

The Board of Directors of Saudi ORIX Leasing Company ("the Company" or "Saudi ORIX") is pleased to present its fourteenth annual report with audited financial statements of the Company for the year ended December 31, 2015.

Introduction

Saudi ORIX is a closed joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on 21 Shawal 1421H (corresponding to 16 January 2001), non-industrial license number 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Commerce and Industry and Finance company license number 7/A Sh/201403 dated 27 /04/ 1435H (corresponding to 27 February 2014) issued by Saudi Arabian Monetary Agency. The Company operates through its head office and five branches (2014: four branches) across the Kingdom.

The Objective of the Company is to provide medium term asset financing to all productive sectors of the economy with particular emphasis to serving the needs of small to medium size enterprises thereby assisting in providing, extending and expanding the credit delivery mechanism in the Kingdom.

1. Business Segments

Saudi ORIX is a single product Company and is currently offering only Finance lease facilities to its customers. Assets leased by the Company mainly include machinery, construction equipment, transportation assets, stevedoring equipment, hospital equipment (health centers) and commercial real estate. The sectors broadly covered by the Company include construction & contracting, hospitals, travel and tourism companies, manufacturing and trading companies all over the Kingdom.

2. Strategy

2015 was the fourteenth complete financial year since the Company commenced its operations. The Company's profitability grew at Compound rate of 48% in last fourteen years and for the year 2016, Company's strategy is to consolidate its income base, diversification of portfolio, strengthening risk management and risk appetite, while maintaining quality portfolio with minimal non-performing exposures. Furthermore, the Company's focus has always been to develop excellent long term relationship with lessees, suppliers, lenders and employees..

3. Risk Management

Risk management is a vital factor of Saudi ORIX's activities. The Company 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, established to coordinate day to day risk management. Following is the summary of main risks:

Credit Risk:

Credit risk is the risk of financial loss if a counter party 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 minimize credit risk.

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.

The focus during the year for the Credit Risk Management department has been greater scrutiny of credit quality whilst considering risk-based returns, selective asset growth that has led to higher levels of diversification and lower levels of concentration and the implementation of new processes to manage client excesses more efficiently.

Liquidity Risk:

Liquidity risk includes the conditions where 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 lease portfolio with manageable correlation risk between its assets and liabilities and an average lease duration period of three years.

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. Other activities to mitigate operational risk include segregation of duties, access, authorization and reconciliation procedures, process automation, staff training and education and assessment procedures.

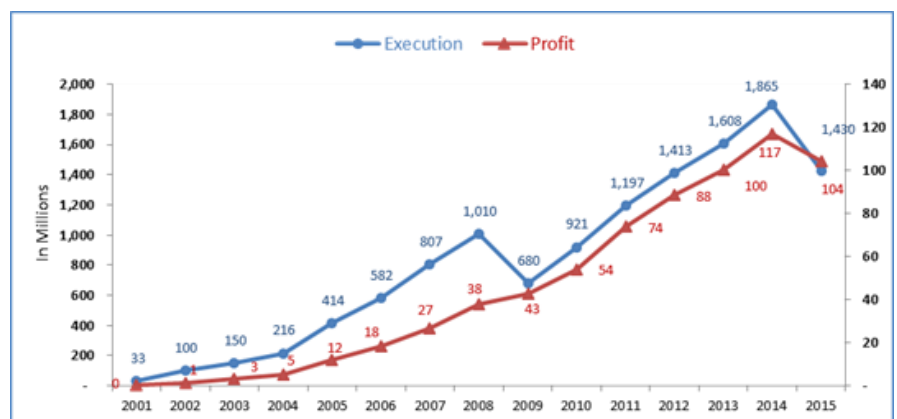
4. Credit Rating

Saudi ORIX's credit rating has been assessed by Moody's as following:

Category	Rating
Outlook	Stable
Corporate Family Rating	Ba1
Issuer Rating	Ba2

5. Financial Highlights

The Company earned net income of SR 104.24 million for the year 2015 as compared to SR 116.95 million for the previous year. Total revenues (Lease finance income) for the year ended December 31, 2015 reached SR 213.54 million as compared to total revenue (Lease finance income) of SR 218.60 million in 2014. Operating expenses increased to SR 76.06 million as against SR 66.35 million in 2014. Special Commission Expense decreased, due to low volume of funds utilization, to SR 36.40 million as against SR 36.76 million in 2014. The Company made provisions for lease losses of SR 25.16 million during the year taking the accumulated provision to SR 135.40 million at the yearend; equal to 6.53% of net investment in lease finance [before provision]. The net investment in finance leases [before provision] was SR 2,072.35 million as compared to SR 2,241.49 million in the previous year. During the year, no doubtful balance was written off by the Company (2014: Nil).



Company's last five years financial highlights are as follows:

SR' millions	2015	2014	2013	2012	2011
Net investment in finance leases	1,937	2,131	1,733	1,402	1,159
Total assets	2,036	2,212	1,842	1,628	1,238
Total short/ long term loans and debt	1,133	1,317	1,160	1,027	737
Shareholders' Equity	809	728	538	465	401
Total revenues (Lease finance income)	213.5	218.6	188.8	159.5	133.1
Special commission expense and amortization of transaction cost	36.4	36.8	30.9	23.3	16.0
Other operating income	3.2	1.5	2.4	3.1	0.8
Operating expenses	76.1	66.3	60.1	50.9	44.2
Net income	104.2	116.9	100.2	88.4	73.8
Earnings per share-SAR	1.90	2.58	2.23	1.96	1.64
Dividends per share-SAR	0.50	0.50	0.75	0.75	0.75
Non-Performing Leases - NIL	88.9	27.2	23.7	21.7	11.1
Non-Performing Leases - NIL[%]*	4.29%	1.21%	1.30%	1.46%	0.91%
Interest Cover [times]	3.86	4.18	4.25	4.80	5.62
Capital Adequacy Ratio [%]					
Tier-1	34.15%	29.48%	26.08%	28.30%	28.68%
Total	35.40%	30.73%	27.33%	29.55%	29.93%
Average Return on Equity	13.56%	18.47%	19.96%	20.42%	19.75%
Average Return on Assets	4.91%	5.77%	5.78%	6.17%	6.62%

* Net Investment in Leases [NIL] as percentage of total NIL.

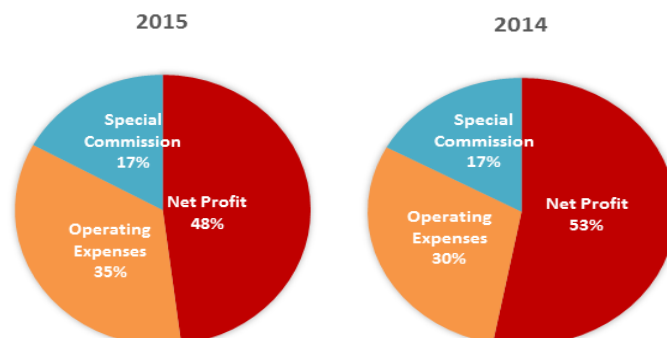
6. Geographical Concentration

The Company only operates in the Kingdom of Saudi Arabia.

7. Key Income Statement Items as a Percentage of Total Income

The table below shows the variation in the key income statement lines between 2015 and 2014:

SR millions	2015	2014	% Change
Total income	216.7	220.1	(1.53)
Special commission	36.4	36.8	(0.98)
Operating expenses	76.1	66.3	14.64
Net Income	104.2	116.9	(10.87)



8. Financial Reporting Standards & Audit

Saudi ORIX maintains proper books of accounts and, in compliance with the Implementing Regulations of the Law on Supervision of Finance Companies, the annual audited financial statements for the year ended 31 December 2015 of Saudi ORIX have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company has an Internal Audit department that performs audits as per approved annual plan and reports to Audit committee, established by the Board of Directors. The Audit Committee is entrusted with the responsibilities of assisting the Board of Directors in fulfilling its responsibilities for developing and maintaining system of internal control, and the company's process for monitoring compliance with laws and regulations and the code of conduct. The Committee is also responsible for recommendation of external auditors and rotation thereof, review of financial statements prior to their approval by the Board of Directors, and discussion with external auditors over audited financial statements, management letter and conduct of audit.

9. Effectiveness of Internal Control System

Management is responsible for the appropriate design and implementation of the system, and the Risk Management, Internal Audit and Compliance Departments for the continuous monitoring and evaluation of the system. All employees are ultimately responsible for operating and maintaining an efficient internal control system at their respective levels. The external auditors are responsible for determining the adequacy of the system of internal controls to decide the level of reliance they can place on the Company's internal controls, to design their audit procedures accordingly.

The Company's Internal Control System is subject to ongoing evaluations and improvement to allow for the identification of any gaps and meet the desired level of effectiveness, key controls include:

- Existence of a series of policies and procedures, which are subject to regular updates and reviews to verify their sufficiency and adequacy.
- Most of the Company's operations are automated using sophisticated systems, which minimizes errors and fraud opportunities.
- All work related and major important decisions are supervised through committees created for this purpose and to safeguard the Company's assets.
- Existence of departments specialized in fields of audit, compliance control and risk management.

The Board is of the opinion that the functioning of the internal control system is appropriate and nothing has come to the attention of the Audit Committee that causes it to believe that the system of internal control has not been properly designed or implemented or that effective and efficient internal controls have not been in place throughout the year 2015.

10. Ethical Standards and Code of Conduct

SOLC is committed to instill and maintain a culture of professionalism through its Code of Conduct which is based on fundamental principles of integrity, confidentiality and professionalism. It applies to the management, employees and any other person that may represent the Company. Saudi ORIX operates under the governing authority of its Board of Directors, who respectively, oversees the implementation and effectiveness of its ethical standards and Code of Conduct.

11. Loans

The following is the summary of borrowing activities:

SR millions	Dec 31, 2015	Dec 31, 2014
Opening balance of loans	1,078.8	923.7
Proceeds from loans	797.4	1,646.1
Repayments of loans	(743.3)	(1,491.0)
Closing balance of loans	1,132.9	1,078.8

Apart from above, Saudi ORIX issued 03 years Sukuk amounting to SAR 240 million on December 26, 2012 which was redeemed at par on December 27, 2015. Further details are provided in Note 9, 10 and 13 of the audited Financial Statements.

12. Dividend Policy
A. Objective:

The main objective of the dividend policy is to provide a return to shareholders to meet their investment expectations with due consideration to capital management and growth requirements of the Company. The dividend may be paid in cash to shareholders or distributed via issuance of bonus shares or a combination of cash and bonus shares.

B. Guiding Principles:

Following are the guiding principles for reviewing and setting the annual dividend policy by the Board and senior management:

I. Dividend sustainability

To build long term shareholder value and market confidence in the Company's future, the amount and frequency of dividends to be paid should be evaluated based on the Company's ability to continue paying at an equal or increased level in the foreseeable future.

II. Growth of the Company:

The amount, frequency and type of dividends paid should not impede the ability of the Company to meet its strategic growth plans.

13. Proposed Cash Dividend and Bonus Shares

The board of directors proposes dividend for the year 2015 amounting to SR 27.5 million (2014: SR 27.5 million) representing 5% of the Company's capital which is subject to shareholders approval at the Ordinary General Assembly Meeting.

As required by IFRS, dividends and appropriations to reserves made subsequent to the date of statement of financial position are to be considered as non-adjusting events and are to be recorded in the financial statements in the year in which they are approved/ transfers are made, except for appropriations required by law. Therefore, the dividend proposed by the Board of Directors, for the financial year ended 2015, shall be recorded in the financial year ending 2016.

14. Significant Shareholding

There was no change in the shareholding during the year. Shareholding pattern as at December 31, 2015 is as follows:

<i>Shareholders</i>	<i>31 December 2015</i>	
	<i>Shares Held</i>	<i>%</i>
The Saudi Investment Bank	20,897,250	37.995
Trade Development & Investment Group Limited	17,600,000	32.000
Mr. Musaed Bin Mohammad Bin AbdulAziz Al Mineefi	2,750	0.005
ORIX Corporation – Japan	15,125,000	27.500
ORIX Leasing Pakistan Limited – Pakistan	1,375,000	2.500
	55,000,000	100

15. Related Party Transactions

In the ordinary course of its activities, the Company transacts business with related parties which are related to its shareholders. The Company is provided technical assistance from ORIX Corporation, Japan and ORIX Leasing Pakistan Limited at no cost under an agreement. Other transactions and balances relating to related parties have been summarized in Note 24 of the audited Financial Statements.

Directors' Report

For the Year Ended 31 December 2015

Saudi ORIX Leasing Company

16. Board of Directors

Directors Attendance at Board of Directors Meetings

Name	Sessions Attended	Mar 04, 2015	May 27, 2015	Oct 18, 2015	Dec 07, 2015
Dr. Saleh Abdulaziz Al Omair ²		√	√		
Abdulmalek Abdullah Al-Sanea		√	√	√	√
Saleh Abdullah Al-Augla ³					
Majed Abdulghani Fakeeh ³					
Mohammed Omran Al Omran		√	√	√	√
Tariq Mutlaq Almutlaq ²		√	√		
Harukazu Yamaguchi		√	-1	-1	-1
Hiroshi Nishio		-1	-1	-1	√
Kazuhiro Inoue		√	√	√	√
Sahil Saleh Al Omair ²				√	√
Abdilelah Ahmed Al Ahmed ⁴				√	√
Abdulrahman Mohammed Alzuwaidi ³		√	√	√	√
Khalid Mohammed Abalkhail ²				√	√
Sameer Rasheed Al Rayyan ³					

All directors are Non-executive

¹ Absent directors were present through proxy.

² The Board confirmed TDIG's request to replace Dr. Saleh Abdulaziz Al Omair and Mr. Tariq Mutlaq Almutlaq with Mr. Sahil Saleh Al Omair and Mr. Khalid Mohammed Abalkhail in their meeting held on October 18, 2015.

³ The Board confirmed SAIB's request to replace Mr. Saleh Abdullah Al-Augla and Mr. Majed Abdulghani Fakeeh with Mr. Abdulrahman Mohammed Alzuwaidi and Mr. Sameer Rasheed Al Rayyan in their meeting held on March 04, 2015.

⁴ Appointment of Mr. Abdilelah Ahmed Al Ahmed was approved by SAMA on May 27, 2015.

Board Committees

The Board of Directors has mainly two Committees, the Credit and Risk Management Committee and the Audit Committee.

(I) Credit and Risk Management Committee

The Credit and Risk Management Committee is appointed by the Board of Directors. The Credit and Risk Management Committee assists the Board of Directors within the powers determined by the Board, and deal with all matters referred by the Board.

(II) Audit Committee

The Audit Committee is appointed by the Board of Directors consisting of three non-executive directors to institutionalize and improve the audit process and control environment.

17. Board of Directors and Senior Executive Compensation

The following is the details of remuneration and compensation paid to the Chairman and members of the Board and top five executives of the Company:

(SAR 000)

Details	Executive Board Members	Non-Executive Board Members	Five Executive Managers [Heads] in the Company receiving highest compensation including CEO & CFO
Salaries & Compensations	Nil	Nil	4,633
Allowances	Nil	Nil	1,068
Annual & Periodical Remunerations	Nil	Nil	2,044
Incentives	Nil	Nil	Nil
Any other Compensations or benefits (in kind paid monthly or annually)	Nil	1,800	Nil

18. Directors and Senior Executive Interest (including their spouse and minor children)
Board Members:

All Board members of the Company are directors nominated by shareholders. Neither any of directors, including any person related to them, hold any share in the Company nor have any other interest in the Company.

Senior Management:

None of senior management holds any share in the Company. Further, the CEO and the CFO, including any person related to them, apart from the remuneration, do not have any other interest in the Company.

19. External Auditors

At the Annual General Meeting of the Company's shareholders held on 13 Jumada II 1436H (corresponding to 4th March 2015). Messrs. KPMG Al Fozan & Al Sadhan were appointed as external auditors for the year ended 31 December 2015 for remuneration of SR 180,000/- for the annual audit and SR 45,000/- for each quarter review.

20. Payment of Zakat, Income Tax & Others
a) Saudi Shareholders

Zakat payable on the current year's share of income of Saudi Shareholders is estimated at SR 1.76 million (2014: SR 1.97) which will be deducted from their share of proposed dividends.

b) Non-Saudi Shareholders

Income tax payable on the current year's share of income of foreign shareholders is estimated at SR 8.89 million (of which SR 6.90 million has already been paid as advance tax).

c) Governmental Agencies

The below table displays the major payments made to governmental agencies during the year:

Payment (SAR '000)	2015	2014
Zakat & Income Tax	12,160	10,332
GOSI	2,276	1,929
SAGIA	128	20
Visas and passports related	93	144
Total	14,657	12,425

Other matters: The Zakat and Tax assessments for the years 2001 to 2005 are under appeal with relevant authorities. Note 18 of the audited Financial Statements covers details of Zakat and Tax status.

Directors' Report

For the Year Ended 31 December 2015

Saudi ORIX Leasing Company

21. Social Responsibility

The company derives its activities related to its social responsibility from its commitment to contributing towards a better future by caring for the local communities.

22. Applicable Laws and Regulations

Saudi ORIX has adhered to the provisions of the Saudi Companies' Law and other applicable laws, rules and regulations. During 2015, no penalty was imposed on the Company by any regulatory authority.

23. Declaration

The Board of Directors hereby confirms that;

- Proper books of accounts have been maintained.
- The Company prepares its financial statements in accordance International Financial Reporting Standard ["IFRS"] as required by the finance lease laws and regulations.
- Internal Audit Control was properly and efficiently implemented.
- The Company has no existing contracts in which a Director, CEO, CFO or any of their associate has a material interest.
- There is no doubt over the Company's ability to continue as a going concern.

24. Future Prospects

The Company has achieved a strong position in the market in the last fourteen years, and is keenly aware of market opportunities available in the Kingdom of Saudi Arabia.

The Board takes this opportunity to express gratitude to the government of the Kingdom of Saudi Arabia, and in particular the Saudi Arabian Monetary Agency, Saudi Arabian General Investment Authority, Capital Market Authority and the Ministry of Commerce for their continuing proactive support. The Board also places on record appreciation for Saudi and international shareholders for their confidence and support and to the Saudi ORIX team for their tireless effort and professionalism.

May Allah lead us to success.

For and on behalf of the Board of Directors
Chairman