



Structured Finance



Saudi Orix Leasing Company

HIGHLIGHTS

- First corporate bond issue in Saudi Arabia
- US\$13.3mn equivalent Riyal-denominated bond issue by Saudi corporate
- Partial credit guarantee by IFC of up to US\$6.7mn equivalent
- Benchmark transaction to establish blueprint for future corporate bond issues

THE COMPANY

Saudi Orix Leasing Company (SOLC) was established in 2001 as the first specialized leasing company in Saudi Arabia and the first non-bank financial institution in the Kingdom. Its customer base consists predominantly of private sector small and medium enterprises (SMEs). As of March 2002, SOLC had written 110 leases worth SR\$54mn with an average lease term of 37 months. The distribution of its lease portfolio consists mainly of industrial machinery, followed by construction equipment, vehicles, and medical equipment. Main shareholders include the Saudi Investment Bank, the Trade Development and Investment Group, Orix Group Japan, and IFC.

FINANCING OBJECTIVES

SOLC's main objective was to finance the growth of its leasing portfolio targeted to local small and medium enterprises. In Saudi Arabia, small businesses often faced difficulties meeting conditions for loans and other types of credit from the banking system and specialized credit institutions. By facilitating access to capital for SOLC the bond issue indirectly promoted non-bank finance alternatives for SMEs in the country.

IFC contributed to the enhancement of the issue by offering a Riyal-denominated partial credit guarantee of up to 50% of the issue. The guarantee allowed the company to obtain term funding, otherwise not available in the market. Additionally, IFC worked closely with the Saudi Arabian Monetary Agency (SAMA) in developing the regulatory capacity needed for this and future bond issues in the country.

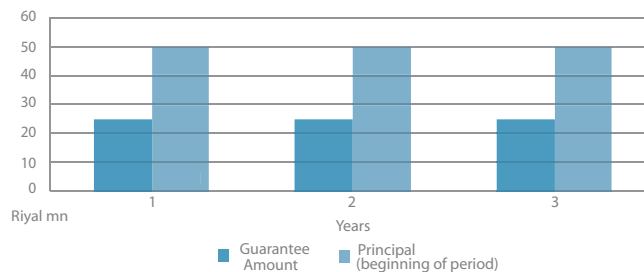
THE STRUCTURE

The offering consisted of US\$13.3mn 3-year bullet repayment Riyal-denominated bonds guaranteed by IFC for up to US\$6.7mn equivalent of principal and interest.

OUTCOME

As the first corporate bond ever issued in Saudi Arabia, the transaction contributed to the development of the domestic capital markets. The issue mobilized funds for new types of lending, extended the amount and maturity of the funds available, and put the necessary regulatory framework in place for bond issues.

IFC's participation not only helped the company access longer-term funds, but it also provided a new assets class for investors, mainly institutional. With transactions like this, IFC expects to establish a blueprint for future corporate bond issues in the country.



TERMS AND CONDITIONS

Amount	Riyal 50mn (approximately US\$13.3mn)
Currency	Saudi Arabian Riyal
Issue Date	March 2, 2003
Maturity	3 years
Series	1 Series
Principal Payment	At maturity
Enhancement	Principal and interest for an amount equal to 50% of the outstanding principal, up to US\$6.7mn equivalent