

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

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

31 MARCH 2002

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

We have reviewed the accompanying interim condensed consolidated balance sheet of Kuwait Finance House K.S.C. (the parent company) and Subsidiaries (the group) at 31 March 2002, and the related interim condensed consolidated statements of income, cash flows and changes in equity for the three month period then ended. These interim condensed consolidated financial statements are the responsibility of the parent 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 parent 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.

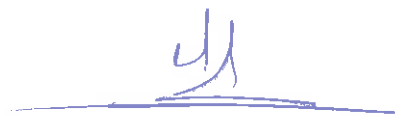
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

Furthermore, based on our review, the interim condensed consolidated financial statements are in agreement with the books of the group. 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 parent 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.



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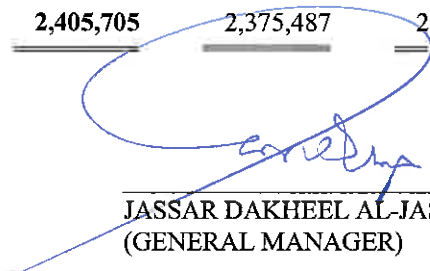
14 April 2002

Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEET

31 March 2002

		<i>31 March 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>31 March 2001 (Unaudited) KD 000's</i>
ASSETS				
Cash and balances with banks and financial institutions		64,625	80,574	123,159
Short-term international murabaha		398,457	572,974	367,176
Receivables		1,378,559	1,179,845	1,132,278
Leased assets		51,357	51,764	76,652
Government debt bonds		-	-	18,558
Investments in securities and managed portfolios		205,112	208,456	154,954
Trading properties		126,139	108,698	97,096
Investment properties		103,350	96,338	52,846
Other assets		53,478	47,517	39,062
Property and equipment		24,628	29,321	27,463
TOTAL ASSETS		2,405,705	2,375,487	2,089,244
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		95,713	81,934	11,270
Depositors' accounts		1,787,970	1,775,156	1,604,857
Other liabilities		106,784	86,475	88,237
TOTAL LIABILITIES		1,990,467	1,943,565	1,704,364
DEFERRED REVENUE		171,763	172,513	166,280
FAIR VALUE RESERVE	3	3,283	2,923	1,459
CONSOLIDATION RESERVE	4	4,178	-	-
MINORITY INTEREST		16,004	16,676	15,489
EQUITY				
Share capital	5	68,275	65,024	65,024
Proposed issue of bonus shares		-	3,251	-
Reserves		151,735	142,274	136,628
		220,010	210,549	201,652
Proposed cash dividend		-	29,261	-
TOTAL EQUITY		220,010	239,810	201,652
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY		2,405,705	2,375,487	2,089,244
 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.

145

Kuwait Finance House K.S.C. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2002

	<i>Note</i>	<i>3 months ended 31 March 2002 KD 000's</i>	<i>3 months ended 31 March 2001 KD 000's</i>
OPERATING INCOME			
Murabaha, Istisna'a and leasing		27,175	28,913
Subvention of government debt bonds		-	132
Investment income		7,194	6,223
Fee and commission income		1,802	1,450
Net gain from dealing in foreign currencies		327	226
Other operating income		625	511
		<u>37,123</u>	<u>37,455</u>
OPERATING EXPENSES			
General and administration		4,649	3,939
Depreciation		1,683	1,548
Provision for impairment		-	1,594
		<u>6,332</u>	<u>7,081</u>
PROFIT FROM OPERATIONS BEFORE MINORITY INTEREST			
		30,791	30,374
Minority interest		(345)	(214)
PROFIT FROM OPERATIONS BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS			
		30,446	30,160
Estimated distribution to depositors	6	(16,980)	(17,427)
		<u>13,466</u>	<u>12,733</u>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(207)	(185)
PROFIT BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX			
		13,259	12,548
Provision for National Labour Support tax		(253)	-
NET PROFIT FOR THE PERIOD	6	<u>13,006</u>	<u>12,548</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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 31 March 2002

	Note	3 months ended 31 March 2002 KD 000's	3 months ended 31 March 2001 KD 000's
OPERATING ACTIVITIES			
Net profit for the period		13,006	12,548
Adjustment for:			
Minority interest		345	214
Depreciation		1,683	1,548
Provision for impairment		-	1,594
		<u>15,034</u>	<u>15,904</u>
Operating profit before changes in operating assets and liabilities		15,034	15,904
<i>(Increase) decrease in operating assets:</i>			
Receivables		(171,481)	(139,865)
Leased assets		342	2,674
Trading properties		(17,399)	(2,296)
Other assets		(6,002)	(4,853)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		13,779	3,655
Depositors' accounts		12,814	57,792
Other liabilities		20,310	16,297
Deferred revenue		(751)	773
		<u>(133,354)</u>	<u>(49,919)</u>
Net cash used in operating activities		(133,354)	(49,919)
INVESTING ACTIVITIES			
Redemption of government debt bonds		-	529
Sale of investments in securities and managed portfolios		7,886	1,032
(Purchase) sale of investment properties		(1,998)	703
Purchase of property and equipment		(1,489)	(1,475)
Proceeds from sale of property and equipment		766	270
		<u>5,165</u>	<u>1,059</u>
Net cash from investing activities		5,165	1,059
FINANCING ACTIVITIES			
Issue of shares		-	-
Cash dividends paid		(29,261)	(25,764)
Minority interest		(1,017)	(980)
Payment of Zakat		(3,205)	(2,756)
Net movement in treasury shares		(340)	394
		<u>(33,823)</u>	<u>(29,106)</u>
Net cash used in financing activities		(33,823)	(29,106)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(162,012)	(77,966)
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><u>200,515</u></u>	<u><u>244,791</u></u>

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

Kuwait Finance House K.S.C. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 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		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	-	-	-	-	12,548	-	12,548	-	12,548
Net movement in treasury shares	-	-	-	-	(2,756)	394	394	-	394
Zakat	-	-	-	-	-	-	(2,756)	-	(2,756)
At 31 March 2001	65,024	-	7,708	98,265	31,002	(347)	136,628	-	201,652
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	-	-	-	-	13,006	-	13,006	-	13,006
Net movement in treasury shares	-	-	-	-	(3,205)	(340)	(340)	-	(340)
Zakat	-	-	-	-	(3,205)	-	(3,205)	-	(3,205)
At 31 March 2002	68,275	-	7,708	111,762	33,519	(1,254)	151,735	-	220,010

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)

31 March 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 31 March 2002 were authorised for issue in accordance with a resolution of the board of directors on 14 April 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>31 March 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>31 March 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	360	1,207	(257)
Balance at end of the period	<u>3,283</u>	<u>2,923</u>	<u>1,459</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 March 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’. This reserve will be amortised at the discretion of the parent company’s management. 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 31 March 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 31 March 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)

31 March 2002

7 CASH AND CASH EQUIVALENTS

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

	<i>31 March 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>31 March 2001 (Unaudited) KD 000's</i>
Cash and balances with banks and financial institutions	64,625	80,574	123,159
Short-term international murabaha – maturing within 3 months of contract date	135,890	281,953	121,632
	<u>200,515</u>	<u>362,527</u>	<u>244,791</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 2002 (Unaudited) KD 000's</i>	<i>31 December 2001 (Audited) KD 000's</i>	<i>31 March 2001 (Unaudited) KD 000's</i>
Acceptances and letters of credit	22,976	23,934	30,307
Guarantees	91,866	90,727	88,581
	<u>114,842</u>	<u>114,661</u>	<u>118,888</u>
Capital commitments	<u>102,036</u>	<u>34,305</u>	<u>18,692</u>

9 NET OPEN FOREIGN CURRENCY POSITION

	<i>31 March 2002 (Unaudited) KD 000's equivalent</i>	<i>31 December 2001 (Audited) KD 000's equivalent</i>	<i>31 March 2001 (Unaudited) KD 000's equivalent</i>
Net assets (liabilities) in major foreign currencies:			
U.S. Dollars	(38,999)	2,909	25,561
Sterling Pounds	(8,737)	(8,590)	(8,748)
Japanese Yen	6	(880)	(594)
Euros	336	681	1,093
Gulf Co-operation Council currencies	(13,968)	(14,559)	-
Others	28	390	100
	<u>(61,334)</u>	<u>(20,049)</u>	<u>17,412</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 March 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</i> <i>31 March</i> <i>2002</i> <i>KD 000's</i>	<i>Investment</i> <i>31 March</i> <i>2002</i> <i>KD 000's</i>	<i>Retail and</i> <i>corporate</i> <i>banking</i> <i>31 March</i> <i>2002</i> <i>KD 000's</i>	<i>Other</i> <i>segments</i> <i>31 March</i> <i>2002</i> <i>KD 000's</i>	<i>Total</i> <i>31 March</i> <i>2002</i> <i>KD 000's</i>
Revenue	6,021	6,313	23,734	1,055	37,123
Net profit	458	4,324	8,024	200	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
	<i>Treasury</i> <i>31 March</i> <i>2001</i> <i>KD 000's</i>	<i>Investment</i> <i>31 March</i> <i>2001</i> <i>KD 000's</i>	<i>Retail and</i> <i>corporate</i> <i>banking</i> <i>31 March</i> <i>2001</i> <i>KD 000's</i>	<i>Other</i> <i>segments</i> <i>31 March</i> <i>2001</i> <i>KD 000's</i>	<i>Total</i> <i>31 March</i> <i>2001</i> <i>KD 000's</i>
Revenue	8,632	6,694	21,194	935	37,455
Net profit	362	5,316	6,860	10	12,548
Total assets	698,360	391,583	967,117	32,184	2,089,244
Total liabilities, deferred revenue, fair value reserve, minority interest and equity	20,064	55,301	1,569,870	444,009	2,089,244

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)

31 March 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>31 March 2002 KD 000's</i>	<i>31 March 2001 KD 000's</i>	<i>31 March 2002 KD 000's</i>	<i>31 March 2001 KD 000's</i>	<i>31 March 2002 KD 000's</i>	<i>31 March 2001 KD 000's</i>
Revenue	<u>31,097</u>	<u>24,658</u>	<u>6,026</u>	<u>12,797</u>	<u>37,123</u>	<u>37,455</u>
Net profit	<u>10,795</u>	<u>8,167</u>	<u>2,211</u>	<u>4,381</u>	<u>13,006</u>	<u>12,548</u>
Total assets	<u>1,791,552</u>	<u>1,586,072</u>	<u>614,153</u>	<u>503,172</u>	<u>2,405,705</u>	<u>2,089,244</u>
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	<u>2,380,770</u>	<u>2,086,693</u>	<u>24,935</u>	<u>2,551</u>	<u>2,405,705</u>	<u>2,089,244</u>

12 COMPARATIVE FIGURES

For the period ended 31 March 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.