value of derivatives.

### ***Capital adequacy and gearing***

The following table sets out Saudi ORIX's gearing, equity and capital adequacy ratios as at 30 June 2011 and 30 June 2012:

	As at 30 June	
	2011	2012
	SAR '000, unless stated otherwise	
Short term debt	64,995	299,000
Long term debt (including current maturity of long term debt)	527,783	505,640
Total debt	592,778	804,640
Shareholders' equity	365,601	424,350
Total debt / Total equity (x)	1.6x	1.9x
Capital ratio* (%)	30.6%	28.1%
Tier I capital ratio* (%)	29.4%	26.9%

\* Capital adequacy ratios measure capital adequacy by comparing the company's eligible capital with its balance sheet assets, commitments and notional amount of derivatives, if any, at a weighted amount to reflect their relative risk  
Source: Saudi ORIX

## CASH FLOW STATEMENTS

The following table sets out a summary of Saudi ORIX's cash flows for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Net cash (used)/from operating activities	(35,335)	(24,053)	-31.9%
Net cash used in investing activities	(207)	(343)	65.7%
Net cash (used)/from financing activities	25,880	47,309	82.8%
<b>Net change in cash and cash equivalents</b>	<b>(9,662)</b>	<b>22,912</b>	<b>-337.1%</b>
Cash and cash equivalents at beginning of period	41,001	70,929	73.0%
<b>Cash and cash equivalents at the end of period</b>	<b>31,340</b>	<b>93,841</b>	<b>199.4%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

### Net cash (used)/ from operating activities

Cash flows from operations mainly include the inflow of profits earned by Saudi ORIX during each financial period, and the outflow of cash as a result of new leases executed by Saudi ORIX during each financial period.

The following table sets out Saudi ORIX's cash flows from operating activities for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Net income for the period	35,356	43,253	22.3%
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Amortization of transaction cost	146	129	-11.7%
Depreciation	341	351	2.9%
Provision for lease losses	4,595	7,873	71.3%
Gain on disposal of fixed assets	(15)	0	-100.0%
Operating cash flows b/f changes in operating assets & liabilities	40,422	51,605	27.7%

	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
<i>Changes in operating assets and liabilities</i>			
Net investment in finance leases	(92,256)	(184,459)	99.9%
Advances, prepayments and other receivables	(1,558)	(1,538)	-1.3%
Accounts payable	17,471	102,778	488.3%
Accrued expenses and other liabilities	57	6,976	12,138.6%
Employees' terminal benefits	528	584	10.6%
<b>Net cash (used in) from operating activities</b>	<b>(35,335)</b>	<b>(24,053)</b>	<b>-31.9%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's net cash flow from operations improved from negative SAR 35.3 million for the six months ended 30 June 2011 to negative SAR 24.1 million for the six months ended 30 June 2012. Saudi ORIX's net cash flow from operations were negative during the period under review due to the strong growth of 29.3% in Saudi ORIX's finance lease portfolio, which resulted in a cash requirement of SAR 184.5 million during the first six months of 2012.

#### **Net cash (used)/ from investing activities**

Net cash used in investing activities primarily includes cash used in purchases of fixed assets and cash from disposals proceeds.

The following table sets out Saudi ORIX's cash flows from investing activities for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Purchase of fixed assets	(326)	(343)	5.2%
Proceeds from disposal of fixed assets	119	0	-100.0%
<b>Net cash used in investing activities</b>	<b>(207)</b>	<b>(343)</b>	<b>65.7%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Considering that Saudi ORIX is active in the services industry, it has minimal capital expenditure requirements, as is evident from Saudi ORIX's net cash used in investment activities.

#### **Net cash (used)/ from financing activities**

Cash flows from financing activities mainly include cash inflows from new loans or tranches of loans being drawn down and cash outflows from repayments of current loans as and when they fall due.

The following table sets out Saudi ORIX's cash flows from financing activities for the six months ended 30 June 2011 and the six months ended 30 June 2012:

	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Proceeds from loans	134,996	568,986	321.5%



	Six Months Ended 30 June		
	2011 (Un-audited)	2012 (Audited)	Change
	SAR '000		%
Repayment of loans	(92,981)	(501,179)	439.0%
Transaction cost paid	(21)	0	-100.0%
Income tax paid on behalf of non-Saudi shareholders	(2,498)	(3,881)	55.4%
Zakat paid on behalf of Saudi shareholders	(916)	(1,246)	36.0%
Dividends paid, net	(12,700)	(15,372)	21.0%
<b>Net cash from (used in) financing activities</b>	<b>25,880</b>	<b>47,309</b>	<b>82.8%</b>

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

Saudi ORIX's net cash flow from financing activities increased from SAR 25.9 million for the six months ended 30 June 2011 to SAR 47.3 million for the six months ended 30 June 2012.

## COMMITMENTS

	As at 30 June	
	2011 (Un-audited)	2012 (Audited)
	SAR '000, unless stated otherwise	
Finance lease contracts not yet executed	220,180	235,881
Operating lease commitment for office premises	1,388	8,788
Bank guarantees issued on behalf of Saudi ORIX	6,709	6,709

Source: Audited interim financial statements of Saudi ORIX for the six months ended 30 June 2012 and unaudited interim financial statements of Saudi ORIX for the six months ended 30 June 2011

## FUNDING STRUCTURE

The principal objectives of Saudi ORIX's financial policy is to maintain an appropriate financial profile with stable cash flows, medium-term financing facility and seek to diversify its sources of funding to achieve greater financial flexibility, balance sheet efficiency and minimize refinancing risks.

Saudi ORIX has a centralized treasury located at its head office that is responsible for investing and managing its cash flows and funding profile. Historically, Saudi ORIX has pursued a conservative funding strategy to maintain an acceptable level of gearing, utilizing its strong equity base and stable cash flows and combining these with external financing sourced from banks and financial institutions. Saudi ORIX continues to follow a prudent approach with respect to its funding strategy and plans to diversify its funding sources to meet its future requirements.

As part of its strategy to diversify sources of funding, Saudi ORIX plans to source its future funding from domestic banks and financial institutions, international banks and financial institutions, domestic and international debt capital markets, and private placements (through medium term obligation papers).

In the past Saudi ORIX has issued three SAR denominated instruments, in the form of Medium Term Obligation ("MTO") via private placements, details of which are as follows:

<b>Issue Size / Face Value</b>	SAR 50 million	SAR 50 million	SAR 50 million
<b>Issue Date</b>	22 March 2003 and 1 May 2003	25 December 2004	9 April 2006

<b>Tenor</b>	3 years	3 years	3 years
<b>Repayment</b>	Bullet at maturity	Bullet at maturity	Bullet at maturity
<b>Security</b>	Assignment over Lease Receivables	Assignment over Lease Receivables	Assignment over Lease Receivables
<b>Guaranty Providers</b>	<ul style="list-style-type: none"> <li>Up to 90% of face value was guaranteed by Saudi Investment Bank (“SAIB”)</li> <li>International Finance Corporation provided a counter guarantee to SAIB to mitigate 50% of the risk assumed by SAIB in issuing the Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>Up to 75% of face value was guaranteed by SAMBA Financial Group</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
<b>Current Status</b>	Matured in March 2006 and May 2006	Matured in December 2007	Matured in March 2009

### Existing Financing Agreements

Saudi ORIX is funded through credit approved bank lines totaling to SAR 1,330 million with five major national and an international financial institution that adequately meet funding requirements. Saudi ORIX has longstanding relationships with the various banks from which it has obtained financing and reviews these financing with its lenders in the ordinary course of business. Except for the promissory notes issued in connection with the financing agreements below, the assignment of lease rental receivables and the commitments set out in the Section “Commitments” below, Saudi ORIX has not provided any security against these financing agreements. None of the financing facilities obtained by Saudi ORIX have been guaranteed by any third party.

As of the date of this Prospectus, Saudi ORIX had no outstanding debt instruments and, other than with respect to the Sukuk, had not authorized or otherwise created, but not issued any debt instruments.

The following table sets out the breakdown of financing facilities available to Saudi ORIX as at 30 June 2012:

No	Name of Lender	Type of Facility	Facility Amount	Drawn Amounts	Date of Facility Agreement	End of Current Facility Availability / Facility Maturity Date	Security Given
1	SAIB	Revolving Short Term and Overdraft Facility	SAR240,000,000, including overdraft line of SAR40,000,000	SAR23,000,000 (this facility is also used against issuance of LC and BG)	21 September 2011 (limit enhancement date 13 June 2012)	Maximum Tenor: 1 year Next Renewal Date: 30 September 2012 (currently under renewal) *	Assignment of Lease Rentals
2	Riyadh Bank	Revolving Long Term Facility	SAR200,000,000	SAR199,982,084	30 June 2010	Maximum Tenor: 3 years Maturity Date: Initially 30 June 2013 but subsequently extended to 30 May 2015	Assignment of Lease Rentals
3	Al Rajhi Bank	Revolving Short and Long	SAR250,000,000	SAR151,663,531	23 April 2012	Maximum Tenor: up to 3 years Next Renewal Date:	Assignment of Lease Rentals

No	Name of Lender	Type of Facility	Facility Amount	Drawn Amounts	Date of Facility Agreement	End of Current Facility Availability / Facility Maturity Date	Security Given
		Term Future Sale Islamic Facility				22 April 2013	
4	Bank Al Bilad	Revolving Long Term Islamic Facility	SAR200,000,000	SAR76,536,627	21 February 2011 & 02 April 2012	Maximum Tenor: up to 3 years Next Renewal Date: 7 February 2013	Assignment of Lease Rentals
5	Samba Financial Group	Revolving Short and Long Term and Interest Rate Swaps	SAR200,000,000	SAR113,116,667	12 November 2011	Maximum Tenor: up to 3 years Next Renewal Date: 31 October 2012 (currently under renewal) *	Assignment of Lease Rentals
6	Samba Financial Group	Revolving Short Term Facility	SAR150,000,000	SAR150,000,000	09 April 2012	Maturity Date: 31 December 2012	Assignment of Lease Rentals
7	IFC	Non-revolving Long Term Facility	USD20,000,000 (SAR75,000,000)	SAR74,426,556	30 June 2010	Tenor: 7 years Maturity Date: 15 August 2017	Assignment of Lease Rentals
8	IFC	Non-revolving Long Term Facility	USD17,000,000 (SAR63,750,000)	SAR15,914,575	December 2005	Tenor: 7.5 years Maturity Date: 15 August 2013	Assignment of Lease Rentals

Source: Saudi ORIX

\*Expected to be renewed in early 2013 mainly on the same terms and conditions.

Saudi ORIX has provided all the breakdowns and classifications of all debt instruments issued and outstanding, and authorized or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured loans in this Prospectus.

### **Commissions**

Saudi ORIX has not granted any commissions, discounts, brokerages or other non-cash compensation within the last three years from the date of this Prospectus in connection with the issue or offer of any securities by Saudi ORIX.

## **USE OF PROCEEDS AND EXPENSES**

The proceeds of the issue of the Sukuk, after deduction of the costs and expenses in relation to the issue of the Sukuk, will be used by the Issuer for general corporate purposes, and/or to fund the expected growth of its lease portfolio, with a focus on:

- Existing and new industry sectors, including (among others) manufacturing, construction & contracting, services, and trading;
- Existing and new asset classes, including (among others) commercial & motor vehicles, industrial machinery, commercial equipment and real estate; and
- Existing and new clients in both the SME sector as well as in the large corporate sector.

The Issuer estimates its total costs and expenses in relation to the issue of the Sukuk will be approximately SAR 6.15 million, including, without limitation, listing, legal and accounting fees and expenses, Agency Fees and the combined management and selling commission, costs and other expenses of the Lead Manager and Bookrunner.

## TERMS AND CONDITIONS OF THE SUKUK

*The following is the text of the Terms and Conditions of the Sukuk which (subject to completion and amendment) will be attached and (subject to the provisions thereof) apply to the Global Suk:*

### **Introduction**

An Istithmar sukuk represents a structured investment by sukukholders in an existing business activity or cash flow generating asset(s) of an issuer. Each of the sukuk al-Istithmar expiring December 2015 (the “**Sukuk**”) represents an undivided ownership interest in the Sukuk Assets (as defined below) and will at all times rank pari passu amongst themselves. The Sukuk Assets will be held by HSBC Saudi Arabia Limited, whose registered address is HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia (the “**Kingdom**”), as sukukholders’ agent (the “**Sukukholders’ Agent**”, which expression includes any successor Sukukholders’ Agent in relation to the Sukuk) for the benefit of the registered holders of the Sukuk (the “**Sukukholders**”) pursuant to a declaration of agency (the “**Declaration of Agency**”) to be entered into on or about the Closing Date (as defined below) between Saudi ORIX Leasing Company (the “**Issuer**”) and the Sukukholders’ Agent. The obligations of the Issuer in respect of the Sukuk are not secured. Application has been made to register the Sukuk on the Official List maintained by the Capital Markets Authority (the “**Authority**”) of the Kingdom of Saudi Arabia (the “**Kingdom**”).

Pursuant to the Declaration of Agency, the Sukukholders’ Agent will be appointed to act as agent for and on behalf of the Sukukholders. Each Sukukholder by subscribing to, acquiring and holding Sukuk agrees to the terms of the Declaration of Agency including, but not limited to, the appointment of the Sukukholders’ Agent. The appointment of the Sukukholders’ Agent may be revoked or terminated (or the Sukukholders’ Agent may resign its appointment) in accordance with the provisions of the Declaration of Agency.

In these Conditions, references to “**Sukuk**” shall be references to the Sukuk as represented by a Global Suk as described in Condition 2 (*Form and Denomination*).

Payments relating to the Sukuk will be made pursuant to a payments administration agreement to be entered into on or about the Closing Date (the “**Payments Administration Agreement**”) between, amongst others, the Sukukholders’ Agent, the Issuer and HSBC Saudi Arabia Limited, whose registered address is HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia, in its capacity as payments administrator (the “**Payments Administrator**”, which expression includes any successor or other payments administrator appointed in respect of the Sukuk).

Each initial Sukukholder, by acquiring and holding Sukuk, shall be deemed to authorise, ratify and approve the entry by the Sukukholders’ Agent into the Sukuk Documents (as defined below) to which it is a party and to the terms of each of the Sukuk Documents.

Certain provisions of these Conditions are summaries of the Sukuk Documents and are subject to their detailed provisions. The Sukukholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents applicable to them. For so long as any Sukuk are current, copies of the Sukuk Documents are available for inspection from the Closing Date for Sukukholders during normal business hours at the specified offices of each of the Issuer and the Sukukholders’ Agent, the specified offices of which are set out in the section entitled “*Parties and Advisers*” in the Prospectus.

## 1. Definitions

1.1 In these Conditions, words and expressions have the following meanings:

“**Agency Fees**” means the on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders’ Agent for their services in connection with the Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency;

“**Authorised Holding**” has the meaning given to it in Condition 2 (*Form and Denomination*);

“**Authority**” has the meaning given to it above under “*Introduction*”;

“**Business Day**” means a day on which commercial banks are open for general business in the Kingdom;

“**Closed Period**” has the meaning given to it in Condition 3(e) (*Transfer Record Dates and Closed Periods*);

“**Closing Date**” means no later than 10 business days after the end of the Investor Presentation Period;

“**Collection Account**” has the meaning given to it in Condition 5(b) (*Application of Proceeds – Net Income*);

“**Committee**” means the Committee for the Resolution of Securities Disputes, established pursuant to the Capital Market Law, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003) or any successor body;

“**Conditions**” means the terms and conditions of the Sukuk;

“**Declaration of Agency**” has the meaning given to it above under “*Introduction*”;

“**Event of Default**” has the meaning given to it in Condition 11.2 (*Events of Default*);

“**Event of Default Date**” has the meaning given to it in Condition 11.2 (*Events of Default*);

“**Event of Default Notice**” has the meaning given to it in Condition 11.2 (*Events of Default*);

“**Exercise Event**” means an Event of Default Date or the Expiry Date;

“**Exercise Notice**” has the meaning given to it in Condition 11.1 (*Expiry Date*);

“**Exercise Period**” has the meaning given to it in Condition 11.2 (*Events of Default*);

“**Expiry Date**” means the last Periodic Distribution Date falling on or nearest to 26 December 2015;

“**Extraordinary Resolution**” means a resolution passed at a duly convened meeting of the Sukukholders by a majority of at least fifty-one per cent. (51%) of the aggregate Nominal Amount of the Sukuk represented;

“**First Order Note Period**” means the eleven (11) month period immediately following the Closing Date;

“**GCC**” means the Gulf Cooperation Council;

“**Global Suk**” means the registered form global suk representing the Sukuk;

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“**Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any debt instrument or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Issuer’s applicable accounting standards, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution excluding any performance bonds;
- (i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance;
- (j) any obligations incurred in respect of any Islamic financing arrangements; and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

“**Insurance Coverage Amount**” means an amount equal to the amount required to reinstate or replace an underlying asset relating to the Sukuk Assets which has suffered a Total Loss Event;

“**Insurance Proceeds**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Investor Application Form**” means the form required to be submitted to the Lead Manager and Bookrunner before the end of the Investor Presentation Period by the Persons wishing to invest in the Sukuk;

“**Investor Presentation Period**” means the investor presentation period for the Sukuk commencing 19/01/1434H (corresponding to 03/12/2012G) and ending in 14 Business Days after such date, unless notified otherwise by the Issuer and the Lead Manager and Bookrunner;

“**Issuer**” means Saudi ORIX Leasing Company in its capacity as issuer of the Sukuk;

“**Kingdom**” means the Kingdom of Saudi Arabia;

“**Late Payment Amount**” means in relation to any Overdue Amount a late payment amount, to be paid to a charity chosen by the Sukukholders’ Agent, that is calculated on a daily basis in respect of the period from, and including, the due date for such Overdue Amount to, but excluding, the date of settlement in full of such Overdue Amount, as the product of: (i) two per cent. (2%) per annum; (ii) the Overdue Amount; and (iii) the number of days when such Overdue Amount is outstanding divided by 360;

“**Lead Manager and Bookrunner**” means Samba Capital & Investment Management Company, acting as lead manager and bookrunner;

“**Margin**” means 1.65%;

“**Negotiable Instruments Committee**” means the Committee for the Settlement of Negotiable Instruments Disputes, established pursuant to the Minister of Commerce Decisions Number 353 and 354 dated 11/5/1388H. (corresponding to 5 August 1968) and Number 358 dated 16/5/1388H. (corresponding to 10 August 1968) or any successor body;

“**Net Income**” has the meaning given to it in Condition 5(b) (*Application of Proceeds – Net Income*);

“**New Ijara Assets**” means any *ijara* contract for real estate, equipment, machinery or a motor vehicle entered into by the Issuer (as lessor) and a third party (as lessee) and identified in the schedule to the Substitution Notice, provided that no amount due to the Issuer under any such *ijara* contract shall be outstanding for a period of thirty (30) days or more;

“**Nominal Amount**” means the nominal amount of the Sukuk, which is SAR 240,000,000;

“**Order Note**” has the meaning given to it in Condition 5(c) (*Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes*);

“**Order Note Period**” means the First Order Note Period and each successive eleven (11) month period immediately following the First Order Note Period;

“**Original Ijara Assets**” means any *ijara* contract for real estate, equipment, machinery or a motor vehicle entered into by the Issuer (as lessor) and a third party (as lessee) and identified in the schedule to the Sukuk Assets Sale and Transfer Agreement, provided that: (i) no amount due to the Issuer under any such *ijara* contract shall be outstanding for a period of thirty (30) days or more; and (ii) the aggregate value of Original *Ijara* Assets shall be no less than one hundred and twenty per cent. (120%) of the aggregate Nominal Amount of Sukuk;

“**Overdue Amount**” means any amount that the Issuer fails to pay that is due and payable in accordance with the Sukuk Documents;



“**Partial Periodic Distribution Amount**” means, in relation to any day on which the Issuer is to redeem the Sukuk due to the occurrence of an Event of Default or a Tax Event, an amount calculated as follows:

$$\frac{P \times (S + M) \times D}{N}$$

where

P = the aggregate Nominal Amount of such Sukuk as are current on the Transfer Record Date immediately preceding the date of such redemption;

S = SIBOR for the Periodic Distribution Period in which the date of such redemption falls;

M = the Margin;

D = the number of days between the immediately preceding Periodic Distribution Date and the date of such redemption; and

N = the number of days between the immediately preceding Periodic Distribution Date and the next scheduled Periodic Distribution Date calculated on the basis of a 360 day year;

“**Payments Administration Agreement**” has the meaning given to it above under “*Introduction*”;

“**Payments Administrator**” has the meaning given to it above under “*Introduction*”;

“**Periodic Determination Date**” has the meaning given to it in Condition 7(b) (*Saudi Interbank Offered Rate (SIBOR)*);

“**Periodic Distribution Amount**” has the meaning given to it in Condition 7(a) (*Periodic Distribution Dates*);

“**Periodic Distribution Date**” means the twenty sixth (26<sup>th</sup>) of March, June, September and December in each year, commencing on 26 March 2013 and up to and including 26 December 2015; provided, however, that if any such day is not a Business Day, the Periodic Distribution Date will be the next Business Day, unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be the immediately preceding Business Day;

“**Periodic Distribution Period**” means the period from and including the Closing Date to but excluding the first Periodic Distribution Date, and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date;

“**Permitted Security Interest**” means a Security Interest over any of the Issuer’s present or future assets or revenues or any part thereof in connection with:

- (a) Security Interests created pursuant to the Sukuk;
- (b) Security Interests existing on the Closing Date which have been disclosed to the Sukukholders’ Agent;
- (c) any Security Interest existing on any property at the time of the acquisition of such property (or on the property of any Person at the time such Person becomes a Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or

any Subsidiary of the Issuer), *provided* that such Security Interest was not created in contemplation of such event;

- (d) Security Interests for Taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision as is required in conformity with the Issuer's applicable accounting standards has been made;
- (e) Security Interests imposed by law, in each case, incurred in the ordinary course of business;
- (f) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (d) (inclusive) above, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);
- (g) any other Security Interests (not covered in (a) to (e) (inclusive) above) entered into in the ordinary course of business on arm's length terms provided: (i) the Security Interest does not exceed one hundred and twenty per cent. (120%) of the value of the Indebtedness that is being secured; and (ii) the Issuer has not given notice to, or obtained any acknowledgment from, the relevant counter-party, registered or otherwise perfected such Security Interest, without at the same time or prior thereto having given notice to, and obtained an acknowledgment of, registered or perfected the Security Interest created pursuant to the Sukuk;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Portfolio Report"** has the meaning given to it in Condition 6 (*Covenants and Undertakings*);

**"Prospectus"** means the prospectus dated 13/02/1434H (corresponding to 26/12/2012G) relating to the Sukuk;

**"Purchase Price"** means as of any date, the product of the aggregate Nominal Amount of all Sukuk as are current on such date;

**"Purchase Undertaking"** means the purchase undertaking to be entered into by the Issuer and the Sukukholders' Agent on or about the Closing Date;

**"Qualified IPO"** means any initial public offering and listing of no more than thirty per cent. (30%) of the issued share capital of the Issuer on a recognised stock exchange;

**"Qualified Person"** means (a) a natural Person who is a national of the Kingdom or (b) another legal Person with a permanent establishment holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in the case of either (a) or (b), maintains a bank account in the Kingdom;

**"Register"** means the registry system administered by the Registrar or any successor entity;

**"Registrar"** means the Saudi Arabian Stock Exchange ("**Tadawul**") (and includes any successor registrar as may be appointed in accordance with the provisions of the Registry

Agreement), whose registered address is NCCI building – North Tower, King Fahd Rd, P.O. Box 60612, Riyadh 11555, Kingdom of Saudi Arabia;

“**Registry Agreement**” means the registry and trading agreement to be entered into on or about the Closing Date between the Issuer and the Registrar in relation to the Sukuk;

“**Reinvestment Income**” has the meaning given to it in Condition 5(b) (*Application of Proceeds – Net Income*);

“**Relevant Indebtedness**” means any Indebtedness which is in the form of, or represented or evidenced by, bonds, *sukuk*, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Required Sukukholders**” as of any date, means Sukukholders holding at least thirty-three and one-third per cent. (33 $\frac{1}{3}$ %) in aggregate Nominal Amount of the Sukuk as are current on such date;

“**Reserve**” has the meaning given to it in Condition 5(b) (*Application of Proceeds – Net Income*);

“**Reserve Account**” has the meaning given to it in Condition 5(b) (*Application of Proceeds – Net Income*);

“**Retained Income**” has the meaning given to it in Condition 5(b) (*Application of Proceeds – Net Income*);

“**Sale Undertaking**” means the sale undertaking to be entered into by the Issuer and the Sukukholders’ Agent on or about the Closing Date;

“**SAR**” or “**Saudi Riyals**” means the lawful currency of the Kingdom;

“**Saudi Interbank Offered Rate (SIBOR)**” or “**SIBOR**” means, in relation to any Periodic Distribution Period, the rate (expressed as a percentage per annum) determined in accordance with Condition 7(b) (*Saudi Interbank Offered Rate (SIBOR)*) in relation to such Periodic Distribution Period;

“**Security Interest**” means any mortgage, charge (fixed or floating), pledge, encumbrance, lien or hypothecation, any taking of title, reservation of title, set-off or trust arrangement for the purpose of taking security, any assignment by way of security or any other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Shortfall**” has the meaning given to it in Condition 5(d) (*Application of Proceeds – Transaction Account*);

“**Subsidiary**” means any Person, company or corporation or company:

- (a) which is controlled, directly or indirectly, by the Issuer;
- (b) more than fifty per cent. (50%) of the issued share capital or ownership or other equity interests of which is beneficially owned, directly or indirectly, by the Issuer; or
- (c) which is a Subsidiary of another Subsidiary of the Issuer;

“**Substituted Ijara Assets**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Substitution Notice**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Sukuk Assets**” means the Original *Ijara* Assets and any New *Ijara* Assets, but shall not include any Substituted *Ijara* Assets;

“**Sukuk Assets Management Administration Fee**” means the administration fee of SAR1,000 per annum;

“**Sukuk Assets Management Agreement**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Sukuk Assets Manager**” means Saudi ORIX Leasing Company in its capacity as manager of the Sukuk Assets;

“**Sukuk Assets Substitution Undertaking**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Sukuk Assets Sale and Transfer Agreement**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Sukuk Documents**” means the Sukuk Assets Sale and Transfer Agreement, the Sukuk Assets Management Agreement, the Purchase Undertaking, the Sale Undertaking, the Sukuk Assets Substitution Undertaking, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Sukuk (including the Global Suk) and the Investor Application Form and any other agreements and documents delivered or executed in connection therewith;

“**Sukukholders**” has the meaning given to it above under “*Introduction*”;

“**Sukukholders’ Agent**” has the meaning given to it above under “*Introduction*”;

“**Tangible Net Worth**” means at any time the aggregate of the amounts paid up or credited as paid up on the issued ordinary share capital of the Issuer and the aggregate amount of the reserves of the Issuer, including:

- (a) any amount credited to the share premium account;
- (b) any capital redemption reserve fund; and
- (c) any balance standing to the credit of the profit and loss account of the Issuer;

but deducting:

- (i) any debit balance on the profit and loss account of the Issuer;
- (ii) (to the extent included) any amount shown in respect of goodwill or other intangible assets of the Issuer;
- (iii) (to the extent included) any amount set aside for taxation, deferred taxation or bad debts;
- (iv) (to the extent included) any amounts arising from an upward revaluation of assets made at any time after 31 December 2011; and

- (v) any amount in respect of any dividend or distribution declared, recommended or made by Issuer or any Subsidiary to the extent such distribution is not provided for in the most recent financial statements.

and so that no amount shall be included or excluded more than once.

“**Tax Redemption Date**” has the meaning given to it in Condition 10.2 (*Dissolution for Tax Reasons*).

“**Tax Redemption Notice**” has the meaning given to it in Condition 10.2 (*Dissolution for Tax Reasons*).

“**Tax Event**” has the meaning given to it in Condition 10.2 (*Dissolution for Tax Reasons*).

“**Taxes**” means any present or future taxes, zakat, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax;

“**Technical Assistance Agreement**” means the technical assistance agreement dated 15 January 2001 between Saudi ORIX, ORIX Corporation and OLP;

“**Total Loss Event**” means:

- (a) the total loss or destruction of, or damage to the whole, or substantially the whole, of an underlying asset relating to, the Sukuk Assets or any event or occurrence that renders the whole, or substantially the whole, of an underlying asset relating to, the Sukuk Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical; or
- (b) the expropriation, confiscation, attachment, sequestration or execution of any legal process in respect of the whole, or substantially the whole, of an underlying asset relating to the Sukuk Assets.

“**Total Loss Shortfall Amount**” has the meaning given to it in Condition 5(a) (*Transfer of Sukuk Assets*);

“**Transaction Account**” has the meaning given to it in Condition 5(d) (*Application of Proceeds – Transaction Account*);

“**Transfer Record Date**” has the meaning given to it in Condition 3 (*Register, Title and Transfers*);

“**Winding Up Proceeding**” has the meaning given to in Condition 11(f) (*Events of Default*); and

“**Withdrawn Amounts**” has the meaning given to it in Condition 5(c) (*Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes*).

Without prejudice to its status for any other purpose, a Sukuk shall be considered to be “**current**” unless it has been dissolved pursuant to Condition 10 (*Dissolution of the Sukuk*), purchased under Condition 8 (*Purchase of Sukuk*) or redeemed under Condition 11 (*Exercise Events*) and in each case cancelled in accordance with Condition 8(b) (*Cancellation*), provided, however, that, for the purposes of: (i) ascertaining the right to attend and vote at any meeting of Sukukholders; (ii) Condition 14(a) (*Meetings of Sukukholders; Modification*) and Schedule 2 of the Declaration of Agency (*Provisions for Meetings of Sukukholders*); (iii) determining the Required Sukukholders for the purposes of Condition 11 (*Exercise*

Events); and (iv) Condition 12 (*Enforcement and Exercise of Rights*), those Sukuk (if any) which are for the time being held by any Person (including but not limited to any Subsidiary of the Issuer) for the benefit of the Issuer or any Subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to be current.

- 1.2 All references in these Conditions to an agreement, instrument or other document (including the Sukuk Assets Sale and Transfer Agreement, the Sukuk Assets Management Agreement, the Purchase Undertaking, the Sale Undertaking, the Sukuk Assets Substitution Undertaking, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Sukuk (including the Global Suk) and the Investor Application Form) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated.

## 2. Form and Denomination

The Sukuk are issued in dematerialised registered form in the denomination of SAR 100,000 (the “**Authorised Holding**”). The Sukuk will be collectively represented by the Global Suk which will be deposited with the Sukukholders’ Agent. Individual Sukuk representing holdings of the Global Suk will not be issued but Sukukholders will on request be entitled to receive a statement from the Registrar recording their holding of Sukuk. The Global Suk will represent all of the Sukuk that are current and the ownership by the Sukukholders of an undivided ownership interest in the Sukuk Assets.

## 3. Register, Title and Transfers

- (a) *Register:* The Registrar will maintain the Register in respect of the Sukuk in accordance with the provisions of the Registry Agreement. In these Conditions, a “**Sukukholder**” means the Person in whose name such Sukuk is for the time being registered in the Register (or, in the case of a joint holding, the first named). Only Qualified Persons may be registered as Sukukholders.
- (b) *Title:* Each Sukukholder shall (except as otherwise required by law) be treated as the absolute owner of such Sukuk for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).
- (c) *Transfers:* Subject to paragraphs (e) and (f) below, the Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar by delivering to the Registrar such information as such regulations and procedures shall require. Sukuk may not be transferred unless:
- (i) the Nominal Amount of Sukuk to be transferred together with any existing holding of Sukuk by the party acquiring the Sukuk to be transferred are Authorised Holdings;
  - (ii) where not all the Sukuk held by a Sukukholder are being transferred, the Nominal Amount of the balance of Sukuk not transferred is an Authorised Holding; and
  - (iii) the transferee is a Qualified Person.
- (d) *Transfer Charges:* The transfer of Sukuk will be subject to a charge by the Registrar in accordance with its schedule of charges in force for its services and all such charges shall be borne solely by the transferring Sukukholder and the transferee in accordance with the Registrar’s practice. For the avoidance of doubt, neither the Issuer nor the Sukukholders’ Agent shall be liable to pay any such charges imposed by the Registrar.

- (e) *Transfer Record Dates and Closed Periods:* Transfers of Sukuk effected during the period starting at the opening of business no less than five (5) Business Days prior to a due date for payment of any Periodic Distribution Amount, or any other principal or distribution in respect of the Sukuk or, if such a day is not a Business Day, on the immediately following Business Day (a “**Transfer Record Date**”), and ending on (and including) the applicable due date itself (each such period being a “**Closed Period**”) may only be registered after the expiry of the relevant Closed Period. The Registrar may after the Closing Date modify these Conditions insofar as they relate to the registration of transfers effected during Closed Periods by notice to the Issuer and the Sukukholders.
- (f) *Regulations concerning transfers and registration:* All transfers of Sukuk and entries on the Register are subject to the regulations and procedures of the Registrar and the provisions of the Registry Agreement. The regulations may be changed by the Registrar at any time.

#### 4. **Status; Limited Recourse**

- (a) *Status:* The Sukuk constitute undivided ownership interests in the Sukuk Assets and will at all times rank *pari passu* amongst themselves. The obligations of the Issuer in respect of the Sukuk are not secured. The Sukuk constitute unsubordinated obligations of the Issuer and, except as otherwise required by law, shall rank equally in right of payment to all other unsecured obligations of the Issuer (other than subordinated obligations, if any).
- (b) *Limited Recourse:* Proceeds from the Sukuk Assets, monies standing to the credit of the Reserve Account, the Withdrawn Amounts and payments by the Issuer pursuant to the Purchase Undertaking or the Sale Undertaking are the sole recourse of payments on the Sukuk.

Accordingly, except in relation to claims relating to amounts due from the Issuer under the Purchase Undertaking, the Sale Undertaking or any of the other Sukuk Documents or with respect to the Withdrawn Amounts, the Sukukholders will have no recourse to any assets of the Issuer, the Sukukholders’ Agent, the Payments Administrator, the Registrar or Lead Manager and Bookrunner or any of their respective affiliates in respect of any shortfall in the expected amounts from the Sukuk Assets.

Notwithstanding the above, the Issuer is obliged to make the payments under the relevant Sukuk Documents to which it is a party directly to the Payments Administrator (or in certain circumstances, the Sukukholders’ Agent) and the Sukukholders’ Agent (subject to it being indemnified to its satisfaction), as agent for and on behalf of the Sukukholders, will have direct recourse against the Issuer to recover payments due to the Payments Administrator or the Sukukholders’ Agent for the account of the Sukukholders, pursuant to such Sukuk Documents.

The net proceeds of the realisation of, or enforcement with respect to, the Sukuk Assets may not be sufficient to make all payments due in respect of the Sukuk. If, following distribution of such proceeds, there remains a shortfall in payments due under the Sukuk, then, except in the circumstances described in Conditions 11 (*Exercise Events*) and 12 (*Enforcement and Exercise of Rights*), no Sukukholder will have any claim against the Issuer (except in relation to claims relating to amounts due from the Issuer under the Purchase Undertaking, the Sale Undertaking or any of the other Sukuk Documents or with respect to the Withdrawn Amounts), or any of its affiliates or other assets in respect of such shortfall and any unsatisfied claims, and Sukukholders will not be able to petition for, or join any other Person in instituting

proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer, the Sukukholders' Agent, the Payments Administrator, the Registrar, the Lead Manager and Bookrunner or any of their affiliates as a consequence of such shortfall or otherwise.

## 5. Sukuk Assets

- (a) *Transfer of Sukuk Assets:* Pursuant to a sukuk assets sale and transfer agreement to be entered into between the Issuer and the Sukukholders' Agent on the Closing Date (the "**Sukuk Assets Sale and Transfer Agreement**"), upon payment of the proceeds of the sale of the Sukuk and subject to the other terms and conditions of the Sukuk Assets Sale and Transfer Agreement, the Issuer will transfer to the Sukukholders' Agent its ownership interests, rights, title, benefits and other entitlements in and to the Original *Ijara* Assets.

Pursuant to a sukuk assets management agreement to be entered into between the Sukuk Assets Manager and the Sukukholders' Agent on the Closing Date (the "**Sukuk Assets Management Agreement**"), the Sukuk Assets Manager undertakes to provide certain services with respect to the Sukuk Assets in return for the Sukuk Assets Management Administration Fee, including among others: (i) managing the Sukuk Assets; (ii) taking all reasonable acts required to ensure compliance by counterparties to the underlying contracts relating to the Sukuk Assets (iii) insuring, or procuring the insurance of, the underlying assets relating to the Sukuk Assets; and (iv) investing the Reinvestment Income in New *Ijara* Assets.

Pursuant to a sukuk assets substitution undertaking (the "**Sukuk Assets Substitution Undertaking**") to be dated on or about the Closing Date between the Issuer and the Sukukholders' Agent; (i) the Sukukholders' Agent will have the right, to the extent that the Sukuk Assets Manager has failed to comply with its obligations under the Sukuk Assets Management Agreement to use the Reinvestment Income to invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date and providing there has not been a Total Loss Event (as defined in the Conditions), to require the transfer on any substitution date ("**Substitution Date**") specified in a substitution notice ("**Substitution Notice**"), of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for the grant and transfer by the Issuer to the Sukukholders' Agent of New *Ijara* Assets; and (ii) the Issuer will have the right to require the Sukukholders' Agent to sell, transfer and convey, on any Substitution Date, all of the Sukukholders' Agent's ownership interests, rights, title, benefits and other entitlements in and to any of the Sukuk Assets to the Issuer, in consideration for which the Issuer will sell and transfer to the Sukukholders' Agent all its ownership interests, rights, title, benefits and other entitlements in and to New *Ijara* Assets. In each case, the Issuer will be obliged to certify that: (i) the value of the New *Ijara* Assets is equal to or greater than the value of the Sukuk Assets that are being substituted (the "**Substituted Ijara Assets**"); and (ii) following such substitution, the value of the Sukuk Assets is equal to, or more than, the value of the Sukuk Assets as at the Closing Date.

Upon the occurrence of a Total Loss Event, the Sukuk Assets Manager will be required to apply the proceeds of insurance payable in respect of the Total Loss Event or, if a Total Loss Event occurs and an amount (if any) less than the Insurance Coverage Amount is received by the Sukuk Assets Manager (the difference between the Insurance Coverage Amount and the amount received by the Sukuk Assets



Manager from the proceeds of the insurance being the “**Total Loss Shortfall Amount**”), the aggregate of the insurance proceeds payable in respect of the Total Loss Event and the Total Loss Shortfall Amount funded by the Sukuk Assets Manager in accordance with the terms of the Sukuk Assets Management Agreement (collectively the “**Insurance Proceeds**”), to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event. If the Insurance Proceeds have not been applied to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event, the Sukuk Assets Manager is required to apply the Insurance Proceeds as Net Income and credit such amounts to the Collection Account.

- (b) *Application of Proceeds – Net Income:* Pursuant to the Sukuk Assets Management Agreement, the Sukuk Assets Manager shall accumulate all monies (net of the Sukuk Assets Management Administration Fee and the Agency Fees) accruing under the Sukuk Assets (the “**Net Income**”).
- (i) Fifteen per cent. (15%) of the Net Income (the “**Retained Income**”) shall be credited when received to an account to be maintained by the Sukuk Assets Manager in its books for and on behalf of the Sukukholders (the “**Collection Account**”) from which the Periodic Distribution Amounts (together with any Partial Periodic Distribution Amount) under the Sukuk will be paid by the Sukuk Assets Manager in accordance with Condition 5(d) (*Application of Proceeds - Transaction Account*) below.
- (ii) Eighty five per cent. (85%) of the Net Income (the “**Reinvestment Income**”) shall be applied by the Sukuk Assets Manager to: (i) invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying *ijara* contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date; and (ii) to the extent not applied to (i) above, credit any excess Reinvestment Income to the Collection Account.

If the Retained Income received under the Sukuk Assets in any Periodic Distribution Period, together with any Reinvestment Income which has been credited to the Collection Account in accordance with Condition 5(b)(ii), exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Assets Manager as a reserve (the “**Reserve**”). The Reserve shall be recorded by the Sukuk Assets Manager through a book-entry notional account (the “**Reserve Account**”) and will not be maintained in a separate defined bank account. The Reserve Account is held for the benefit of the Sukukholders.

- (c) *Application of Proceeds –Collection Account, Withdrawn Amounts and Order Notes:*
- (i) So long as no Event of Default has occurred and is continuing and the Sukuk Asset Manager has complied with all its obligations under the terms of the Sukuk Documents (including its obligations to invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date), the Sukuk Assets Manager may withdraw any amounts standing to the credit of the Reserve Account from time to time (the amounts so withdrawn the “**Withdrawn Amounts**”). The Withdrawn Amounts are for the Sukuk Assets Manager’s own account and may be used by the Sukuk Assets Manager for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Sukuk Assets Manager. The Withdrawn Amounts shall be owed as a debt to the Sukukholders’ Agent (acting for and on behalf of the

Sukukholders) and shall be repayable from the Sukuk Assets Manager's own funds on demand to meet the amounts owing and due under the Sukuk. The Sukuk Assets Manager may record the Reserve as a liability of the Sukuk Assets Manager.

- (ii) If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date, the Tax Redemption Date or the Event of Default Date is greater than the aggregate amount standing to the credit of the Collection Account and the Reserve Account, the Sukuk Assets Manager shall on or prior to 11:00 am (Riyadh time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Reserve Account either (x) the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or (y) the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Reserve Account, whichever is the lesser.
- (iii) The Sukuk Assets Manager shall deliver to the Sukukholders' Agent on the Closing Date order notes substantially in the form set forth in schedule 1 (*Form of Order Note*) of the Sukuk Assets Management Agreement (each an "**Order Note**") in respect of the expected Withdrawn Amounts for the eleven (11) month period immediately following the Closing Date (the **First Order Note Period**) and as agreed with the Sukukholders' Agent. For each successive eleven (11) month period immediately following the First Order Note Period (together with the First Order Note Period, each an **Order Note Period**), the Sukuk Assets Manager will deliver replacement Order Notes to the Sukukholders' Agent in respect of the expected Withdrawn Amounts for such Order Note Period and as agreed with the Sukukholders' Agent. Such replacement Order Notes will be delivered to the Sukukholders' Agent by the end of each Order Note Period, and in substitution for the Order Notes held by the Sukukholders' Agent in respect of that Order Note Period, and the Sukukholders' Agent shall destroy any Order Note so substituted (including any Order Note held by the Sukukholders' Agent on the day immediately following the redemption in full of the Sukuk).

Each Order Note shall evidence the relevant debt owed to the Sukukholders' Agent for the Withdrawn Amounts and not be deemed to be any guarantee of any obligations of the Issuer with respect to any Periodic Distribution Amount, any Partial Periodic Distribution Amount, the Total Loss Shortfall Amount or the Purchase Price. The Sukukholders' Agent shall hold each Order Note on behalf of the Sukukholders and each Order Note constitutes direct, unconditional and irrevocable obligations of the Sukuk Assets Manager, subject to the terms of the Sukuk Documents.

The delivery to the Sukukholders' Agent of each Order Note shall not limit, restrict, prejudice or otherwise affect in any way or to any extent the obligations of the Issuer or the Sukuk Assets Manager under the Sukuk Documents.

The Sukukholders' Agent shall not present any Order Note for payment or permit the presentation thereof to any person other than to the Negotiable Instruments Committee in the Kingdom. Order Notes may also only be presented for payment in respect of a claim for an amount no greater than the amounts which are then due and payable by the Issuer under the Sukuk and in the event any greater amount is awarded by the Negotiable Instruments Committee, the Sukukholders' Agent undertakes to pay any amount in excess of the amount due and payable under the Sukuk to the Issuer.

- (d) *Application of Proceeds – Transaction Account:*
- (i) On or prior to 11:00 am (Riyadh time) one (1) Business Day prior to each Periodic Distribution Date, the Sukuk Assets Manager shall pay to the account maintained by the Sukukholders’ Agent with the Payments Administrator for the payment of amounts due and owing on the Sukuk (the “**Transaction Account**”) from the monies (if any) standing to the credit of the Collection Account and the Reserve Account the following amounts:
    - (A) the aggregate amount of any shortfall between the amounts paid to Sukukholders on any previous Periodic Distribution Date(s) and the corresponding Periodic Distribution Amount(s) for such date(s) (each, a “**Shortfall**”) to the extent these remain unpaid; and
    - (B) the amount due for the current Periodic Distribution Period,
 which amounts shall be paid in the above order of priority.
  - (ii) On or prior to 11:00 am (Riyadh time) one (1) Business Day prior to the Expiry Date, the Tax Redemption Date or the Event of Default Date, the Issuer shall pay the Purchase Price and, in addition, in the case of an Event of Default Date, the Sukuk Assets Manager shall pay from the monies (if any) standing to the credit of the Collection Account and the Reserve Account the Partial Periodic Distribution Amount, in each case into the Transaction Account.
  - (iii) Upon dissolution of the Sukuk as specified in Condition 10 (*Dissolution of the Sukuk*), the Sukuk Assets Manager shall receive the balance of the Reserve (if any) for its own account as a sukuk administration management incentive fee.

## 6. Covenants and Undertakings

### *Financial Covenants and Undertakings*

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise with respect to (collectively, “*incur*”) any Relevant Indebtedness, *provided*, however, that the Issuer or any of its Subsidiaries may incur Relevant Indebtedness if:
  - (i) no Event of Default has occurred or is continuing (or would occur as a result of the incurrence of such Indebtedness);
  - (ii) the Issuer and each of its Subsidiaries are in compliance with the covenants and undertakings contained in this Condition 6 (*Covenants and Undertakings*) and will not, as a result of incurring such indebtedness, be in breach any such covenants or undertakings.
- (b) The Issuer shall not, and the Issuer shall procure that none of its Subsidiaries shall:
  - (i) create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness or Guarantee of Indebtedness, without at the same time or prior thereto securing equally and rateably with such Security Interest the

obligations of the Issuer to the Sukukholders' Agent (for and on behalf of the Sukukholders) under the Declaration of Agency and the Sukuk or providing such other security for those obligations as may be approved by an Extraordinary Resolution;

- (ii) use the proceeds of the issue the Sukuk for any purpose other than as set out in the Prospectus; and
  - (iii) declare, pay or make any cash distribution, unless: (a) the aggregate amount of any cash distribution(s) in any financial year would not exceed one hundred per cent. (100%) of net come of the Issuer or Subsidiary (as applicable) during such financial year; and (b) at the time of such payment no Event of Default is outstanding or would occur as a result of the payment of such distribution.
- (c) The Issuer shall ensure that its:
- (i) Tangible Net Worth is not less than SAR 340 million at any time; and
  - (ii) Indebtedness shall not at any time exceed 3.5x its Tangible Net Worth.

#### *Sukuk Assets Covenants and Undertakings*

- (d) The Issuer shall ensure that the Reinvestment Income shall be applied to substitute any Substituted *Ijara* Assets with New *Ijara* Assets to ensure that the value of the Sukuk Assets is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date.

#### *Information Covenants and Undertakings*

- (e) The Issuer shall prepare and deliver to the Sukukholders' Agent for each month up to and including the Expiry Date a report from its senior management setting out the Sukuk Assets, including without limitation, a list of any New *Ijara* Assets which have replaced any Substituted *Ijara* Assets pursuant to the Sukuk Assets Substitution Undertaking (a "**Portfolio Report**"). Each Portfolio Report shall be delivered by the Issuer as soon as practicable and, in any event, within fifteen (15) days of the 15<sup>th</sup> day of each month;
- (f) The Issuer shall supply to Sukukholders' Agent:
- (i) as soon as the same become available, but in any event within ninety (90) days after the end of each financial year, its audited financial statements for that financial year; and
  - (ii) as soon as the same become available, but in any event within forty-five (45) days after the end of each financial quarter, its unaudited quarterly financial statements for that financial quarter.

## **7. Periodic Distributions**

- (a) Periodic Distribution Dates: Subject to Condition 5(b) (Application of Proceeds – Net Income), Condition 5(c) (Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes) and Condition 5(d) (Application of Proceeds – Transaction Account) and Condition 9 (Payments), the Issuer shall instruct the Payments Administrator to distribute to the Sukukholders pro rata a distribution in relation to the Sukuk on each Periodic Distribution Date equal to the applicable

Periodic Distribution Amount. If any Periodic Distribution Date is not a Business Day as defined in the Conditions, the Periodic Distribution Date will be the next Business Day, unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be the immediately preceding Business Day.

In these Conditions:

“**Periodic Distribution Amount**” means, for each Periodic Distribution Period, an amount calculated as follows:

$$\frac{P \times (S + M) \times D}{360}$$

where

P = the aggregate Nominal Amount of such Sukuk as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period;

D = the actual number of days in such Periodic Distribution Period;

S = SIBOR for such Periodic Distribution Period; and

M = the Margin.

(b) *Saudi Interbank Offered Rate (SIBOR)*: The Saudi Interbank Offered Rate (SIBOR) for each Periodic Distribution Period shall be determined by or on behalf of the Payments Administrator on the following basis:

(i) the Payments Administrator will determine the rate for deposits in Saudi Riyals for a period equal to the relevant Periodic Distribution Period which appears on the Reuters Screen SUAA Page across from the caption “AVG” (or such other page as may replace that page on that service, or such other service as may be nominated by the Payments Administrator as the information vendor for the purpose of displaying comparable rates) as of 11:00 am (Riyadh time) on the second Business Day before the first day of the relevant Periodic Distribution Period (the “**Periodic Determination Date**”); or

(ii) if such rate does not appear on that page, the Payments Administrator will:

(A) request the principal office in the Kingdom of each of Samba Financial Group, The Saudi British Bank, The National Commercial Bank and Riyad Bank or any substitute reference bank in the Saudi interbank market appointed by the Payments Administrator, to provide a quotation of the rate at which deposits in Saudi Riyals are offered by it in the Saudi interbank market at approximately 11:00 am (Riyadh time) on the Periodic Determination Date to prime banks in the Saudi interbank market for a period equal to the relevant Periodic Distribution Period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of such quotations where two or more quotations are available,

and SIBOR shall be the rate or (as the case may be) the arithmetic mean so determined; *provided*, however, that if the Payments Administrator is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Periodic Distribution Period, the Saudi Interbank Benchmark Offered Rate (SIBOR) applicable to the Sukuk during such Periodic Distribution Period will be the Saudi Interbank Benchmark Offered Rate (SIBOR) or (as the case may be) arithmetic mean last so determined in relation to the Sukuk in respect of the most recent preceding Periodic Distribution Period.

(c) *Publication*: The Payments Administrator will cause the Saudi Interbank Benchmark Offered Rate (SIBOR) and the Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, to be notified to the Issuer, the Sukukholders' Agent and the Registrar, as soon as practicable after such determination, but in any event not later than the first day of the relevant Periodic Distribution Period. Notice thereof shall also promptly be given to the Sukukholders. The Payments Administrator will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Periodic Distribution Period.

(d) *Cessation of Accrual*: No further amounts shall be payable on any Sukuk from and including its due date for redemption unless, upon due presentation, payment in respect of the Sukuk is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event such amounts payable on the Sukuk shall continue to be due and payable and the Issuer shall have an obligation to pay the Late Payment Amount on such delayed payments to a charity chosen by the Sukukholders' Agent.

(e) *Notifications*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Periodic Distributions*) by the Payments Administrator will (in the absence of manifest error) be binding on the Issuer, the Sukukholders' Agent and the Sukukholders and (subject as aforesaid) no liability to any such Person will attach to the Payments Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **8. Purchase of Sukuk**

(a) *Purchase*: The Issuer may at any time purchase Sukuk in the open market or otherwise and at any price agreed between the Sukukholder and the Issuer.

(b) *Cancellation*: If any Sukuk are so purchased by the Issuer such Sukuk shall be cancelled and may not be reissued or resold.

(c) *Purchase at the option of the Sukukholders*: The Sukukholders may request the Issuer to purchase the Sukuk upon the occurrence of an Exercise Event as set out in Condition 11 (*Exercise Events*).

## **9. Payments**

(a) *General*: Payments under the Sukuk shall be made by wire transfer to a Saudi Riyal account maintained by the payee with a bank in the Kingdom as notified in writing to the Registrar and the Payments Administrator not later than 11:00 am (Riyadh time) one (1) Business Day prior to the date of the relevant payment.

(b) *Payments subject to Applicable Laws*: All payments in respect of the Sukuk are subject in all cases to any applicable fiscal or other laws and regulations in the place of

payment. Except as provided in Condition 15 (*Taxation*), no deductions or expenses shall be charged to the Sukukholders in respect of such payments.

(c) *Payments on Business Days*: Payment instructions will be initiated for value on the due date, or, if the due date is not a Business Day, the next day which is a Business Day, unless such date would thereby fall into the next calendar month, in which event payment instructions will be initiated for value on the immediately preceding Business Day. A Sukukholder shall not be entitled to any distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.

(d) *Transfer Record Date*: Each payment in respect of the Sukuk will be made to the Person shown as the Sukukholder in the Register at the opening of business in the place of the Registrar's specified office on the Transfer Record Date.

## **10. Dissolution of the Sukuk**

### **10.1 Scheduled Dissolution**

Unless previously redeemed, or purchased and cancelled, the Sukuk shall be redeemed on the earlier of:

- (a) the Expiry Date; and
- (b) an Event of Default Date,

in each case following which the Issuer has purchased all of the Sukuk Assets pursuant to the Purchase Undertaking and all the Sukuk have been purchased by the Issuer and cancelled.

### **10.2 Dissolution for Tax Reasons**

The Sukuk may be redeemed at the option of the Issuer in whole, but not in part, on any Periodic Distribution Date (the "**Tax Redemption Date**") on giving not less than thirty (30) days' notice nor more than sixty (60) days' notice (a "**Tax Redemption Notice**") to the Sukukholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), pursuant to the Sale Undertaking, if it is determined that a Tax Event occurs, where "**Tax Event**" means:

- (a) the Issuer has or will become obliged to pay additional amounts as provided for, or referred to in Condition 15 (*Taxation*) as result of any change in, or amendment to, the laws or regulations of the Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Closing Date; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided however*, that no Tax Redemption Notice shall be given earlier than sixty (60) days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if payment of such additional amounts in respect of the Sukuk were then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition 10.2 (*Dissolution for Tax Reasons*), the Issuer shall obtain and make available to the Sukukholders for inspection at its principal office during business hours: (i) a certificate signed by two (2) directors of the Issuer stating that the Issuer is entitled to effect such redemption and stating

that the conditions to the redemption of the Sukuk set out in this Condition 10.2 (*Dissolution for Tax Reasons*) have been met; and (ii) an opinion of an independent tax adviser of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any Tax Redemption Notice as is referred to in this Condition 10.2 (*Dissolution for Tax Reasons*), the Issuer shall be bound to redeem the Sukuk in accordance with this Condition 10.2 (*Dissolution for Tax Reasons*).

## **11. Exercise Events**

### **11.1 Expiry Date**

(a) Thirty (30) days prior to the Expiry Date the Sukukholders' Agent shall give a notice in the form set out in the Purchase Undertaking requiring the Issuer to purchase the Sukuk Assets (an "**Exercise Notice**") on the Expiry Date.

(b) Following receipt of the Exercise Notice, the Issuer shall, pursuant to the Purchase Undertaking, purchase the Sukuk Assets by payment of the Purchase Price in accordance with the terms of Condition 5(d) (*Sukuk Assets – Application of Proceeds – Transaction Account*). The Purchase Price and any Periodic Distribution Amount payable by the Payment Administrator on the Expiry Date shall be payable to such person as is registered as the Sukukholder on the opening of business on the relevant Transfer Record Date in accordance with Condition 3(e) (*Transfer Record Dates and Closed Periods*).

### **11.2 Events of Default**

Each of the following events and circumstances constitutes an "**Event of Default**":

(a) *Default resulting in non-payment of Periodic Distribution Amount*: the amount distributed to Sukukholders on any Periodic Distribution Date in accordance with Condition 5(b) (*Application of Proceeds – Net Income*) is less than the Periodic Distribution Amount for such Periodic Distribution Date and such shortfall in amounts has not been paid in full three (3) Business Days days after its due date and occurs as a direct result of the Issuer's default or negligence in performing its obligations under the Sukuk Documents; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Sukuk Documents and (except in any case where the failure is incapable of remedy where no continuation or notice as is hereunder mentioned will be required) such default remains unremedied for thirty (30) days after written notice thereof, addressed to the Issuer by any Sukukholder and/or the Sukukholders' Agent, has been delivered to the Issuer; or

(c) *Cross-default of Issuer*:

(i) an event of default or any provision having a similar effect (howsoever described) occurs and is continuing under any Indebtedness of the Issuer;

(ii) any Indebtedness of the Issuer becomes due and payable prior to its stated maturity as a result of an acceleration event (howsoever described) following an event of default; or

(iii) any of the Issuer's creditors exercise any or all of their rights, remedies, powers or discretions under any Security Interest granted to them following an event of default (including, without limitation, instructing the relevant account bank(s) to cease to comply with instructions from the Issuer and instead requiring the relevant



account bank(s) to comply with the instructions of the creditors from time to time in relation to such accounts); or

(iv) the Issuer fails to pay any amount payable by it under any Guarantee of any Indebtedness within any applicable grace period;

*provided* that the amount of Indebtedness referred to in sub-paragraph (ii) and/or sub-paragraph (iii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iv) above, individually or in the aggregate, exceeds SAR 75,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of SAR 75,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of thirty (30) days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Insolvency*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed over the whole or at least twenty-five per cent. (25%) of the undertaking, assets and revenues of the Issuer (or application for any such appointment is made) and such appointment is not discharged within twenty-eight (28) days, (iii) the Issuer makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent which is approved by an Extraordinary Resolution); or

(f) *Winding up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent which is approved by an Extraordinary Resolution (any such event, a “**Winding Up Proceeding**”)); or

(g) *Analogous event*: any event occurs under the laws, regulations or rules of the Kingdom which has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (f) (*Winding up of the Issuer*) above; or

(h) *Failure to take action*: any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk or the Sukuk Documents; and (ii) to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done;

(i) *Unlawfulness*: it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Sukuk or the Sukuk Assets or any of the Sukuk Documents are held by a court not to be legally effective, or the Issuer repudiates or evidences an intention to repudiate any of the Sukuk Documents; or

(j) *Ownership*; ORIX Corporation Japan and The Saudi Investment Bank cease to own (directly or indirectly) in aggregate fifty one per cent. (51%) of the shareholding in the Issuer (as of the Closing Date), provided that no Event of Default shall occur with respect to a Qualified IPO; or

(k) *Technical Assistance Agreement*; the Technical Assistance Agreement is cancelled, suspended, withdrawn, repudiated, revoked or otherwise terminated or does not remain in full force and effect or otherwise lapses.

If an Event of Default occurs and is continuing, the Sukukholders' Agent will as soon as is reasonably practicable after it receives notice thereof give notice of the occurrence of such Event of Default to the Sukukholders requiring them to indicate within a period of fifteen (15) days, or such other date as is notified to the Sukukholders by the Sukukholders' Agent, (the "**Exercise Period**") if they wish to exercise their rights under the Purchase Undertaking. Any Sukukholder may then deliver a notice within such Exercise Period to the Sukukholders' Agent declaring the Sukuk held by it to be purchasable (an "**Event of Default Notice**").

The Sukuk in respect of which an Event of Default Notice is delivered may not be transferred until after the expiry of the Exercise Period, other than to the extent purchased by the Issuer during such Exercise Period in accordance with the Conditions. If the Sukukholders' Agent receives an Event of Default Notice, the Sukukholders' Agent shall promptly give notice to the Issuer and the Payments Administrator that such an Event of Default Notice has been received, specifying the Event of Default referred to therein (but so that such notice shall only be given in relation to the first Event of Default Notice received in respect of any Event of Default).

If the Sukukholders' Agent receives Event of Default Notices from the Required Sukukholders within the Exercise Period, then the Sukukholders' Agent shall promptly deliver to the Issuer an exercise notice (the "**Exercise Notice**") so notifying the Issuer (with a copy to the Sukukholders) and, *provided* that the Event of Default in respect of such Exercise Notice is continuing, the Issuer shall, pursuant to the Purchase Undertaking, immediately purchase the Sukuk Assets by payment of the Purchase Price as of the date on which Event of Default Notices from the Sukukholders were first received (the "**Event of Default Date**"), together with payment of the Partial Periodic Distribution Amount, calculated as of the date of such purchase.

## **12. Enforcement and Exercise of Rights**

(a) Following the distribution of the proceeds of the Sukuk Assets in respect of the Sukuk to the Sukukholders in accordance with these Conditions and the Declaration of Agency, the Sukukholders' Agent shall not be liable for any further sums, and accordingly no Sukukholder may take any action against the Sukukholders' Agent or any other Person to recover any such sum in respect of the Sukuk or the Sukuk Assets.

(b) The Sukukholders' Agent shall not be bound in any circumstances to take any action to enforce or to realise the Sukuk Assets or to take any action against the Issuer under any Sukuk Document to which the Issuer is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Required Sukukholders and in either case then only if it shall be indemnified and/or secured to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

(c) No Sukukholder shall be entitled to proceed directly against the Issuer unless (i) the Sukukholders' Agent, having become bound so to proceed, fails to do so within sixty (60) days of becoming so bound and such failure is continuing; and (ii) the relevant Sukukholder (or such Sukukholder together with the other Sukukholders who propose to proceed directly against the Issuer) holds at least twenty-five per cent. (25%) of the aggregate Nominal Amount of the Sukuk then current on such date. Under no circumstances shall the Sukukholders' Agent or any Sukukholders have any right to cause the sale or other disposition of any of the Sukuk Assets except pursuant to the Purchase Undertaking, and the sole right of the Sukukholders' Agent and Sukukholders against the Issuer shall be to enforce the obligation of the Issuer to pay the amounts to the credit of, or required to be credited to, the

Collection Account and the Reserve Account. For the avoidance of doubt, the Sukukholders' Agent shall not be bound to act or proceed unless it has been indemnified to its satisfaction.

(d) To the extent permitted under applicable laws and regulations, written resolution signed by or on behalf of the Sukukholders of not less than two-thirds of the aggregate Nominal Amount of the Sukuk as are current of such date shall be valid and effective as a duly passed Extraordinary Resolution.

(e) The foregoing paragraphs in this Condition 12 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After distributing the net proceeds of the Sukuk Assets in accordance with Condition 5(b) (*Application of Proceeds – Net Income*) and Condition 5(c) (*Application of Proceeds – Reserve*), the obligations of the Sukukholders' Agent in respect of the Sukuk shall be satisfied and no Sukukholder may take any further steps against the Sukukholders' Agent to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. Without prejudice to any liability that the Issuer may have under the Purchase Undertaking, no Sukukholder shall be entitled to petition or to take any other steps against the Issuer or the Sukukholders' Agent in respect of the Sukuk or the Sukuk Assets.

Notwithstanding any other provision of the Sukuk Documents and these Conditions, the Issuer shall have no liability to any Sukukholder or to the Sukukholders' Agent for any default or negligence, or alleged default or negligence, in the performance of its obligations under the Sukuk Assets Management Agreement and/or the Declaration of Agency so long as the Issuer (or any person on its behalf) transfers into the Transaction Account the full amount of any Periodic Distribution Amount payable to the Sukukholders on the due date in accordance with these Conditions, and upon such payment being made no Event of Default will be deemed to have occurred.

### **13. Agents**

In acting under the Payments Administration Agreement and in connection with the Sukuk, the Payments Administrator acts as agent of the Issuer and does not assume any obligations towards or relationship of agency for or with any of the Sukukholders. The Payments Administrator and its initial specified office are set out in the section "Parties and Advisers" of the Prospectus. The Issuer reserves the right at any time to vary or terminate the appointment of the Payments Administrator and to appoint a successor Payments Administrator; provided, however, that the Issuer shall at all times maintain a Payments Administrator in the Kingdom. Notice of any change of the Payments Administrator or in its specified office shall promptly be given to the Sukukholders.

### **14. Meetings of Sukukholders; Modification**

- (a) *Meetings of Sukukholders:* The Declaration of Agency contains provisions for convening meetings of Sukukholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Sukuk, these Conditions or any relevant provision of the Declaration of Agency which is also approved by the Issuer. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Sukukholders holding not less than one-tenth of the aggregate Nominal Amount of such of the Sukuk as are current as of such date. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing at least half of the aggregate Nominal Amount of such of the Sukuk as are current as of such date or, at any adjourned meeting, one-quarter of the aggregate Nominal Amount of such of the Sukuk as are current as of such date.

An Extraordinary Resolution requires the affirmative vote of at least one more Sukukholder than half of those represented in the relevant meeting in order for it to be passed. Any

Extraordinary Resolution duly passed at any such meeting shall be binding on all Sukukholders, whether present or not. The Declaration of Agency provides that a written resolution signed by or on behalf of the holders of not less than two-thirds of the aggregate Nominal Amount of the Sukuk as are current as of such date shall be valid and effective as a duly passed Extraordinary Resolution.

(b) *Modification:* The Declaration of Agency provides that the Sukukholders' Agent may agree, without the consent of the Sukukholders, to any modification (subject to certain exceptions as provided in the Declaration of Agency) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Agency, or may determine that an Event of Default, shall not be treated as such which in any such case, in the opinion of the Sukukholders' Agent, is not materially prejudicial to the interests of the Sukukholders or to any modification of any of these Conditions or any of the provisions of the Declaration of Agency which is (in the opinion of the Sukukholders' Agent) of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Sukukholders and, unless the Sukukholders' Agent agrees otherwise, any such modification shall be notified to the Sukukholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

In connection with the exercise by it of any of its powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Sukukholders' Agent shall have regard to the interests of the Sukukholders as a class and, in particular, but without limitation, need not have regard to the consequences of such exercise for individual Sukukholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Sukukholders' Agent shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Issuer or any other Person any indemnification or payment in respect of any Tax consequence of any such exercise upon individual Sukukholders.

## **15. Taxation**

All payments or distributions in respect of the Sukuk by or on behalf of the Issuer to the Sukukholders shall be made free and clear of, and without deduction for or on account of, any withholding tax unless the deduction of such withholding tax is required by the applicable laws. In that event, but only to the extent that such amounts are otherwise available for distribution to the Sukukholders from the Net Income or amounts standing to the credit of the Reserve, the Issuer shall pay such additional amounts (the "**Tax Amount**") as would result in the receipt by the Sukukholders of such amounts as would have been received if no such deduction of withholding tax had been required. If such amounts are insufficient to pay the Tax Amount, no further amounts shall be payable to the Sukukholders. References herein to the Periodic Distribution Amount and any other amounts payable to the Sukukholders, shall include any additional amounts so payable pursuant to this Condition 15 (*Taxation*). No additional amounts will be payable to Sukukholders under this Condition 15 (*Taxation*) in respect of any zakat obligations of a Sukukholder for which Sukukholders are themselves responsible.

## **16. Indemnification, Liability and Removal of the Sukukholders' Agent**

(a) The Declaration of Agency contains provisions for the indemnification of the Sukukholders' Agent in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Sukuk Assets. The Sukukholders' Agent shall in no circumstances take any action unless directed to

do so in accordance with Condition 12 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured to its satisfaction.

(b) The Sukukholders' Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under any Sukuk Document to which the Issuer is a party and shall not under any circumstances have any liability or be obliged to account to the Sukukholders in respect of any payment which should have been made by the Issuer or on its behalf, but is not so made, and shall not in any circumstances have any liability arising from the Sukuk Assets other than as expressly provided in these Conditions or in the Declaration of Agency.

(c) The Sukukholders' Agent is excepted from: (i) any liability in respect of any loss or theft of the Sukuk Assets or any cash; (ii) any obligation to insure the Sukuk Assets or any cash and; (iii) any claim arising from the fact that the Sukuk Assets or any cash are held by or on behalf of the Sukukholders' Agent or on deposit, unless such loss or theft arises as a result of gross negligence, wilful default or fraud of the Sukukholders' Agent.

(d) The Sukukholders may, by way of Extraordinary Resolution, revoke its appointment of the Sukukholders' Agent by not less than thirty (30) days' notice to the Sukukholders' Agent; provided, however, that such revocation shall not take effect until a successor has been duly appointed in accordance with the Declaration of Agency.

#### **17. Notices**

Notices to the Sukukholders will be sent to them by registered mail to their respective addresses on the Register. Any such notice shall be deemed to have been given on the fifth day after the date of mailing. In addition, notices of any meetings of Sukukholders shall be published in the Official Gazette and in a daily newspaper with circulation in the locality of the Issuer's head office at least twenty-five (25) days prior to the date set for the initial meeting and at least thirty (30) days prior to the date set for any adjourned meeting.

#### **18. Governing Law and Jurisdiction**

(a) *Governing law:* The Sukuk Documents and the Sukuk are governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom.

(b) *Jurisdiction:* The Committee and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk or the Sukuk Documents and, for such purposes, all relevant parties (including, the Issuer and the Sukukholders) irrevocably submit to the jurisdiction of the Committee and the Appeal Panel. No suit, action or proceedings which may arise out of or in connection with the Sukuk or the Sukuk Documents may be filed or brought outside the Kingdom and no court or any judicial authority outside the Kingdom shall have jurisdiction to hear any such claim.

## SUMMARY OF THE SUKUK DOCUMENTS

*The following is a summary of certain key provisions of the Sukuk Assets Sale and Transfer Agreement, the Sukuk Assets Management Agreement, the Purchase Undertaking, the Sukuk Assets Substitution Undertaking and the Sale Undertaking.*

*This summary is for information purposes only and is not intended to be (nor should it be construed as being) all inclusive. Prospective Sukukholders should note that this summary is not a substitute for reviewing the relevant Sukuk Documents in full, which are available for inspection during normal business hours at the specified offices of each of Saudi ORIX and the Sukukholders' Agent. Prospective Sukukholders are reminded that pursuant to the Conditions, all Sukukholders are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents.*

### **Sukuk Assets Sale and Transfer Agreement**

Saudi ORIX, in its capacity as issuer, and the Sukukholders' Agent will enter into a Sukuk Assets Sale and Transfer Agreement on or prior to the Closing Date, pursuant to which Saudi ORIX will agree to sell and transfer, on the Closing Date (free and clear of any encumbrance created or granted by Saudi ORIX), its ownership interests, rights, title and other entitlements in and to the Original *Ijara* Assets, to the Sukukholders' Agent, for the benefit of the Sukukholders.

The sale and transfer of its ownership interests, rights, title and other entitlements in and to the Original *Ijara* Assets will not entitle any Sukukholder to (a) require Saudi ORIX to vary the terms of any *ijara* contracts entered into with any customers of Saudi ORIX relating to the Original *Ijara* Assets; (b) receive or request information of any kind whatsoever from Saudi ORIX about any customer of Saudi ORIX; (c) offer lease financing to any customers of Saudi ORIX or any other person other than through the Sukuk Assets Manager or in any other way interfere in the offering or provision of such lease financing by the Sukuk Assets Manager; (d) without prejudice to a Sukukholder's entitlement to receive the Periodic Distribution Amount, the Purchase Price, the Partial Periodic Distribution Amount (if any) and the Late Repayment Amount (if any) in accordance with the Conditions, receive or request any payment or other amounts from customers of Saudi ORIX; and/or (e) have any rights or claims against any customer of Saudi ORIX in relation to the Original *Ijara* Assets and payment (or non-payment) of any amounts from any customer of Saudi ORIX.

Saudi ORIX will be required to acknowledge in the Sukuk Assets Sale and Transfer Agreement that it has made certain representations and warranties in order to induce the Sukukholders' Agent (for and on behalf of the Sukukholders) to enter in to the Sukuk Assets Sale and Transfer Agreement and that the Sukukholders' Agent has not made, nor will make, any enquires in respect of, any customer of Saudi ORIX, the creditworthiness of any customer of Saudi ORIX, or the suitability of the Original *Ijara* Assets.

The representations and warranties given to the Sukukholders' Agent on the date of the Sukuk Assets Sale and Transfer Agreement (and deemed to be repeated on each date falling on or before the Closing Date) consist of representations and warranties by Saudi ORIX that:

- (a) it is a joint stock company, duly incorporated and validly existing under the laws of the Kingdom;
- (b) it has the full power and authority to own its assets and carry on its business as it is being conducted;
- (c) immediately prior to entering into the Sukuk Assets Sale and Transfer Agreement, it is the legal and beneficial owner of all ownership interests, rights, title and other entitlements in and to the Original *Ijara* Assets and has the requisite power and authority to sell and transfer such ownership interests, rights, title and other

entitlements in and to the Original *Ijara* Assets free from any Encumbrance created or granted by Saudi ORIX;

- (d) subject to the general principles of Saudi Arabian law described in the “Risk Factors” section of this Prospectus, the transactions contemplated by, and all obligations expressed to be assumed by it in the Sukuk Assets Sale and Transfer Agreement and any other Sukuk Documents to which it is a party constitute its legal, valid, binding and enforceable obligations;
- (e) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Sukuk Assets Sale and Transfer Agreement and the other Sukuk Documents to which it is a party and the transactions contemplated by those Sukuk Documents;
- (f) all Authorisations and other formalities required to lawfully enable it to execute, enter into and perform its obligations under the Sukuk Assets Sale and Transfer Agreement and any other Sukuk Document to which it is a party, have been obtained or effected and are in full force and effect;
- (g) the entry into and performance by it of and the transactions contemplated by the Sukuk Assets Sale and Transfer Agreement and the other Sukuk Documents to which it is a party, do not and will not conflict with: (i) any law or regulation applicable to it; (ii) its constitutional documents; and (iii) any agreement or instrument binding upon it or any of its assets;
- (h) save for translation into Arabic, any notarisation, legalisation and authentication, required to make the Sukuk Assets Sale and Transfer Agreement or any other Sukuk Document to which it is a party, admissible in evidence in the Kingdom, have been obtained or effected and are in full force and effect;
- (i) it is not required under the laws of the Kingdom to make any deduction for or on account of any Taxes from any payment it may make under the Sukuk Assets Sale and Transfer Agreement nor is it necessary that any stamp, registration or similar tax be paid on or in relation to the Sukuk Assets Sale and Transfer Agreement or the transactions contemplated by the Sukuk Assets Sale and Transfer Agreement;
- (j) no Event of Default has occurred or is continuing;
- (k) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed) it irrevocably agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction;
- (l) the value of the Original *Ijara* Assets (as determined by reference to an internal management valuation conducted by Saudi ORIX in accordance with prevailing market practice at the relevant time) is equal to, or more than, one hundred and twenty per cent. (120%) of the aggregate Nominal Amount of Sukuk;
- (m) it has paid any and all Taxes, fees and any other liabilities (if any) due or payable in connection with the Original *Ijara* Assets; and
- (n) there are no litigation, arbitration or administrative proceedings of or before any court, arbitral body, governmental authority or agency pending or to the knowledge of Saudi ORIX threatened against Saudi ORIX or the properties and assets of Saudi

ORIX which would enjoin or restrain the execution or performance of the Sukuk Assets Sale and Transfer Agreement or any other Sukuk Document to which Saudi ORIX is a party.

### **Sukuk Assets Management Agreement**

Saudi ORIX, in its capacity as Sukuk Assets Manager, and the Sukukholders' Agent will enter into the Sukuk Assets Management Agreement on or prior to the Closing Date, pursuant to which the Sukukholders' Agent (on behalf of the Sukukholders) will irrevocably engage Saudi ORIX to perform (or procure the performance of) the services and other duties set out in the Sukuk Assets Management Agreement and Saudi ORIX will agree to so act as manager in respect of the Sukuk Assets for and on behalf of the Sukukholders.

The Sukukholders' Agent (for and on behalf of the Sukukholders) will be required to acknowledge in the Sukuk Assets Management Agreement that Saudi ORIX has the expertise to manage the Sukuk Assets and irrevocably authorise Saudi ORIX to take such action on its behalf and to exercise such rights, remedies, powers and discretions as are delegated to the Sukuk Assets Manager by the Sukuk Assets Management Agreement, together with such rights, remedies, powers and discretions as are reasonably incidental thereto and authorises the Sukuk Assets Manager to hold the Sukuk Assets for and on behalf of the Sukukholders. Any action taken by Saudi ORIX in its capacity as the Sukuk Assets Manager under or in relation to the Sukuk Documents with requisite authority, or on the basis of appropriate instructions received from the Sukukholders's Agent shall be binding on the Sukukholders' Agent and the Sukukholders.

Saudi ORIX will be required to agree in the Sukuk Assets Management Agreement that, to the extent practicable, it will administer, perform and discharge the services and enforce or procure the enforcement of the Sukukholders' rights under the Sukuk Assets. In particular, it will perform (or procure the performance of) the following duties in respect of the Sukuk Assets as manager for and on behalf of the Sukukholders:

- (a) *Services*: provide all the services that the Sukuk Assets Manager is required to provide;
- (b) *Collections*: maintain appropriate collections procedures in relation to amounts falling due in respect of the *ijara* contracts relating to the Sukuk Assets,
- (c) *Net income administration*; ensure that all monies received by it in respect of the Sukuk Assets (net of the Sukuk Assets Management Administration Fee and the Agency Fees) are accumulated and recorded as Net Income and ensuring that the Retained Income shall be credited when received to the Collection Account from which the Periodic Distribution Amounts (together with any Partial Periodic Distribution Amount) under the Sukuk will be paid by the Sukuk Assets Manager in accordance with Condition 5(d) (Application of Proceeds - Transaction Account) and that the Reinvestment Income shall be applied to: (i) invest in New *Ijara* Assets to ensure that the value of the Sukuk Assets (following scheduled fixed rental repayments and any fixed rental prepayments under the underlying contracts relating to the Sukuk Assets) is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date; and (ii) to the extent not applied to (i) above, credit any excess Reinvestment Income to the Collection Account. If the Retained Income received under the Sukuk Assets in any Periodic Distribution Period, together with the any Reinvestment Income which has been credited to the Collection Account in accordance with (ii) above, exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Assets Manager as a reserve. The Reserve shall be recorded by the Sukuk Assets Manager through a book-entry notional account and will not be maintained in a separate defined bank account. The Reserve Account is held by Saudi ORIX for the benefit of the Sukukholders.



- (d) *Accounting and auditing*: ensure that the accounting books and income and expenses of the Sukuk Assets Manager are regularly recorded and that its accounts are prepared to the applicable generally accepted accounting principles and subject to an annual audit; and
- (e) *Regulatory and tax*: ensure that all regulatory, zakat and taxation requirements are met.

Under the Sukuk Assets Management Agreement, Saudi ORIX will be required to undertake that, in addition to the covenants and undertakings which have already been set out in Condition 6 (Covenants and Undertakings), it will:

- (a) devote to the performance of its obligations under the Sukuk Assets Management Agreement at least the same amount of time and attention, and exercise at least the same level of skill, care and diligence as it does in performing its own rights and obligations in relation to its business generally and, in particular, in relation to lease financing provided by it to other customers that are not the subject of this transaction and in a manner that is not repugnant to Islamic *Shari'ah*;
- (b) to the extent practicable, comply with any directions, orders and instructions which the Sukukholders' Agent, acting reasonably, may from time to time give to it in connection with the performance of its obligations under the Sukuk Assets Management Agreement;
- (c) keep full and adequate books and records relating to the Sukuk Assets in accordance with applicable laws and regulations; and
- (d) promptly notify the Sukukholders' Agent of any event or circumstance which may in the opinion of Saudi ORIX be likely to: (i) significantly affect the level of Net Income arising in relation to the Sukuk Assets in relation to any Periodic Distribution Period; or (ii) cause the Net Income received during the relevant Periodic Distribution Period (when aggregated with the amount of any Reserve) to fall below the Periodic Distribution Amount for such Periodic Distribution Period.

Saudi ORIX, in its capacity as Sukuk Assets Manager, will irrevocably undertake with the Sukukholders' Agent that it will be responsible for ensuring that the underlying assets relating to the Sukuk Assets are properly insured and shall ensure that the Ijara assets relating to the Sukuk Assets are insured against a Total Loss Event in an insured amount that is, at all times, at least equal to the Insurance Coverage Amount. Upon the occurrence of a Total Loss Event, the Sukuk Assets Manager will be required to apply the proceeds of insurance payable in respect of the Total Loss Event or, if a Total Loss Event occurs and an amount (if any) less than the Insurance Coverage Amount is received by the Sukuk Assets Manager, the aggregate of the insurance proceeds payable in respect of the Total Loss Event and the Total Loss Shortfall Amount funded by the Sukuk Assets Manager to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event. If the Insurance Proceeds have not been applied to reinstate or replace the underlying asset within thirty (30) days of the Total Loss Event, the Sukuk Assets Manager is required to apply the Insurance Proceeds as Net Income and credit such amounts to the Collection Account.

Under the terms of the Sukuk Assets Management Agreement, so long as no Event of Default has occurred and is continuing and the Sukuk Assets Manager has complied with all its obligations under Sukuk Assets Management Agreement and the other Sukuk Documents to which it is a party, the Sukuk Assets Manager may withdraw any amounts standing to the credit of the Reserve Account from time to time. The Withdrawn Amounts are for the Sukuk Assets Manager's own account and may be used by the Sukuk Assets Manager for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Sukuk Assets Manager. The Withdrawn Amounts shall be owed as a debt to the Sukukholders' Agent (acting for and on behalf of the

Sukukholders) and shall be repayable from the Sukuk Assets Manager's own funds on demand to meet the amounts owing and due under the Sukuk. The Sukuk Assets Manager may record the Reserve as a liability of the Sukuk Assets Manager.

If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date, the Tax Redemption Date or the Event of Default Date is greater than the aggregate amount standing to the credit of the Collection Account and the Reserve Account, the Sukuk Assets Manager shall on or prior to 11:00.am (Riyadh time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Reserve Account either (x) the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or (y) the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Reserve Account, whichever is the lesser.

Under the terms of the Sukuk Assets Management Agreement the Sukuk Assets Manager will be required to deliver to the Sukukholders' Agent on the Closing Date Order Notes in respect of the expected Withdrawn Amounts for the First Order Note Period. For each successive eleven (11) month period immediately following the First Order Note Period, the Sukuk Assets Manager will deliver replacement Order Notes to the Sukukholders' Agent in respect of the expected Withdrawn Amounts for such Order Note Period and as agreed with the Sukukholders' Agent. Such replacement Order Notes will be delivered to the Sukukholders' Agent by the end of each Order Note Period, and in substitution for the Order Notes held by the Sukukholders' Agent in respect of that Order Note Period, and the Sukukholders' Agent shall destroy any Order Note so substituted (including any Order Note held by the Sukukholders' Agent on the day immediately following the redemption in full of the Sukuk).

Each Order Note shall evidence the relevant debt owed to the Sukukholders' Agent for the Withdrawn Amounts and not be deemed to be any guarantee of any obligations of the Sukuk Assets Manager with respect to any Periodic Distribution Amount, any Partial Periodic Distribution Amount, the Total Loss Shortfall Amount or the Purchase Price. The Sukukholders' Agent shall hold each Order Note on behalf of the Sukukholders and each Order Note constitutes direct, unconditional and irrevocable obligations of the Sukuk Assets Manager, subject to the terms of the Sukuk Documents.

In consideration of Saudi ORIX acting as Sukuk Assets Manager, it shall be entitled to deduct and retain (for its own account) from monies received in respect of the Sukuk Assets, a fee equal to SAR1,000 per annum.

### **Sukuk Assets Substitution Undertaking**

The Sukukholders Agent will enter into an Sukuk Assets Substitution Undertaking for the benefit of Saudi ORIX, in its capacity as issuer on or about the Closing Date.

Under the terms of the Sukuk Assets Substitution Undertaking, the Sukukholders' Agent will grant to Saudi ORIX the right to require the Sukukholders' Agent to sell and transfer on any Substitution Date specified in a Substitution Notice, all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Substituted Ijara Assets in exchange for the grant and transfer by Saudi ORIX to the Sukukholders' Agent (for and on behalf of Sukukholders) of New Ijara Assets.

Saudi ORIX will also be required to grant to the Sukukholders' Agent (for and on behalf of the Sukukholders) the right, to the extent that the Saudi ORIX has failed to comply with its obligations under the Sukuk Assets Management Agreement to use the Reinvestment Income to invest in New Ijara Assets to ensure that the value of the Sukuk Assets is at all times equal to, or more than, the value of the Sukuk Assets as at the Closing Date and providing there has not been a Total Loss Event, to require the transfer on any Substitution Date specified in a Substitution Notice of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Substituted *Ijara* Assets in exchange for the grant and transfer by Saudi ORIX to the Sukukholders' Agent (for and on behalf of Sukukholders) of New *Ijara* Assets.

Saudi ORIX will be required, in the relevant Substitution Notice, to certify that the value of the New Lease Assets is equal to or greater than the value of the Substituted Ijara Assets. Saudi ORIX will also be required to certify that, following such substitution, the value of the Sukuk Assets will be equal to, or more than, the value of the Sukuk Assets as at the Closing Date.

The right to substitute the Substituted *Ijara* Assets may only be exercised within 15 days of the 15<sup>th</sup> day of each month, by Saudi ORIX delivering a Substitution Notice to the Sukukholders' Agent and specifying a Substitution Date which should not be less than five days after the date on which the Substitution Notice is given.

### **Purchase Undertaking**

Saudi ORIX, in its capacity as issuer, will enter into a Purchase Undertaking for the benefit of the Sukukholders' Agent on or about the Closing Date.

Under the terms of the Purchase Undertaking, Saudi ORIX will grant to the Sukukholders' Agent (for and on behalf of the Sukukholders) the right, providing there has not been a Total Loss Event, to require Saudi ORIX, on the Expiry Date, to purchase and accept the transfer of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for payment by Saudi ORIX of a specified Purchase Price.

Saudi ORIX will also grant to the Sukukholders' Agent (for and on behalf of the Sukukholders), the right, providing there has not been a Total Loss Event and provided further than an Event of Default has occurred and is continuing and the Sukukholders' Agent has given notice in accordance with Condition 11.2 (Events of Default) that the Sukuk are to be redeemed by Saudi ORIX, to require Saudi ORIX, at any time on prior to the Expiry Date, to purchase and accept the transfer on the Purchase Date of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for payment by Saudi ORIX of the Purchase Price specified in the Exercise Notice.

Saudi ORIX will be required to expressly declared that the Purchase Price represents fair and valuable consideration for the purchase of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets.

### **Sale Undertaking**

The Sukukholders' Agent will enter into a Sale Undertaking for the benefit of Saudi ORIX, in its capacity as issuer on or about the Closing Date.

Under the terms of the Sale Undertaking, the Sukukholders' Agent (for and on behalf of the Sukukholders) will grant to Saudi ORIX the right, providing there has not been a Total Loss Event, to require the Sukukholders Agent Date, to sell and transfer, on any Purchase Date specified in an Exercise Notice, all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets in exchange for payment by Saudi ORIX of the Purchase Price specified in the Exercise Notice. This right may only be exercised by Saudi ORIX following the occurrence of a Tax Event and satisfaction of the relevant conditions precedent.

Saudi ORIX will be required to declare in the Sale Undertaking that the Purchase Price represents fair and valuable consideration for the purchase of all of the Sukukholders' Agent's ownership interests, rights, title and other entitlements in and to the Sukuk Assets.

## **Common terms of all documents**

### *Indemnity*

Saudi ORIX will agree, in each of the Sukuk Documents to, on demand, fully reimburse, compensate, indemnify and hold harmless the Sukukholders' Agent for any and all obligations, liabilities, actual losses, costs (excluding costs of funding), expenses, fees (including legal fees and expenses incurred in connection with any enforcement of the relevant Sukuk Document), demands, actions and judgments of every kind and nature imposed on, incurred by, or asserted against the Sukukholders' Agent arising out of or in connection with the breach by Saudi ORIX of any of its obligations under the Sukuk Documents.

### *Assignment*

Saudi ORIX may not assign or transfer its rights and/or obligations under any of the Sukuk Documents or any interest in any of the Sukuk Documents. However, the Sukukholders' Agent has the right to assign or transfer its rights and obligations under any of the Sukuk Documents in accordance with, and subject to the terms of, the Declaration of Agency provided that: (i) the Sukukholders' Agent assigns or transfers its rights and obligations under one of the Sukuk Documents at the same time as assigning or transferring its rights and obligations under all other Sukuk Documents; and (ii) all such assignments or transfers are made to the same party.

### *Governing Law*

The Sukuk Documents will be governed by, and should be construed in accordance with, the laws and regulations of the Kingdom.

## SHARI'AH ADVISORY COMMITTEE AND PRONOUNCEMENT

*Prospective Sukukholders should not rely on the pronouncement referred to below in deciding whether to make an investment in the Sukuk and should consult their own Shari'ah advisers as to whether the proposed transaction described in the pronouncement referred to above is in compliance with Shari'ah principles.*

### **Pronouncement of the Shari'ah Supervisory Board of Samba Financial Group (represented by the Shari'ah Executive Committee of the Shari'ah Supervisory Board)**

Copies of the detailed pronouncement issued by the Shari'ah Supervisory Board of Samba Financial Group (represented by the Shari'ah Executive Committee of the Shari'ah Supervisory Board) relating to the Sukuk and confirming that, in their view, the proposed issue of the Sukuk and the related structure and mechanism described in the Sukuk Documents are in compliance with Shari'ah principles, shall be distributed to prospective Sukukholders upon request by Samba Capital & Investment Management Company.

### **Overview of the Shari'ah Executive Committee of the Shari'ah Supervisory Board of Samba Financial Group**

The Shari'ah Executive Committee is appointed by the Shari'ah Supervisory Board of Samba Financial Group. It meets regularly for review and appraisal to ensure full compliance with Shari'ah of transactions conducted by Samba Financial Group, its affiliated institutions or its clients.

### **Members of the Shari'ah Executive Committee of the Shari'ah Supervisory Board of Samba Financial Group**

*Sheikh Dr. Mohamed Ali Elgari*

Dr. Elgari holds a Ph.D. in economics from the University of California and he is a professor of Islamic Economics at King Abdul Aziz University (Jeddah). He is an expert at the International Fiqh Academy of the Organization of Islamic Conference and the Islamic World League, and has published several articles and books on Islamic finance. Dr. Elgari is member of Shari'ah boards of many Islamic Banks and *Takaful* companies including those of HSBC, SABB, Dow Jones, International Islamic Fund Market, Citi Islamic Investment bank and Bank of America Merrill Lynch. Dr. Elgari is also a frequent speaker at conferences worldwide and was a visiting scholar at Harvard University in 1995.

*Sheikh Dr. Abdul Sattar Abu Ghuddah*

Sheikh Dr. Abu Ghuddah holds several degrees in Islamic Law from different universities including Damascus University and Al Azhar University in Cairo where he obtained his PhD in Islamic Law. He is an active member of the Islamic Fiqh Academy in Jeddah and the accounting and auditing organizations of a number of Islamic financial institutions. Dr. Abu Ghuddah teaches Fiqh, Islamic studies and Arabic in Riyadh, and has performed research for the Fiqh encyclopaedia on behalf of the Ministry of Awqaf and Islamic Affairs in Kuwait (also being a member of the Ministry's Fatwa board from 1982 to 1990). He also holds the positions of Shari'ah Advisor and Director of the Department of Financial Instruments at Al-Baraka Investment Co. of Saudi Arabia and is a member of the Shari'ah boards of many Islamic banks and financial institutions.

## TAXATION AND ZAKAT

*The following is a general description of certain Saudi Arabian tax/zakat considerations relating to the Sukuk. It does not purport to be a complete analysis of all tax/zakat considerations relating to the Sukuk nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Sukuk should consult their own tax advisers to determine the tax/zakat consequences for them of acquiring, holding and disposing of any Sukuk and receiving distributions, payments of principal, profit and/or other amounts under the Sukuk and the consequences of such actions under the tax/zakat regulations of the Kingdom.*

*This summary is based upon the regulations in effect in the Kingdom at the date of this Prospectus and is subject to any change in such regulations that may take effect after such date. Prospective purchasers should note that Saudi ORIX is not obliged to update this section for any subsequent changes or modification to the applicable zakat/tax regulations.*

### **GCC national (natural person) Sukukholders resident in the Kingdom**

Sukukholders who are GCC national (natural persons) and have permanent residence in the Kingdom are not subject to Saudi Arabian corporate income tax in respect of any payment or gain realized from the Sukuk issued under the Prospectus.

### **GCC legal entity**

GCC nationals (natural persons), other than those of the Kingdom with a permanent establishment in the Kingdom and a legal entity owned by GCC natural persons established under the law of a GCC country other than the Kingdom with a permanent establishment in the Kingdom as defined in Article 4 of the Income Tax Regulations issued under Royal Decree No. M/1 dated 15/1/1425H, corresponding to 6/3/2004 ("**Income Tax Regulations**"), will be subject to Saudi Arabian income tax in respect of any payment from Sukuk issued under the Prospectus.

The above GCC nationals and legal entities will however, not be subject to tax on capital gains realized on disposal of the Sukuk, if the Sukuk are traded on the Saudi Arabian stock exchange (Tadawul) and the sale transaction is performed in accordance with the Tadawul regulations.

### **GCC national (natural persons) and legal entities holding shares in a Saudi Arabian legal entity**

GCC nationals (natural persons) and GCC legal entities (owned by GCC national natural persons), who are shareholders in a Saudi Arabian entity Sukukholder will be subject to *zakat* in respect of their share of any payment or gain realized from the Sukuk issued under the Prospectus.

This summary does not consider the extent to which a potential Sukukholder would be liable to *zakat* as a consequence of acquiring, holding or disposing of its Sukuk.

### **Non-GCC persons resident in the Kingdom**

#### **(a) Natural persons**

Non-GCC natural person Sukukholders will be subject to tax in the Kingdom in respect of any payment from Sukuk issued under the Prospectus if they are resident in the Kingdom.

Under Article 3 of the Income Tax Regulation a natural person is considered a resident in the Kingdom for a taxable year if he meets either of the following conditions:

- (i) He has a permanent place of residence in the Kingdom and resides in the Kingdom for a total of not less than thirty (30) days in the taxable year; or

- (ii) He resides in the Kingdom for a period of not less than one hundred eighty three (183) days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom for part of a day is considered residence for the whole day, except in the case of a person in transit between 2 points outside the Kingdom.

However, non-GCC natural person Sukukholders who are resident in the Kingdom will not be subject to Saudi Arabian income tax in respect of any capital gains realized on disposal of Sukuk issued under the Prospectus if the Sukuk are traded on the Saudi Arabian stock exchange (Tadawul) and the sale transaction is performed in accordance with the Tadawul regulations.

**(b) Other non GCC persons**

Sukukholders who are non-resident with a permanent establishment in the Kingdom ("**PE**") (as defined in Article 4 of the Income Tax Regulation), will be subject to Saudi Arabian income tax and may, pursuant to Article 5 of the Income Tax Regulation, also be subject to a withholding tax at the rate of *5 per cent.* on deemed remittance of profit from the Kingdom.

Subject to the exceptions stipulated in the Income Tax Regulation, PE means a permanent establishment of a non-resident in the Kingdom which represents a permanent place for the nonresident's activity where he conducts the activity either fully or partly. This also includes the activity conducted by the non-resident through an agent. A non-resident carrying out an activity in the Kingdom through a licensed branch (as defined in Article 4(b) 4 of the Income Tax Regulation) is considered to have a PE in the Kingdom.

All payments in the nature of profit to a Sukukholder who has a PE in the Kingdom, will be part of the Sukukholder's gross income subject to income tax after deduction of allowable costs and certain other adjustments, at the current rate of *20 per cent.* Furthermore, transfer of profit by a PE/branch of a foreign company to its head office is considered distribution of profit and is subject to *5 per cent.* withholding tax.

A non GCC national Sukukholder, whether such Sukukholder is resident in the Kingdom (as defined in Article 3 of the Income Tax Regulation) or non-resident in the Kingdom and whether such a Sukukholder has or does not have a PE in the Kingdom, will not be subject to Saudi Arabian income tax in respect of any capital gains realized on disposal of Sukuk issued under the Prospectus if the Sukuk are traded on the Saudi Arabian stock exchange (Tadawul) and the sale transaction is performed in accordance with the Tadawul regulations.

**Sukukholders who are not resident in the Kingdom**

Sukukholders who are not resident in the Kingdom (whether such Sukukholders are Saudi Arabian nationals or not Saudi Arabian nationals including Sukukholders resident in the GCC) and who do not have PE in the Kingdom for tax purposes will be subject to withholding tax at the rate of *5 per cent.* (rate applicable on loan charges or interest based on the Department of Zakat and Income Tax's ("**DZIT**") practices), on all payments in respect of Sukuk issued under the Prospectus as these are considered to be akin to loan charges or interest.

However, there is no assurance that the DZIT will not consider payments made in respect of such Sukuk to non-residents as "profit distribution". Should the DZIT consider payments made in respect of Sukuk to non-residents as "profit distribution", withholding tax on such payments could be assessed at *20 per cent.* Prospective purchasers of Sukuk should consult their own tax advisers to seek further advice on the treatment of all the payments due in respect of the Sukuk for tax purposes.

In few limited instances, Sukukholders may claim a refund of the withholding taxes where a double taxation treaty is in place between Kingdom and the country where the holder has a tax residence and where such treaty provides for exemption/refund.

**General**

Sukukholders who are natural persons with or without a PE in the Kingdom at the time of their death will not be subject to inheritance or other taxes of a similar nature in the Kingdom.

Sukukholders will not be deemed to be resident, domiciled or carrying on business in the Kingdom solely by reason of holding any Sukuk.

Under the zakat regulations which are in effect as the date of this Prospectus in the Kingdom, long-term investments in Sukuk are not deductible from the zakat base of the investor.



## **SUBSCRIPTION AND SALE**

### **Lead Manager and Bookrunner**

Samba Capital & Investment Management Company, whose registered address is Kingdom Tower, P.O. Box 220007, Riyadh 11311, Kingdom of Saudi Arabia, will be the Lead Manager and Bookrunner in relation to the Sukuk.

### **Subscription Agreement**

The Lead Manager and Bookrunner will enter into a subscription agreement before the Closing Date (as the same may be amended, supplemented or novated, the “**Subscription Agreement**”) with the Issuer relating to the distribution and underwriting of the Sukuk. Pursuant to the Subscription Agreement, the Lead Manager and Bookrunner will agree to underwrite the Sukuk on the terms provided therein.

The Subscription Agreement will be subject to a number of conditions and may, in certain circumstances, be terminated by the Lead Manager and Bookrunner prior to payment of the net proceeds of the issue of the Sukuk to the Issuer. If the Subscription Agreement is terminated prior to the Closing Date, the offer of Sukuk may also terminate and any proceeds received from subscribers will be refunded.

The Lead Manager and Bookrunner will be entitled to a combined management and selling commission for performing such services.

### **Application by potential investors**

During the Investor Presentation Period, the Lead Manager and Bookrunner may solicit expressions of interest from potential investors for acquiring the Sukuk, during which time the Issuer and the Lead Manager and Bookrunner shall consult and agree on the Margin.

Towards the end of the Investor Presentation Period, the Issuer shall cause the Margin to be published on the websites of Saudi ORIX ([www.saudiorix.com.sa](http://www.saudiorix.com.sa)) and the Lead Manager and Bookrunner ([sambacapital.com](http://sambacapital.com)).

Persons wishing to purchase the Sukuk will be required to submit a duly completed form (an “**Investor Application Form**”) to the Lead Manager and Bookrunner before the end of the Investor Presentation Period. Investor Application Forms will be available from the Lead Manager and Bookrunner. Persons wishing to purchase the Sukuk will be required to declare that they have read and understood the Prospectus (including the Risk Factors and the Terms and Conditions) and the terms and conditions of the Investor Application Form and accept in full and agree to the basis on which the offer of Sukuk is made. They will also be required to declare that they are resident for tax purposes in the Kingdom and that all the information provided in the Investor Application Form is true and correct.

Applications to purchase Sukuk in amounts less than SAR 1,000,000 and integral multiples of SAR 100,000 thereafter, or from applicants who are not Institutional Investors, will not be accepted. Persons who are not Institutional Investors may however subsequently purchase Sukuk from Institutional Investors.

Allocation of Sukuk will be at the discretion of the Issuer and the Lead Manager and Bookrunner and will be made following the end of the Investor Presentation Period. Once the allocation of Sukuk has been completed, the Issuer shall cause the Margin and the aggregate Nominal Amount, together with the anticipated aggregate net proceeds of the Sukuk to be issued to be published on the Issuer’s and the Lead Manager and Bookrunner’s websites.

Only persons who are natural persons who are nationals of the Kingdom or other legal persons with a permanent establishment in the Kingdom holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in either case, maintains a bank account in the Kingdom (“**Qualified Persons**”), may be registered as Sukukholders.

However, while Qualified Persons may be registered as Sukukholders, the primary distribution of the Sukuk will be only to Institutional Investors. An “**Institutional Investor**” means a Qualified Person who is one of the following:

- (a) a person who is authorised to carry on securities business by the Authority;
- (b) an exempt person as specified in Annex 1 to the Securities Business Regulations of the Authority;
- (c) any of the following:
  - (i) any company which owns, or which is a member of a group which owns, net assets of not less than SAR 50 million;
  - (ii) any unincorporated body, partnership or other organisation which has net assets of not less than SAR 50 million; or
  - (iii) any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”) falling within sub-paragraphs (i) or (ii) where A is responsible for B undertaking any securities activity;
- (d) an institution that has received a licence to engage in banking business in accordance with the laws of the Kingdom; or
- (e) any other person who purchases Sukuk through an authorised person (as defined in the Securities Business Regulations of the Authority).

All potential investors must carefully read the Conditions of the Sukuk prior to completing an application for the purchase of the Sukuk since the execution of the Investor Application Form constitutes acceptance of and agreement to the Conditions.

### **General**

Other than the application for listing of the Sukuk on the Official List maintained by the Authority in the Kingdom, no action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager and Bookrunner that would, or is intended to, permit an offering of the Sukuk, or possession or distribution of this Prospectus or any other offering material thereto, where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager and Bookrunner to comply with all applicable laws and regulations in relation to the purchase, offer, sale or delivery of the Sukuk or, have in their possession or distribute this Prospectus or any other offering material relating to the Sukuk, in all cases at their own expense.

### **Clearing, Settlement and Trading**

The Sukuk will be admitted to the trading, clearing and settlement system of the Registrar.

## LEGAL INFORMATION

### **Description of Saudi ORIX shares**

#### *Share capital*

Saudi ORIX's share capital is SAR 340 million divided into 34 million shares with a par value of SAR 10 each.

#### *Shares*

The shares are nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case, the difference in value shall be added to the legal reserve, even if the reserve has reached its maximum limit. A share shall be indivisible. If several persons hold a share, they shall designate one person to act on their behalf in exercising the rights connected with the share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

#### *Rights of Shareholders*

Each shareholder shall be vested with all the rights attached to shares, specifically the right to obtain a share in the profits declared for distribution, the right to obtain an equity in Saudi ORIX's assets upon liquidation, the right to attend shareholders meetings and participate in the deliberations and vote on the resolutions (proposed) thereat, the right to dispose of his shares, the right to access to Saudi ORIX's books and documents, and the right to control the acts of the Board of Directors, to institute the action in liability against the Directors, and to contest the validity of the resolutions adopted at shareholders meetings, in accordance with the terms and restrictions set forth in the Companies Regulations or in Saudi ORIX's Bylaws.

Each share gives its holder 1 vote in General Assemblies. Each shareholder holding twenty (20) shares or more shall have the right to attend the Ordinary General Assembly. A shareholder may delegate in the form of a written proxy, another shareholder, other than the members of the Board of Directors, to attend the Ordinary General Assembly on his/her behalf. The votes in the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for every share. However, it is impermissible for the members of the Board of Directors to vote on the resolutions of the Ordinary General Assembly in respect of discharging and releasing them for their term of office.

#### *Shareholders Assemblies*

With the exception of matters falling within the competence of an Extraordinary General Assembly, an Ordinary General Assembly shall be vested with the authority to determine any matter concerning Saudi ORIX. An Ordinary General Assembly shall be held at least once a year and within 6 months following the end of Saudi ORIX's fiscal year. Other Ordinary General Assemblies may be convened whenever the need arises.

An Extraordinary General Assembly has the power to amend the Bylaws (with the exception of those provisions that are exempt from amendment). An Extraordinary General Assembly shall be empowered to pass resolutions with respect to matters that fall within the competence of an Ordinary General Assembly, on the same terms and conditions that apply to an Ordinary General Assembly.

#### *Alteration of share rights or classes*

The Extraordinary General Assembly has the authority to alter the Bylaws of Saudi ORIX.

See Section "*Summary of Bylaws*" for further details on the description of shares, the rights of shareholders and assemblies.

### **Summary of the Bylaws of Saudi ORIX**

The following is a summary of the Saudi ORIX's Bylaws.

#### *Date of Incorporation and Type of Company*

Saudi ORIX is a closed joint stock company incorporated in the Kingdom on 15/09/1421H (corresponding to 11 December 2000) pursuant to the Ministry of Commerce & Industry (**MOCI**) resolution number 1662 announcing the incorporation of Saudi ORIX, with commercial registration number 1010163957 issued on 21/10/1421H (corresponding to 16 January 2001), and whose registered head office is in Riyadh.

#### *Objects of Saudi ORIX*

The objects for which Saudi ORIX has been incorporated, and as amended, are as follows:

The provision of financing to all productive sectors, including the industrial, transportation, agricultural, trading, and occupational and lease financing services of movable and immovable assets which includes, and is not limited to, factories buildings, warehouses, production equipment, machinery, medical equipment, transportation and construction equipment, all types of cars, office and computers equipment, and acquiring, seeling and disposing real estate for lease financing purposes outside the cities of Makkah and Madinah.

#### *Duration of Saudi ORIX*

The Bylaws provide that the duration of Saudi ORIX will be 50 years from the date of the Minister of Commerce and Industry's decision declaring Saudi ORIX's incorporation, which may be extended by a resolution of the Extraordinary General Assembly of Saudi ORIX at least one year prior to the end of this term.

#### *Shares*

All of the shares of Saudi ORIX shall be registered and may not be issued for less than their nominal value. However, they may be issued for more than their nominal value, in which case the difference in value shall be added to the statutory reserve even if such reserve has reached its maximum.

#### *Alteration of Capital*

Subject to the Companies Regulations, the share capital of Saudi ORIX may be increased by resolution of an Extraordinary General Assembly (after obtaining the approval of the competent authorities) *provided* that the original share capital is paid-up in full. Shareholders shall have priority in subscribing for any new cash shares.

Saudi ORIX's share capital may be reduced by resolution of an Extraordinary General Assembly (based on reasonable justifications and after obtaining the approval of the competent authorities) if its capital is in excess of its needs or it has sustained losses. Such resolution may be adopted only after reviewing the auditor's report setting out the reasons necessitating the reduction, the liabilities of Saudi ORIX and the effect of the reduction on these liabilities and in conformity with the Companies Regulations.

If the reduction of capital is due to an excess of capital over Saudi ORIX's requirements, Saudi ORIX's creditors must be invited to express their objections within 60 days from the date of publication of the resolution for the reduction in capital in a daily newspaper published in the location of Saudi ORIX's head office, namely Riyadh. If any creditor objects to the reduction and submits to

Saudi ORIX, within the specified period, supporting documentation for his objection, Saudi ORIX must repay that creditor's debt (if due) or furnish adequate security for its payment.

### *Management*

According to Article 17 of Saudi ORIX's Bylaws, Saudi ORIX shall be managed by a Board of Directors consisting of nine directors appointed by the Ordinary General Assembly of Saudi ORIX.

Subject to those powers reserved to the Ordinary General Assembly, the Board shall have the widest powers in managing the affairs and business of Saudi ORIX, including but not limited to, disposing of its assets, property and real estate. The Board shall have the right to purchase, mortgage, release any mortgage of, sell and transfer title to any assets, property or real estate provided that the minutes of the relevant meeting of the Board contain the reasons therefor and the Board observes certain conditions set out in Article 20 of Saudi ORIX's Bylaws.

The Board may conclude loan agreements whether from domestic or international lenders and banks for the purpose of providing Saudi ORIX with its financial needs. Pursuant to Article 20 of Saudi ORIX's Bylaws, the Board may issue debt instruments, derivatives, and securitize its debts in accordance with applicable laws and regulation in the Kingdom.

The Board shall have the right to settle, assign, contract, assume obligations and make commitments in the name of and on behalf of Saudi ORIX and to perform all acts that may achieve the objectives of Saudi ORIX.

The Chairman of the Board shall have the authority to represent Saudi ORIX in its relations with third parties and before courts of law, government bodies, notaries, all judicial bodies, and all private, public and governmental institutions. The Chairman may delegate some or all of his authorities to third parties.

The Board shall meet twice a year upon a written request from the Chairman 21 days prior to the meeting. The Chairman of the Board must convene a meeting upon the request of two directors.

The quorum for a meeting of the Board is the attendance of all of its members whether present in person or by proxy, provided that the members presenting in person shall not be less than five. Resolutions of the Board will be passed by a majority of votes cast and, in case of an equality of votes, the Chairman will have a casting vote.

The Board is entitled to remuneration subject to a maximum of 10% of Saudi ORIX's remaining profits and other limits imposed by the Companies Regulations and other relevant regulations and limitations. The Board is required to submit to the ordinary general assembly meeting a detailed statement of payments received by directors during the preceding fiscal year.

### *Ordinary and Extraordinary Assemblies and Resolutions*

With the exception of matters falling within the competence of an Extraordinary General Assembly, an Ordinary General Assembly shall be vested with the authority to determine any matter concerning Saudi ORIX. An Ordinary General Assembly shall be held at least once a year and within six months following the end of Saudi ORIX's fiscal year. Other Ordinary General Assemblies may be convened whenever the need arises.

An Extraordinary General Assembly has the power to amend the Bylaws (with the exception of those provisions that are exempt from amendment). An Extraordinary General Assembly shall be empowered to pass resolutions with respect to matters that fall within the competence of an Ordinary General Assembly, on the same terms and conditions that apply to an Ordinary General Assembly.

Shareholders' general assemblies shall be convened upon the invitation of the Board. The Board shall convene an Ordinary General Assembly if required to do so by the auditor or by a number of shareholders representing at least 5% of Saudi ORIX's capital. Notice of a general assembly shall be published in the Official Gazette and in a daily newspaper circulating in the city where Saudi ORIX's head office is located at least 25 days before the date set for the meeting. Such notice shall include an agenda for the meeting. A copy of the notice and the agenda shall be sent to MOCI within the period stipulated for publication.

A general assembly shall be held in the city of the location of Saudi ORIX's head office and any shareholder holding at least 20 shares shall have the right to attend. Voting at an Ordinary and Extraordinary General Assembly shall be on the basis of one vote for each share represented at the assembly. No Shareholder, whether present in person or by proxy may vote more than 20% of Saudi ORIX's shares where the resolution at an Ordinary or Extraordinary Meeting relates to the appointment or removal of members of the Board or auditors or the amendment of the Bylaws.

The resolutions of an Ordinary General Assembly shall be passed by an absolute majority of the shares represented at that assembly. However, resolutions at an Extraordinary General Assembly shall be passed by a two-thirds majority of the shares represented. Resolutions will be valid only if passed by a three-quarters majority of the shares represented at the Ordinary or Extraordinary General Assembly in the case of any resolution for an increase or decrease in Saudi ORIX's share capital, an extension of the term of Saudi ORIX, the dissolution of Saudi ORIX prior to the expiration of its term and the merger or consolidation of Saudi ORIX with another company or establishment.

An Ordinary General Assembly will be valid only if attended by shareholders representing at least 75% of the outstanding share capital. If this quorum is not attained at the first assembly, a second assembly shall be convened, which will be valid regardless of the number of shares represented.

An Extraordinary General Assembly will be valid only if attended by shareholders representing at least 75% of the share capital. If this quorum is not attained at the first assembly, a second assembly shall be convened, which will be valid if attended by shareholders representing at least 25% of the outstanding share capital.

#### *Financial Year*

Saudi ORIX's fiscal year starts on 1 January and ends on 31 December of each year.

#### *Statutory Reserve and Distribution of Dividends*

Saudi ORIX shall set aside 10% of its net profits each year to form a statutory reserve. An Ordinary General Assembly of Saudi ORIX may resolve to stop such allocation or to reduce the rate at which it is made once the statutory reserve is equal to half of the capital of Saudi ORIX. Based on a recommendation of the Board, an Ordinary General Assembly of Saudi ORIX may also require a certain percentage of net profits to form a contingent liquidity reserve.

From the remaining profits, a dividend distribution of a minimum of 5% of Saudi ORIX's paid up capital shall be made to shareholders. A percentage not exceeding 10% of the sum that is left may be allocated as remuneration to the Board and the balance shall be distributed to shareholders as an additional dividend.

The Board will determine the place and dates for the distribution of dividends to shareholders in accordance with the applicable guidelines of MOCI.

#### *Dissolution of Saudi ORIX*

If Saudi ORIX loses 75% of its share capital, then the Board shall call an Extraordinary General Assembly to consider whether Saudi ORIX shall be dissolved before the term specified in its Bylaws.

In the event of an Extraordinary General Assembly resolving to dissolve Saudi ORIX before the expiry of its term, the meeting shall, upon the recommendation of the Board, determine the manner of dissolution and shall appoint one or more liquidators and determine their powers and remuneration.

The powers of the Board shall end with the dissolution of Saudi ORIX. However, the Board shall continue to manage Saudi ORIX until the liquidator has been appointed and Saudi ORIX's staff shall remain to the extent their interests do not conflict with those of the liquidator.

### **Conflicts of Interest**

According to Article 69 of the Companies Regulations, a director may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of a company, except with authorisation from the Ordinary General Assembly of the company, which shall be renewed annually. Transactions made by way of public tender are excluded from this prohibition, if the director has submitted the best offer.

A director must also declare to the board any personal interest he may have in any transactions or contracts made for the account of the company. Such declarations must be recorded in the minutes of the relevant board meeting. In addition, the director in question shall not participate in the voting on any resolution to be adopted in respect of any such transaction or contract.

Article 70 of the Companies Regulations also provides that a director may not, without authorisation from the Ordinary General Assembly of Saudi ORIX, which shall be renewed annually, participate in any business in competition with that of the company, or engage in any of the commercial activities carried on by Saudi ORIX. Otherwise, the company shall have the right either to claim damages from that director or to consider the operations he has conducted for his own account as having been conducted for the account of the company.

The directors, the senior management and the chief executive officer of Saudi ORIX may not:

- (a) vote on any decisions relating to their own remuneration or bonuses and benefits;
- (b) borrow money from Saudi ORIX; or
- (c) vote on a contract or proposal in which they, jointly or severally, have an interest.

### **Licences and Approvals**

The Board of Directors declares that Saudi ORIX is in possession of all operational licences and approvals required to operate its license finance business in the Kingdom. Such operational licences and approvals include, but are not limited to, the following:

- (a) a letter from SAMA approving the licensing of Saudi ORIX;
- (b) a commercial registration certificate for the Riyadh head office and each of the Saudi ORIX branches in Jeddah, Al-Khobar, Jubail and Khamis Mushait; and
- (c) a Saudi Arabian General Investment Authority (SAGIA) license approving the foreign shareholders in Saudi ORIX for the Riyadh head office and each of the Saudi ORIX branches in Jeddah, Al-Khobar, Jubail and Khamis Mushait.

### **Material Contracts**

#### *Lease Finance Agreements*

See “*Description of Saudi ORIX - Finance Leasing*” section of this Prospectus for an overview of Saudi ORIX's lease agreement and asset procurement process.

Saudi ORIX has separate standardised finance lease agreements for each of its major asset classes (real estate, machinery, equipment and vehicles), the principal terms of which are consistent in each such agreement.

- The payment schedule varies from lessee to lessee but normally ranges between 12 and 60 months and, in general, is continuous throughout the term of the finance lease agreement. Initial grace periods of between one and three months before the start of lease payments may be included in some leases.
- The lease payments comprise rental and insurance, if applicable. The rental rate payable by the lessee will depend on the interest rate, which, in turn, is dependent on Saudi ORIX's expenses incurred in connection with the finance lease agreement and the credit quality of the lessee.
- The portions of assets purchased by Saudi ORIX are prepaid in full before the supplier will effect delivery. As such, in order to ensure that it is covered against any rise in the price of the asset that may occur between initial prepayment and delivery, Saudi ORIX always retains the right to recalculate the payments that the lessee will be obliged to pay under the lease until the leased asset is actually delivered to the lessee.
- In the event of delay in delivery of leased assets by the supplier to the lessee, Saudi ORIX is bound to take all measures considered necessary for the implementation of the contract and exercise due diligence in taking all necessary measures in dealing with the supplier so that the lessee could receive the equipment within due dates of delivery as mentioned in the lease contract. If Saudi ORIX fails to make necessary arrangements with seller for delivering the equipment, it will be obliged to notify the lessee and should seek alternative arrangements. If, however, Saudi ORIX and the lessee fail to make necessary alternative arrangements within 14 days of Saudi ORIX's notification, both Saudi ORIX and the lessee have the right to terminate the contract, with neither party incurring any liabilities or claims thereof against the other party.
- Under the finance lease agreements, an event of default arises if at any time the lessee fails to pay any amount that is due, whether a lease instalment or otherwise. If an event of default occurs, Saudi ORIX may: (a) enter the property at which the leased asset is located and retrieve it; (b) declare that all or part of the outstanding lease amount is payable immediately; and/or (c) terminate the finance lease agreement and require the lessee to compensate Saudi ORIX for any losses it might have suffered.
- The lease finance agreements are governed by Saudi Law.

#### *Joint Venture Agreement*

The Founding Shareholders entered into a joint venture agreement dated 17 June 2000 (**JVA**), pursuant to which the parties (referred to below as the Parties) agreed that:

- (a) ORIX Corporation and OLP would provide Saudi ORIX with certain technical assistance and advice during and after the incorporation and commencement of operations under an agreement to be executed with Saudi ORIX (**Technical Assistance Agreement**). See Technical Assistance Agreement section below for further details; and
- (b) Saudi ORIX would be permitted to use the "ORIX" name, logo or symbol mark, subject to the following conditions:
  - (i) where the combined shareholding in Saudi ORIX by ORIX Corporation and OLP shall at no time be less than 30%;
  - (ii) three nominees in the aggregate of ORIX Corporation and OLP shall at all times be on the Board;



- (iii) the CEO or the Deputy CEO of Saudi ORIX shall be a nominee of ORIX Corporation or OLP; and
- (iv) the Technical Assistance Agreement entered into by Saudi ORIX, ORIX Corporation and OLP continues in force.

Although Saudi ORIX is not party to the JVA and IFC, one of the Founding Shareholders exited Saudi ORIX as a shareholder in February 2009 and no longer has any rights under the JVA, the principal terms of the JVA include:

- (a) the following matters require unanimous shareholder approval:
  - (i) undertaking any activities not completed under the JVA, the Articles of Association and the Bylaws of Saudi ORIX, and those outlined in Saudi ORIX's Operating Procedures and Leasing Policy;
  - (ii) any amendment to the Articles of Association and Bylaws relating to recapitalisation, increase or decrease of capital or shares of Saudi ORIX, any change in the number or mode of election of Directors and removal of Directors, any change in the business or purpose of Saudi ORIX and any other matter;
  - (iii) any merger or consolidation of Saudi ORIX or any sale, lease, exchange, mortgage, pledge or creation of a security interest in, disposition of, all or substantially all, of the assets of Saudi ORIX;
- (b) despite the exit of IFC in 2009, the JVA has not been amended and as such continues to provide that the Board of Directors shall consist of ten Directors. Under the JVA, each of TDIG and SAIB is entitled to nominate three Directors, ORIX is entitled to nominate two Directors, OLP is entitled to nominate one Director and IFC had the right to nominate one Director. The By-laws of Saudi ORIX have been amended after the exit of IFC to provide that Saudi Orix will be governed by 9 directors. Saudi Orix currently therefore has 9 directors. Since the By-laws prevail over the JVA and the remaining parties to the JVA intend to abide by their respective allocations of directors under the JVA to nominate the 9 Directors, the JVA is unaffected by the departure of IFC in this regard and the remaining parties to the JVA do not therefore intend to amend the JVA. Directors shall be permitted to vote as proxies for other Directors if they have been appointed in writing by such other Directors to act as proxy in their stead:
- (c) Saudi ORIX shall be dissolved upon the occurrence of any of the following:
  - (i) an event of dissolution referred to in the Saudi Arabian Regulations for Companies;
  - (ii) a Party shall have committed a material breach of any term, covenant or condition of this Agreement or of any agreement with Saudi ORIX or with the other Parties related to this Agreement, and such breach shall continue to exist for a period of 90 days after Saudi ORIX or a non-dealing Party gives written notice of such default, in which case any non-defaulting Party may by written notice elect to dissolve Saudi ORIX; or
  - (iii) the Technical Assistance Agreement is not duly executed within three months of Saudi ORIX's formation.

*Technical Assistance Agreement*

Saudi ORIX entered into the Technical Assistance Agreement with ORIX Corporation and OLP (collectively to referred to in the agreement as the Technical Manager), dated 15 January 2001, under

which the Technical Manager agrees to provide to Saudi ORIX, at no cost, with technical assistance for developing leasing products, receiving, training and educating employees of Saudi ORIX in all technical aspects of Saudi ORIX's business, preparing draft lease agreements, establishing internal audit procedures and periodically reviewing the same, and such other matters which in the opinion of the Technical Manager may be useful for Saudi ORIX. The Technical Assistance Agreement is governed by Saudi Law.

Under the Technical Assistance Agreement, Saudi ORIX is entitled to use of the ORIX name, logo and symbol mark in accordance with the terms of the JVA.

The Technical Assistance Agreement does not have a specified term and continues in force and effect unless terminated. Events of termination include:

- (a) termination of the JVA, in which case termination of the Technical Assistance Agreement shall take place concomitantly with the effective date of the termination of the JVA;
- (b) ORIX Corporation ceasing to be a shareholder in Saudi ORIX in which case termination shall take effect immediately upon delivery of notice of the same;
- (c) default by a party in the performance of a material obligation;
- (d) insolvency or similar proceedings of a party.

### **Litigation**

In the ordinary course of its business, Saudi ORIX is subject to legal action both as plaintiff and defendant. As at the date of this Prospectus, Saudi ORIX is party to the following ongoing material litigation:

- Saudi ORIX filed a law suit against a lessee demanding the payment of overdue leases in the amount of SAR 5,486,100. A judicial order has been issued demanding the payment of the amount, which as of the date of this Prospectus has not been paid.
- Saudi ORIX filed a law suit against a lessee demanding the payment of overdue lease payments in the amount of SAR 1,054,515. The lessee has made payments to settle the law suit without a specific repayment schedule. The outstanding lessee exposure as of the date of this Prospectus is SAR 602,580. The law suit is still outstanding and the legal proceedings are continuing.
- Saudi ORIX filed a law suit against a lessee calling on order notes collectively amounting to SAR 7,231,965. The Commercial Papers Committee directed the lessee to make payments to Saudi ORIX. As of the date of the Prospectus, the outstanding lessee exposure is SAR 433,909. The law suit is still outstanding and the legal proceedings are continuing.
- Saudi ORIX filed a law suit against a lessee calling on order notes collectively amounting to SAR 3,541,313. As of the date of the Prospectus, the outstanding lessee exposure is SAR 2,030,816. The law suit is still outstanding and the legal proceedings are continuing.
- Saudi ORIX filed a law suit against a lessee calling on order notes collectively amounting to SAR 5,244,442. The law suit is still outstanding and the legal proceedings are continuing.
- Saudi ORIX filed a law suit against a lessee calling on order notes collectively amounting to SAR 1,802,830. The law suit is still outstanding and the legal proceedings are continuing.
- Saudi ORIX is currently engaged in a dispute with the Department of Zakat and Income Tax (**DZIT**) in connection with zakat assessments for the years ended 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004. The DZIT have assessed zakat for

such periods at SAR 5.5 million in excess of the provisions made in the financial statements for such periods. This provision was based on the deduction from zakat base for the net investment in finance leases and a dispute has arisen with DZIT over whether such deduction is allowed. Saudi ORIX appealed against this assessment to the Preliminary Appeal Committee early in 2010 and, although its appeal was rejected, Saudi ORIX has filed an appeal to the Higher Appeal Committee. There is a potential risk of an additional claim of SAR 83.5 million, if the zakat is assessed on the same principles for all subsequent periods up to 31 December 2011. SAIB and TDIG have given written proportionate guarantees to Saudi ORIX to reimburse Saudi ORIX in full for the potential zakat liability that it might pay on their behalf.

- Saudi ORIX has also protested the disallowances of the provision for lease losses in adjusted profits and has filed an appeal against the same before the Higher Appeal Committee. For the year ended 31 December 2011, in order to avoid any penalty due to late payments, Saudi ORIX has in addition to the zakat and income tax liability indicated in the returns, provided/paid income tax of SAR 623,822 (2010: SAR 611,429) and reversed excess provision for zakat of SAR 149,691 provided in 2010. These payments/provisions have been made "under protest" on behalf of the shareholders. See "*Appendix A - Financial Statements*" for further details.

### **Related Party Transactions**

Saudi ORIX's policies require that all transactions between Saudi ORIX and any of its affiliates or any of its officers, directors or major shareholders or any of their subordinates are approved by the Directors who are not involved in the transactions concerned. Saudi ORIX, its directors and shareholders confirm that they comply with Articles 69 and 70 of the Companies Regulations.

Except as mentioned below, there are no outstanding commercial transactions between Saudi ORIX and any of its directors, senior management, holders of 5% or more of its shares or any of their relatives. In accordance with Saudi ORIX's bylaws, no director is able to vote on any transaction in which they have a direct or indirect financial interest. The related party transactions, which are entered into on an arm's length basis, are as follows:

- Saudi ORIX leased a property from SAIB for a term of 15 years from June 2007, to be used as Saudi ORIX's headquarters, the annual rents is SAR 1,850,000. Saudi ORIX also sub-let part of this office building to Amlak International for Real Estate Financing and Development (an affiliate of SAIB) for a term of five years from 23 July 2007, which sub-lease was renewed for an additional five year term on 15 November 2011;
- Saudi ORIX leased a property from SAIB for a one year term from 1 May 2010 to be used for Saudi ORIX's branch in Khamis Mashaet and this lease is automatically renewed annually, the annual rent is SAR 30,000;
- Saudi ORIX entered into a loan finance facility agreement with SAIB in the amount of SAR 240 million the details of which can be found in the Section "*Financing Agreements*" of the Prospectus; and
- Saudi ORIX has entered into a Technical Assistance Agreement with ORIX Corporation and OLP, dated 15 January 2001, whereby ORIX Corporation and OLP agreed to provide Saudi ORIX with certain technical assistance at no cost. The Technical Assistance Agreement, without a specified term, shall continue in force and effect unless terminated in accordance with the termination provisions of the Technical Assistance Agreement. See "*Legal Information - Material Contracts*" section of this Prospectus for further details of this agreement.

### **Intellectual Property**

Under the Technical Assistance Agreement and the JVA, Saudi ORIX is permitted to use the ORIX name, logo and symbol in accordance with ORIX Corporations' name and logo usage guidelines. The

Technical Assistance Agreement is considered an important intangible asset on which Saudi ORIX is dependent.

### **Dividend Record and Policy**

Saudi ORIX sets aside 10% of its net profits each year to form a statutory reserve. An Ordinary General Assembly of Saudi ORIX may resolve to stop such allocation or to reduce the rate at which it is made once the statutory reserve is equal to half the capital of Saudi ORIX. Based on a recommendation of the Board, an Ordinary General Assembly of Saudi ORIX may also require a certain percentage of net profits to form a contingent liquidity reserve.

From the remaining profits, a dividend distribution of a minimum of 5% of Saudi ORIX's paid up capital shall be made to shareholders. A percentage not exceeding 10% of the sum that is left may be allocated as remuneration to the Board and the balance shall be distributed to shareholders as an additional dividend.

The Board will determine the place and dates for the distribution of dividends to shareholders in accordance with the applicable guidelines of the Ministry of Commerce & Industry.

In respect of the year ended 31 December 2011, Saudi ORIX's Board of Directors proposed annual dividends that, in aggregate, amounted to SAR 22.5 million. This was approved by the shareholders of Saudi ORIX in its Ordinary General Meeting.

### **Properties**

#### ***Freeholds***

Saudi ORIX is the registered owner of a number of real estate buildings and plots in different locations in the Kingdom, all of which are owned by Saudi ORIX under finance lease agreements with its lessees. The aggregate approximate value of these real estate plots ranges between SAR 600 million to SAR 700 million.

#### ***Leaseholds***

Saudi ORIX is a party to the following lease contracts as lessee (for the use of its offices) and lessor. As a lessee:

No.	Expiry Date	Location	Lessor	Renewal
1	14/12/1433H (corresponding to 30/10/2012)	Office No. 603 at Sharqyah Cement Towers	Eastern Province Cement Company	Automatically renewed unless two months' notice is served
2	15/01/1434H (corresponding to 29/11/2012)	Office No. 301 of the lessor's building in Al-Sharafyah, Jeddah	Sultan for Real-estate Investment Company	Automatically renewed unless three months' notice is served
3	07/05/1443 H (corresponding to 30/03/2022)	343 Al-Ma'athar Street, Riyadh	The Saudi Investment Bank	The lease is valid until 30/03/2022.
4	24/04/1434H (corresponding to 17/03/2013)	Flat No. 26, Al-Dhabab Building, Riyadh	Abdulrahman Alholayel	Automatically renewed unless two months' notice is served
5	16/01/1434 H (corresponding to 30/11/2012)	Al Nakheel Builing Office No B3-19-09, Jubail	AbdulRahman Mohammed Nassir Al Hatlani	Renewed annually
6	08/06/1433H (corresponding to 30/04/2012)	The Saudi Investment Bank Branch, Khamis Mashaet	The Saudi Investment Bank	Automatically renewed unless three months notice is served

Source: Saudi ORIX

As a lessor:

No.	Expiry Date	Location	Lessee	Renewal
1	03-07-1438 H (corresponding to 31/3/2017)	343 Al-Ma'athar Street Riyadh	Amlak International for Real Estate Financing and Development	Automatically renewed upon two months' notice
2	H 16-02-1433 H (corresponding to 30/12/2012)	343 Al-Ma'athar Street Riyadh	Electronic Payment Solutions	Automatically renewed for the same term unless three months' notice is served

Source: Saudi ORIX

## GENERAL INFORMATION

### APPROVALS

1. Pursuant to an extraordinary general assembly meeting dated 2 Rabi Al Awal 1424 (corresponding to 3 May 2003) the Bylaws of Saudi ORIX were amended to grant the Board of Saudi ORIX the authority to issue debt instruments, financial derivatives, and securitizations (sale of receivables).
2. The Board of Directors of Saudi ORIX authorised the issuance of the Sukuk by resolution number nil dated 9 April 2012 (corresponding to 17 Junada I 1433).

### WAIVERS

3. The requirement of Article 19(b)(19) of Part 4 (*Registration and Listing*) of the Listing Rules, which requires the Issuer to provide “*a market study detailing information and market trends produced for inclusion on the prospectus*” was waived for Saudi ORIX by the Authority.

### STATEMENTS BY EXPERTS

4. As at 14/06/1433H (corresponding to 05/05/2012G), none of the experts identified in the “*Parties and Advisers*” section of this Prospectus (for the avoidance of doubt, only the auditors to the Issuer constitute experts for the purposes of the Listing Rules) have any shareholding or interest of any kind in Saudi ORIX. The Issuer also confirms that the Lead Manager and Bookrunner, nor any of the legal advisers, own any shares or has any interest of any kind in Saudi ORIX.
5. Each of Ernst and Young and KPMG Al Fozan & Al Sadhan have given and not withdrawn their written consent to the publication, in this Prospectus, of each statement made by them in the form and context in which it is included in this Prospectus.

### DECLARATIONS BY DIRECTORS

6. The directors of Saudi ORIX confirm that, there has not been any interruption in its business which may have had a significant effect on its financial position in the last 12 months.
7. The directors of Saudi ORIX confirm that there have not been any commissions, discounts, brokerages or other non-cash compensation granted within the three years immediately preceding the application for registration and admission to listing in connection with the issue or offer of any securities by the Issuer.
8. The directors of Saudi ORIX confirm that there has not been any material adverse change in the financial or trading position of the Issuer in the three financial years preceding the application for registration and admission to listing and during the period from 31 December 2011 up and including the date of approval of this Prospectus.
9. The directors of Saudi ORIX confirm that, other than as set out on page 82 (*Management and Employees - Ownership of Shares by Representative Directors*) of this Prospectus, they do not have any shareholding or interest of any kind in the Issuer and neither does any relative of any director.

## DOCUMENTS AVAILABLE FOR INSPECTION

10. From the date which is 20 days prior to the end of the Offer Period until Sukuk are no longer outstanding, copies of the following documents may be inspected during normal business hours at the registered address of the Issuer, being 343 Al Ma'ather Street, P.O. Box 22890, Riyadh 11416, the Kingdom of Saudi Arabia:
  - (a) the Issuer's Bylaws and Commercial Registration Certificate;
  - (b) the audited financial statements of the Issuer for the years 31 December 2009, 31 December 2010 and 31 December 2011;
  - (c) the audited interim financial statements of the Issuer for the six month period ending 30 June 2012; and
  - (d) the related party contracts set out in the "*Legal Information - Related Party Transactions*" section of this Prospectus.
  
11. For so long as any of the Sukuk are current, copies of the following documents may be inspected during normal business hours at the registered office of the Sukukholders' Agent, being HSBC Building, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia:
  - (a) the Declaration of Agency;
  - (b) the Sukuk Assets Sale and Transfer Agreement;
  - (c) the Sukuk Assets Substitution Undertaking;
  - (d) the Sukuk Assets Management Agreement;
  - (e) the Payments Administration Agreement;
  - (f) the Purchase Undertaking; and
  - (g) the Sale Undertaking.

## OTHER INFORMATION

12. Except as highlighted on page 188 ("*Legal Information - Litigation*") of this Prospectus, Saudi ORIX is not aware of any pending or threatened legal or arbitration proceedings affecting it or any of its assets or revenues, which are or might be material in the context of the issue of the Sukuk.
  
13. Save as disclosed in this Prospectus, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since 31 December 2011, and in the two immediately preceding financial years, that is material in the context of the issue of the Sukuk.