

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

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

30 JUNE 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. (the parent company) and Subsidiaries (the group) at 30 June 2002, and the related consolidated statements of income, cash flows and changes in equity for the six 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.

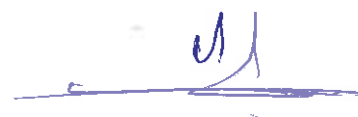
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Reporting Standard 34.

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 group 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
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DELOITTE & TOUCHE

7 July 2002

Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED BALANCE SHEET

30 June 2002

		30 June 2002 (Unaudited) KD 000's	31 December 2001 (Audited) KD 000's	30 June 2001 (Unaudited) KD 000's
ASSETS				
Cash and balances with banks and financial institutions		101,275	80,574	90,076
Short-term international murabaha		485,109	572,974	430,376
Receivables		1,347,864	1,179,845	1,174,743
Leased assets		66,006	51,764	74,021
Government debt bonds		-	-	11,721
Investments in securities and managed portfolios		220,637	208,456	185,043
Trading properties		118,078	108,698	103,059
Investment properties		100,787	96,338	58,295
Other assets		53,248	47,517	40,841
Property and equipment		25,037	29,321	27,868
TOTAL ASSETS		2,518,041	2,375,487	2,196,043
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		77,163	81,934	26,419
Depositors' accounts		1,916,718	1,775,156	1,679,776
Other liabilities		94,445	86,475	84,962
TOTAL LIABILITIES		2,088,326	1,943,565	1,791,157
DEFERRED REVENUE		171,355	172,513	171,108
FAIR VALUE RESERVE	3	4,692	2,923	4,204
CONSOLIDATION RESERVE	4	4,178	-	-
MINORITY INTEREST		16,434	16,676	15,910
EQUITY				
Share capital	5	68,275	65,024	65,024
Proposed issue of bonus shares		-	3,251	-
Reserves		164,781	142,274	148,640
		233,056	210,549	213,664
Proposed cash dividend		-	29,261	-
TOTAL EQUITY		233,056	239,810	213,664
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY		2,518,041	2,375,487	2,196,043

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 June 2002

	<i>Note</i>	<i>3 months ended 30 June 2002 KD 000's</i>	<i>3 months ended 30 June 2001 KD 000's</i>	<i>6 months ended 30 June 2002 KD 000's</i>	<i>6 months ended 30 June 2001 KD 000's</i>
OPERATING INCOME					
Murabaha, Istisna'a and leasing		29,239	28,055	56,414	56,968
Subvention of government debt bonds		-	59	-	191
Investment income		6,491	3,409	13,685	9,632
Fee and commission income		2,249	1,698	4,051	3,148
Net gain from dealing in foreign currencies		178	587	505	813
Other operating income		873	791	1,498	1,302
		<u>39,030</u>	<u>34,599</u>	<u>76,153</u>	<u>72,054</u>
OPERATING EXPENSES					
General and administration		5,512	5,304	10,161	9,243
Depreciation		1,796	1,569	3,479	3,117
Provision for impairment released		-	(3,999)	-	(2,405)
		<u>7,308</u>	<u>2,874</u>	<u>13,640</u>	<u>9,955</u>
PROFIT FROM OPERATIONS BEFORE MINORITY INTEREST					
Minority interest		31,722 (430)	31,725 (421)	62,513 (775)	62,099 (635)
PROFIT FROM OPERATIONS BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS					
Estimated distribution to depositors	6	31,292 (18,426)	31,304 (18,952)	61,738 (35,406)	61,464 (36,379)
		<u>12,866</u>	<u>12,352</u>	<u>26,332</u>	<u>25,085</u>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(206)	(185)	(413)	(370)
PROFIT BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX					
Provision for National Labour Support tax		12,660 (252)	12,167 -	25,919 (505)	24,715 -
NET PROFIT FOR THE PERIOD	6	<u>12,408</u>	<u>12,167</u>	<u>25,414</u>	<u>24,715</u>
BASIC EARNINGS PER SHARE		<u>18 fils</u>	<u>18 fils</u>	<u>37 fils</u>	<u>36 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 June 2002

	<i>Note</i>	<i>6 months ended 30 June 2002 KD 000's</i>	<i>6 months ended 31 June 2001 KD 000's</i>
OPERATING ACTIVITIES			
Net profit for the period		25,414	24,715
Adjustment for:			
Minority interest		775	635
Depreciation		3,479	3,117
Provision for impairment released		-	(2,405)
Operating profit before changes in operating assets and liabilities		29,668	26,062
<i>(Increase) decrease in operating assets:</i>			
Receivables		(209,371)	(253,570)
Leased assets		(14,018)	5,305
Trading properties		(9,238)	(11,997)
Other assets		(5,910)	(6,534)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(4,770)	18,803
Depositors' accounts		141,562	132,712
Other liabilities		7,970	13,023
Deferred revenue		(1,158)	5,601
Net cash used in operating activities		(65,265)	(70,595)
INVESTING ACTIVITIES			
Redemption of government debt bonds		-	7,366
Purchase of investments in securities and managed portfolios		(6,312)	(26,265)
Sale of investment properties		90	2,127
Purchase of property and equipment		(5,437)	(4,141)
Proceeds from sale of property and equipment		3,024	1,317
Net cash used in investing activities		(8,635)	(19,596)
FINANCING ACTIVITIES			
Cash dividends paid		(29,261)	(25,764)
Minority interest		(1,017)	(980)
Payment of Zakat		(3,205)	(2,809)
Net movement in treasury shares		298	292
Net cash used in financing activities		(33,185)	(29,261)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(107,085)	(119,452)
Cash and cash equivalents at the beginning of the period		362,527	322,757
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	255,442	203,305

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 June 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	-	-	-	-	24,715	-	24,715	-	24,715
Net movement in treasury shares	-	-	-	-	-	292	292	-	292
Zakat	-	-	-	-	(2,809)	-	(2,809)	-	(2,809)
At 30 June 2001	65,024	-	7,708	98,265	43,116	(449)	148,640	-	213,664
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	-	-	-	-	25,414	-	25,414	-	25,414
Net movement in treasury shares	-	-	-	-	-	298	298	-	298
Zakat	-	-	-	-	(3,205)	-	(3,205)	-	(3,205)
At 30 June 2002	68,275	-	7,708	111,762	45,927	(616)	164,781	-	233,056

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 June 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 June 2002 were authorised for issue in accordance with a resolution of the board of directors on 7 July 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 June 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>30 June 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	2,041	1,207	2,488
Realised during the period	(272)	-	-
Balance at end of the period	<u>4,692</u>	<u>2,923</u>	<u>4,204</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)

30 June 2002

4 CONSOLIDATION RESERVE

During the period 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	54.78	Real estate, investment, trading and management
The Kuwaiti Manager Company for Managing Real Estate Projects K.S.C. (Closed)	Kuwait	100.00	Contracting, trading and project management
Al Muthana Investment Company K.S.C. (Closed)	Kuwait	100.00	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 June 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 June 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 June 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 June 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>30 June 2001 (Unaudited) KD 000's</i>
Cash and balances with banks and financial institutions	101,275	80,574	90,076
Short-term international murabaha – maturing within 3 months of contract date	154,167	281,953	113,229
	<u>255,442</u>	<u>362,527</u>	<u>203,305</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 June 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>30 June 2001 (Unaudited) KD 000's</i>
Acceptances and letters of credit	23,188	23,934	31,550
Guarantees	98,660	90,727	89,701
	<u>121,848</u>	<u>114,661</u>	<u>121,251</u>
Capital commitments	<u>111,144</u>	<u>82,439</u>	<u>-</u>

9 NET OPEN FOREIGN CURRENCY POSITION

	<i>30 June 2002 (Unaudited) KD 000's equivalent</i>	<i>31 December 2001 (Audited) KD 000's equivalent</i>	<i>30 June 2001 (Unaudited) KD 000's equivalent</i>
Net assets (liabilities) in major foreign currencies:			
U.S. Dollars	(19,764)	2,909	17,454
Sterling Pounds	(10,141)	(8,590)	(4,935)
Japanese Yen	(735)	(880)	1,404
Euros	313	681	894
Gulf Co-operation Council currencies	(12,381)	(14,559)	-
Others	(127)	390	(13,021)
	<u>(42,835)</u>	<u>(20,049)</u>	<u>1,796</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 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:

	<i>Treasury 30 June 2002 KD 000's</i>	<i>Investment 30 June 2002 KD 000's</i>	<i>Retail and corporate banking 30 June 2002 KD 000's</i>	<i>Other segments 30 June 2002 KD 000's</i>	<i>Total 30 June 2002 KD 000's</i>
Revenue	12,238	11,915	49,822	2,178	76,153
Net profit	3,807	4,508	17,065	34	25,414
Total assets	911,921	518,940	1,066,213	20,967	2,518,041
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	83,558	67,633	1,846,537	520,313	2,518,041
	<i>Treasury 30 June 2001 KD 000's</i>	<i>Investment 30 June 2001 KD 000's</i>	<i>Retail and corporate banking 30 June 2001 KD 000's</i>	<i>Other segments 30 June 2001 KD 000's</i>	<i>Total 30 June 2001 KD 000's</i>
Revenue	16,913	10,378	42,885	1,878	72,054
Net profit	5,834	3,962	14,879	40	24,715
Total assets	743,200	423,336	997,494	32,013	2,196,043
Total liabilities, deferred revenue, fair value reserve, minority interest and equity	35,656	57,883	1,640,683	461,821	2,196,043

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 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 June 2002 KD 000's</i>	<i>30 June 2001 KD 000's</i>	<i>30 June 2002 KD 000's</i>	<i>30 June 2001 KD 000's</i>	<i>30 June 2002 KD 000's</i>	<i>30 June 2001 KD 000's</i>
Revenue	<u>64,849</u>	<u>53,483</u>	<u>11,304</u>	<u>18,571</u>	<u>76,153</u>	<u>72,054</u>
Net profit	<u>21,456</u>	<u>18,183</u>	<u>3,958</u>	<u>6,532</u>	<u>25,414</u>	<u>24,715</u>
Total assets	<u>1,845,400</u>	<u>1,630,283</u>	<u>672,641</u>	<u>565,760</u>	<u>2,518,041</u>	<u>2,196,043</u>
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	<u>2,489,830</u>	<u>2,185,816</u>	<u>28,211</u>	<u>10,227</u>	<u>2,518,041</u>	<u>2,196,043</u>

12 COMPARATIVE FIGURES

For the period ended 30 June 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.