

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

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

31 MARCH 2003

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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 31 March 2003, and the related consolidated statements of income, changes in equity and cash flows for the three 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.

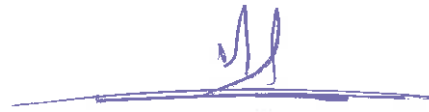
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

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
LICENCE NO. 68 A
ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS



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

15 April 2003

Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

31 March 2003

	<i>Note</i>	<i>3 months ended 31 March 2003 KD 000's</i>	<i>3 months ended 31 March 2002 KD 000's</i>
OPERATING INCOME			
Murabaha, Istisna'a and leasing		28,624	27,175
Investment income		4,528	7,194
Fee and commission income		2,156	1,802
Net gain from dealing in foreign currencies		492	327
Other operating income		787	625
		<u>36,587</u>	<u>37,123</u>
OPERATING EXPENSES			
General and administration		4,850	4,649
Depreciation		1,805	1,683
		<u>6,655</u>	<u>6,332</u>
PROFIT FROM OPERATIONS BEFORE MINORITY INTEREST			
		29,932	30,791
Minority interest		(443)	(345)
PROFIT FROM OPERATIONS BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS			
		29,489	30,446
Estimated distribution to depositors	3	(15,418)	(16,980)
		<u>14,071</u>	<u>13,466</u>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(141)	(207)
PROFIT BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX			
		13,930	13,259
Provision for National Labour Support tax		(275)	(253)
NET PROFIT FOR THE PERIOD			
	3	<u>13,655</u>	<u>13,006</u>
BASIC EARNINGS PER SHARE			
		<u>19 fils</u>	<u>18 fils</u>

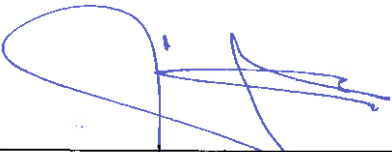
The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

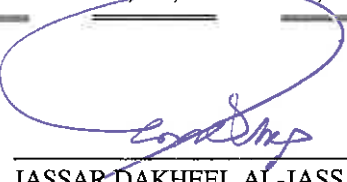
Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED BALANCE SHEET (UNAUDITED)

31 March 2003

		(Audited)	
	31 March 2003	31 December 2002	31 March 2002
Note	KD 000's	KD 000's	KD 000's
ASSETS			
Cash and balances with banks and financial institutions	202,372	147,882	64,625
Short-term international murabaha	378,706	458,916	398,457
Receivables	1,292,001	1,285,361	1,378,559
Leased assets	130,212	107,662	51,357
Investments	275,975	250,763	205,112
Trading properties	110,113	112,098	126,139
Investment properties	109,369	104,684	103,350
Other assets	76,615	62,164	53,478
Property and equipment	30,497	24,847	24,628
TOTAL ASSETS	2,605,860	2,554,377	2,405,705
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY			
LIABILITIES			
Due to banks and financial institutions	20,522	12,640	95,713
Depositors' accounts	2,040,777	1,976,861	1,787,970
Other liabilities	106,150	102,572	106,784
TOTAL LIABILITIES	2,167,449	2,092,073	1,990,467
DEFERRED REVENUE	173,884	175,724	171,763
FAIR VALUE RESERVE	4	6,082	5,771
CONSOLIDATION RESERVE	.	.	4,178
MINORITY INTEREST	18,547	18,840	16,004
EQUITY			
Share capital	5	71,689	68,275
Proposed issue of bonus shares		-	3,414
Reserves		168,209	158,191
		239,898	229,880
Proposed cash dividend		-	32,089
TOTAL EQUITY		239,898	261,969
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY		2,605,860	2,554,377
		2,554,377	2,405,705


 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 CHANGES IN EQUITY (UNAUDITED)

31 March 2003

	Reserves							Proposed cash dividends KD 000's	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		
At 1 January 2002	65,024	3,251	7,708	111,762	23,718	(914)	142,274	29,261	239,810
Movements during the period:									
Issue of bonus shares	3,251	(3,251)	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(29,261)	(29,261)
Net movement in treasury shares	-	-	-	-	-	(340)	(340)	-	(340)
Zakat	-	-	-	-	(3,205)	-	(3,205)	-	(3,205)
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	13,006	-	13,006	-	13,006
At 31 March 2002	68,275	-	7,708	111,762	33,519	(1,254)	151,735	-	220,010
At 1 January 2003	68,275	3,414	7,708	125,240	26,145	(902)	158,191	32,089	261,969
Movements during the period:									
Issue of bonus shares	3,414	(3,414)	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	(32,089)	(32,089)
Net movement in treasury shares	-	-	-	-	-	(30)	(30)	-	(30)
Zakat	-	-	-	-	(3,607)	-	(3,607)	-	(3,607)
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	13,655	-	13,655	-	13,655
At 31 March 2003	71,689	-	7,708	125,240	36,193	(932)	168,209	-	239,898

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)

31 March 2003

	<i>Note</i>	3 months ended 31 March 2003 KD 000's	3 months ended 31 March 2002 KD 000's
OPERATING ACTIVITIES			
Net profit for the period		13,655	13,006
Adjustment for:			
Depreciation		1,805	1,683
Operating profit before changes in operating assets and liabilities		15,460	14,689
Exchange of deposits - given		(71,532)	-
Receivables		16,328	(171,481)
Leased assets		(22,493)	342
Trading properties		1,985	(17,399)
Other assets		(13,837)	(6,002)
Due to banks and financial institutions		7,882	13,779
Depositors' accounts		63,916	12,814
Other liabilities		3,284	19,638
Deferred revenue		(1,839)	(751)
Net cash used in operating activities		(846)	(134,371)
INVESTING ACTIVITIES			
(Purchase) sale of investments		(24,902)	7,886
Purchase of investment properties		(4,903)	(2,050)
Purchase of property and equipment		(7,854)	(1,489)
Proceeds from disposal of property and equipment		866	818
Net cash (used in) from investing activities		(36,793)	5,165
FINANCING ACTIVITIES			
Cash dividends paid		(32,089)	(29,261)
Payment of Zakat		(3,607)	(3,205)
Net movement in treasury shares		(30)	(340)
Net cash used in financing activities		(35,726)	(32,806)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(73,365)	(162,012)
Cash and cash equivalents at the beginning of the period		305,081	362,527
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	231,716	200,515

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2003

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 6.

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 31 March 2003 were authorised for issue in accordance with a resolution of the board of directors on 15 April 2003.

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 2002.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2003.

3 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 estimated distribution to depositors and 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 31 March 2003, or for the year ending 31 December 2003.

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 2003.

For the purpose of these interim condensed consolidated financial statements, the net profit for the period ended 31 March 2003 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)

31 March 2003

4 FAIR VALUE RESERVE

	<i>31 March 2003 KD 000's</i>	<i>(Audited) 31 December 2002 KD 000's</i>	<i>31 March 2002 KD 000's</i>
Balance at beginning of the period	5,771	2,923	2,923
Change in fair value recognised during the period	311	3,028	-
Realised during the period	-	(180)	360
Balance at end of the period	<u>6,082</u>	<u>5,771</u>	<u>3,283</u>

5 SHARE CAPITAL

The extraordinary general assembly meeting of the parent company held on 3 February 2003 approved an increase in the authorised share capital from KD 68,275 thousand to KD 71,689 thousand by way of an issue of 5% bonus shares amounting to KD 3,414 thousand.

6 CONSOLIDATED SUBSIDIARIES

Details of consolidated subsidiaries 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

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2003

7 CASH AND CASH EQUIVALENTS

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

	<i>31 March 2003 KD 000's</i>	<i>(Audited) 31 December 2002 KD 000's</i>	<i>31 March 2002 KD 000's</i>
Cash and balances with banks and financial institutions	202,372	147,882	64,625
Short-term international murabaha – maturing within 3 months of contract date	127,500	183,823	135,890
Exchange of deposits – maturing after 3 months of contract date	(98,156)	(26,624)	-
	<u>231,716</u>	<u>305,081</u>	<u>200,515</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>31 March 2003 KD 000's</i>	<i>(Audited) 31 December 2002 KD 000's</i>	<i>31 March 2002 KD 000's</i>
Acceptances and letters of credit	29,947	29,021	22,976
Guarantees	121,570	112,212	91,866
	<u>151,517</u>	<u>141,233</u>	<u>114,842</u>
Capital commitments	<u>97,893</u>	<u>102,968</u>	<u>102,036</u>

9 NET OPEN FOREIGN CURRENCY POSITION

	<i>31 March 2003 KD 000's equivalent</i>	<i>(Audited) 31 December 2002 KD 000's equivalent</i>	<i>31 March 2002 KD 000's equivalent</i>
Net assets (liabilities) in major foreign currencies:			
U.S. Dollars	108,355	97,893	(38,999)
Sterling Pounds	(6,923)	(10,686)	(8,737)
Japanese Yen	(38)	(253)	6
Euros	5,498	111	336
Gulf Co-operation Council currencies	(12,453)	(12,610)	(13,968)
Others	930	1,039	28

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2003

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:

31 March 2003

	<i>Treasury KD 000's</i>	<i>Investment KD 000's</i>	<i>Retail and corporate banking KD 000's</i>	<i>Other segments KD 000's</i>	<i>Total KD 000's</i>
Revenue	4,018	4,358	26,993	1,218	36,587
Net profit for the period	1,315	1,645	10,345	350	13,655
Total assets	790,855	588,336	1,203,932	22,737	2,605,860
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	28,102	78,958	1,963,158	535,642	2,605,860

31 March 2002

	<i>Treasury KD 000's</i>	<i>Investment KD 000's</i>	<i>Retail and corporate banking KD 000's</i>	<i>Other segments KD 000's</i>	<i>Total KD 000's</i>
Revenue	6,021	6,313	23,734	1,055	37,123
Net profit for the period	1,833	2,409	8,522	242	13,006
Total assets	834,195	499,317	1,049,060	23,133	2,405,705
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	112,912	62,437	1,738,250	492,106	2,405,705

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2003

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>31 March 2003 KD 000's</i>	<i>31 March 2002 KD 000's</i>	<i>31 March 2003 KD 000's</i>	<i>31 March 2002 KD 000's</i>	<i>31 March 2003 KD 000's</i>	<i>31 March 2002 KD 000's</i>
Revenue	<u>27,091</u>	<u>31,097</u>	<u>9,496</u>	<u>6,026</u>	<u>36,587</u>	<u>37,123</u>
Net profit for the period	<u>9,949</u>	<u>10,795</u>	<u>3,706</u>	<u>2,211</u>	<u>13,655</u>	<u>13,006</u>
Total assets	<u>2,222,216</u>	<u>1,791,552</u>	<u>383,644</u>	<u>614,153</u>	<u>2,605,860</u>	<u>2,405,705</u>
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	<u>2,601,541</u>	<u>2,380,770</u>	<u>4,319</u>	<u>24,935</u>	<u>2,605,860</u>	<u>2,405,705</u>

12 FIDUCIARY ASSETS

The aggregate value of assets held in a trust as fiduciary capacity by the parent company at 31 March 2003 amounted to KD 239,522 thousand (31 December 2002: KD 324,278 thousand, 31 March 2002: KD 304,661 thousand).