

**KUWAIT FINANCE HOUSE K.S.C. AND
SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

30 SEPTEMBER 2002

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**REVIEW REPORT TO THE DIRECTORS OF
KUWAIT FINANCE HOUSE K.S.C.**

We have reviewed the accompanying consolidated balance sheet of Kuwait Finance House K.S.C. and Subsidiaries at 30 September 2002, and the related consolidated statements of income, cash flows and changes in equity for the nine month period then ended. These interim condensed consolidated financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

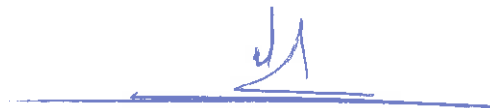
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

Furthermore, based on our review, the interim condensed consolidated financial statements are in agreement with the books of the company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the company have occurred that might have had a material effect on the business of the company or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.



WALEED A. AL OSAIMI
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ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS



JASSIM AHMAD AL-FAHAD
LICENCE NO. 53 A
AL-FAHAD & CO.
DELOITTE & TOUCHE

12 October 2002

Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED BALANCE SHEET

30 September 2002

		30 September 2002 (Unaudited) KD 000's	31 December 2001 (Audited) KD 000's	30 September 2001 (Unaudited) KD 000's
ASSETS				
Cash and balances with banks and financial institutions		97,729	80,574	73,059
Short-term international murabaha		478,262	572,974	489,510
Receivables		1,328,904	1,179,845	1,186,427
Leased assets		80,892	51,764	70,760
Government debt bonds		-	-	9,175
Investments in securities and managed portfolios		265,240	208,456	187,738
Trading properties		112,460	108,698	95,622
Investment properties		102,807	96,338	88,865
Other assets		59,030	47,517	38,629
Property and equipment		24,314	29,321	27,303
TOTAL ASSETS		2,549,638	2,375,487	2,267,088
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		56,926	81,934	36,311
Depositors' accounts		1,951,851	1,775,156	1,717,434
Other liabilities		97,934	86,475	93,604
TOTAL LIABILITIES		2,106,711	1,943,565	1,847,349
DEFERRED REVENUE		170,921	172,513	173,300
FAIR VALUE RESERVE	3	4,274	2,923	4,964
CONSOLIDATION RESERVE	4	4,178	-	-
MINORITY INTEREST		18,255	16,676	16,434
EQUITY				
Share capital	5	68,275	65,024	65,024
Proposed issue of bonus shares		-	3,251	-
Reserves		177,024	142,274	160,017
		245,299	210,549	225,041
Proposed cash dividend		-	29,261	-
TOTAL EQUITY		245,299	239,810	225,041
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY		2,549,638	2,375,487	2,267,088


BADER ABDULMOHSEN AL-MUKHAIZEEM
(CHAIRMAN AND MANAGING DIRECTOR)


JASSAR DAKHEEL AL-JASSAR
(GENERAL MANAGER)

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

30 September 2002

		<i>3 months ended</i> <i>30 September</i> <i>2002</i> <i>KD 000's</i>	<i>3 months ended</i> <i>30 September</i> <i>2001</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2002</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2001</i> <i>KD 000's</i>
	<i>Note</i>				
OPERATING INCOME					
Murabaha, Istisna'a and leasing		28,143	27,824	84,557	84,792
Subvention of government debt bonds		-	-	-	191
Investment income		4,960	3,129	18,645	12,761
Fee and commission income		2,829	2,165	6,880	5,313
Net gain from dealing in foreign currencies		104	124	609	937
Other operating income		440	442	1,938	1,744
		<u>36,476</u>	<u>33,684</u>	<u>112,629</u>	<u>105,738</u>
OPERATING EXPENSES					
General and administration		7,071	5,837	17,231	15,080
Depreciation		1,821	1,599	5,301	4,716
Provision for impairment charged (released)		-	2,285	-	(120)
		<u>8,892</u>	<u>9,721</u>	<u>22,532</u>	<u>19,676</u>
PROFIT FROM OPERATIONS BEFORE MINORITY INTEREST					
Minority interest		27,584	23,963	90,097	86,062
		<u>(512)</u>	<u>(524)</u>	<u>(1,288)</u>	<u>(1,159)</u>
PROFIT FROM OPERATIONS BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS					
Estimated distribution to depositors	6	27,072	23,439	88,809	84,903
		<u>(14,273)</u>	<u>(11,416)</u>	<u>(49,680)</u>	<u>(47,795)</u>
		<u>12,799</u>	<u>12,023</u>	<u>39,129</u>	<u>37,108</u>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(213)	(155)	(625)	(525)
PROFIT BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX					
Provision for National Labour Support tax		12,586	11,868	38,504	36,583
		<u>(261)</u>	<u>-</u>	<u>(766)</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	6	<u>12,325</u>	<u>11,868</u>	<u>37,738</u>	<u>36,583</u>
BASIC EARNINGS PER SHARE					
		<u>18 fils</u>	<u>17 fils</u>	<u>55 fils</u>	<u>54 fils</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

30 September 2002

	<i>Note</i>	<i>9 months ended 30 September 2002 KD 000's</i>	<i>9 months ended 30 September 2001 KD 000's</i>
OPERATING ACTIVITIES			
Net profit for the period		37,738	36,583
Adjustment for:			
Depreciation		5,301	4,716
Provision for impairment charged (released)		-	(120)
Operating profit before changes in operating assets and liabilities		<u>43,039</u>	<u>41,179</u>
<i>(Increase) decrease in operating assets:</i>			
Receivables		(160,612)	(210,495)
Leased assets		(28,797)	8,543
Trading properties		(3,526)	(4,560)
Other assets		(12,162)	(5,719)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(25,008)	28,696
Depositors' accounts		176,695	170,369
Other liabilities		13,039	21,843
Deferred revenue		(1,592)	7,793
Net cash from operating activities		<u>1,076</u>	<u>57,649</u>
INVESTING ACTIVITIES			
Redemption of government debt bonds		-	9,912
Purchase of investments in securities and managed portfolios		(51,334)	(28,280)
Purchase of investment properties		(2,500)	(26,912)
Purchase of property and equipment		(7,528)	(6,734)
Proceeds from sale of property and equipment		4,545	3,232
Net cash used in investing activities		<u>(56,817)</u>	<u>(48,782)</u>
FINANCING ACTIVITIES			
Cash dividends paid		(29,261)	(25,764)
Payment of Zakat		(3,205)	(2,809)
Net movement in treasury shares		217	(199)
Net cash used in financing activities		<u>(32,249)</u>	<u>(28,772)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(87,990)	(19,905)
Cash and cash equivalents at the beginning of the period		<u>362,527</u>	<u>322,757</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	<u>274,537</u>	<u>302,852</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

30 September 2002

	Reserves							Total equity KD 000's	
	Share capital KD 000's	Proposed Issue of bonus shares KD 000's	Share premium KD 000's	Statutory KD 000's	Voluntary KD 000's	Treasury shares KD 000's	Sub total KD 000's		Proposed cash dividends KD 000's
At 1 January 2001	61,343	3,681	7,708	98,265	21,210	(741)	126,442	25,764	217,230
Issue of bonus shares	3,681	(3,681)	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(25,764)	(25,764)
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	36,583	-	36,583	-	36,583
Net movement in treasury shares	-	-	-	-	(2,809)	(199)	(199)	-	(199)
Zakat	-	-	-	-	(2,809)	-	(2,809)	-	(2,809)
At 30 September 2001	65,024	-	7,708	98,265	54,984	(940)	160,017	-	225,041
At 1 January 2002	65,024	3,251	7,708	111,762	23,718	(914)	142,274	29,261	239,810
Issue of bonus shares	3,251	(3,251)	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(29,261)	(29,261)
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	37,738	-	37,738	-	37,738
Net movement in treasury shares	-	-	-	-	-	217	217	-	217
Zakat	-	-	-	-	(3,205)	-	(3,205)	-	(3,205)
At 30 September 2002	68,275	-	7,708	111,762	58,251	(697)	177,024	-	245,299

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2002

1 ACTIVITIES

Kuwait Finance House K.S.C. (the parent company) is a public shareholding company incorporated in Kuwait on 23 March 1977 and is engaged principally in providing banking services, the purchase and sale of properties, leasing, project construction for its own account as well as for third parties and other trading activities without practising usury. Trading activities are conducted on the basis of purchasing various goods and selling them on Murabaha at negotiated profit margins which can be settled in cash or on instalment credit basis. The parent company's registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

For details of consolidated subsidiaries please see Note 4.

All activities are conducted in accordance with Islamic Shareea'a, as approved by the parent company's Fatwa and Shareea'a Supervisory Board.

The interim condensed consolidated financial statements of Kuwait Finance House K.S.C. and Subsidiaries (the group) for the period ended 30 September 2002 were authorised for issue in accordance with a resolution of the board of directors on 12 October 2002.

2 BASIS OF PRESENTATION

These interim condensed consolidated financial statements of the group have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2001.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2002.

3 FAIR VALUE RESERVE

	<i>30 September 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>30 September 2001 (Unaudited) KD 000's</i>
Balance at beginning of the period	2,923	-	-
Transitional adjustment to fair value at 1 January 2001	-	1,716	1,716
Change in fair value during the period	1,623	1,207	3,248
Realised during the period	(272)	-	-
Balance at end of the period	<u>4,274</u>	<u>2,923</u>	<u>4,964</u>

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2002

4 CONSOLIDATION RESERVE

During the quarter ended 31 March 2002, the parent company consolidated two previously unconsolidated subsidiaries – The Kuwaiti Manager Company for Managing Real Estate Projects K.S.C. (Closed) and Al Muthana Investment Company K.S.C. (Closed). On consolidation, the accumulated retained earnings of the subsidiaries as of 1 January 2002 have been included within 'Consolidation Reserve'. Previously, the unconsolidated subsidiaries were carried at cost.

Prior year and period comparatives have not been restated due to the immateriality of the assets and liabilities of the previously unconsolidated subsidiaries.

Details of consolidated subsidiary companies are set out below:

<i>Name</i>	<i>Country of registration</i>	<i>Interest in equity %</i>	<i>Principal activities</i>
Al Enma'a Real Estate Company K.S.C. (Closed)	Kuwait	51	Real estate, investment, trading and management
The Kuwaiti Manager Company for Managing Real Estate Projects K.S.C. (Closed)	Kuwait	100	Contracting, trading and project management
Al Muthana Investment Company K.S.C. (Closed)	Kuwait	100	Islamic investments

5 SHARE CAPITAL

The extraordinary general assembly meeting of the parent company held on 18 February 2002 approved an increase in the authorised share capital from KD 65,024 thousand to KD 68,275 thousand by way of an issue of 5% bonus shares amounting to 32,512,000 shares.

6 ESTIMATED DISTRIBUTION TO DEPOSITORS AND NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS

Management of the parent company is of the opinion that the estimated distribution to depositors is presented for information purposes only, and accordingly the net profit for the period attributable to shareholders should not be relied upon to indicate distribution of profit to all parties concerned for the period ended 30 September 2002, or for the year ending 31 December 2002.

The actual profit to be distributed to all parties concerned will be determined by the board of directors of the parent company in accordance with the parent company's articles of association, based on the annual audited results for the year ending 31 December 2002.

For the purpose of these interim condensed consolidated financial statements, the net profit for the period ended 30 September 2002 attributable to shareholders has been credited to the voluntary reserve.

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2002

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	<i>30 September 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>30 September 2001 (Unaudited) KD 000's</i>
Cash and balances with banks and financial institutions	97,729	80,574	73,059
Short-term international murabaha – maturing within 3 months of contract date	176,808	281,953	229,793
	<u>274,537</u>	<u>362,527</u>	<u>302,852</u>

8 CONTINGENCIES AND COMMITMENTS

At the balance sheet date there were outstanding contingencies and commitments entered into in the ordinary course of business in respect of the following:

	<i>30 September 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>30 September 2001 (Unaudited) KD 000's</i>
Acceptances and letters of credit	23,720	23,934	25,603
Guarantees	105,503	90,727	87,399
	<u>129,223</u>	<u>114,661</u>	<u>113,002</u>
Capital commitments	<u>177,079</u>	<u>82,439</u>	<u>-</u>

9 NET OPEN FOREIGN CURRENCY POSITION

	<i>30 September 2002 (Unaudited) KD 000's equivalent</i>	<i>31 December 2001 (Audited) KD 000's equivalent</i>	<i>30 September 2001 (Unaudited) KD 000's Equivalent</i>
Net assets (liabilities) in major foreign currencies:			
U.S. Dollars	(6,130)	2,909	22,568
Sterling Pounds	(10,090)	(8,590)	(4,852)
Japanese Yen	(280)	(880)	319
Euros	35,597	681	1,325
Gulf Co-operation Council currencies	(12,818)	(14,559)	(13,471)
Others	(29,364)	390	-
	<u>(23,085)</u>	<u>(20,049)</u>	<u>5,889</u>

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2002

10 RELATED PARTY TRANSACTIONS

Certain related parties (directors and officers of the group, their families and companies of which they are principal owners) were depositors and credit customers of the parent company, in the ordinary course of business. Transactions with related parties are approved by the Ordinary General Assembly of the shareholders of the parent company. The period end balances of related parties included in the interim condensed consolidated balance sheet are considered insignificant.

11 SEGMENTAL ANALYSIS

Primary segment information

For management purposes the group is organised into four major business segments:

30 September 2002

	<i>Treasury</i> <i>KD 000's</i>	<i>Investment</i> <i>KD 000's</i>	<i>Retail and corporate banking</i> <i>KD 000's</i>	<i>Other segments</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Revenue	18,788	16,087	74,228	3,526	112,629
Net profit	6,055	6,123	25,175	385	37,738
Total assets	860,099	570,726	1,095,312	23,501	2,549,638
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	61,581	69,074	1,883,212	535,771	2,549,638

30 September 2001

	<i>Treasury</i> <i>KD 000's</i>	<i>Investment</i> <i>KD 000's</i>	<i>Retail and corporate banking</i> <i>KD 000's</i>	<i>Other segments</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Revenue	24,442	13,031	65,358	2,907	105,738
Net profit	8,211	5,207	23,128	37	36,583
Total assets	776,895	447,297	1,017,790	25,106	2,267,088
Total liabilities, deferred revenue, fair value reserve, minority interest and equity	44,018	58,955	1,680,642	483,473	2,267,088

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2002

11 SEGMENTAL ANALYSIS (continued))

Secondary segment information

The group operates in different geographical areas as designated below:

	<i>Domestic</i>		<i>International</i>		<i>Total</i>	
	<i>30 September 2002</i>	<i>30 September 2001</i>	<i>30 September 2002</i>	<i>30 September 2001</i>	<i>30 September 2002</i>	<i>30 September 2001</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Revenue	92,750	79,503	19,879	26,235	112,629	105,738
Net profit	30,731	27,250	7,007	9,333	37,738	36,583
Total assets	1,986,646	1,674,422	562,992	592,666	2,549,638	2,267,088
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	2,534,419	2,254,260	15,219	12,828	2,549,638	2,267,088

12 COMPARATIVE FIGURES

For the period ended 30 September 2001 investments in securities and managed portfolios, trading properties and investment properties are separately disclosed on the balance sheet to conform to the current period and 31 December 2001 presentation.