

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

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

30 SEPTEMBER 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 30 September 2003, and the related consolidated statements of income, changes in equity and cash flows 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.

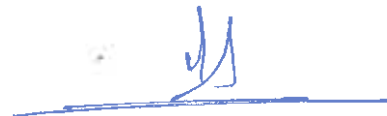
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

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

5 October 2003

Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

30 September 2003

		<i>3 months ended</i> <i>30 September</i> <i>2003</i> <i>KD 000's</i>	<i>3 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>2003</i> <i>KD 000's</i>	<i>9 months ended</i> <i>30 September</i> <i>2002</i> <i>KD 000's</i>
OPERATING INCOME					
Murabaha, Istisna'a and leasing		32,009	28,143	89,634	84,557
Investment income		7,983	4,960	21,745	18,645
Fee and commission income		2,866	2,829	7,258	6,880
Net (loss) gain from dealing in foreign currencies		(1,587)	104	(929)	609
Other operating income		963	440	2,515	1,938
		<u>42,234</u>	<u>36,476</u>	<u>120,223</u>	<u>112,629</u>
OPERATING EXPENSES					
General and administrative expenses		8,076	7,071	18,466	17,231
Depreciation		1,864	1,821	5,604	5,301
Provision for impairment		1,981	-	3,481	-
		<u>11,921</u>	<u>8,892</u>	<u>27,551</u>	<u>22,532</u>
PROFIT FROM OPERATIONS BEFORE MINORITY INTEREST		<u>30,313</u>	<u>27,584</u>	<u>92,672</u>	<u>90,097</u>
Minority interest		(698)	(512)	(1,831)	(1,288)
PROFIT FROM OPERATIONS BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS		<u>29,615</u>	<u>27,072</u>	<u>90,841</u>	<u>88,809</u>
Estimated distribution to depositors	3	(16,524)	(14,273)	(51,072)	(49,680)
		<u>13,091</u>	<u>12,799</u>	<u>39,769</u>	<u>39,129</u>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(131)	(213)	(397)	(625)
PROFIT BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX		<u>12,960</u>	<u>12,586</u>	<u>39,372</u>	<u>38,504</u>
Provision for National Labour Support tax		(273)	(261)	(819)	(766)
NET PROFIT FOR THE PERIOD	3	<u>12,687</u>	<u>12,325</u>	<u>38,553</u>	<u>37,738</u>
BASIC EARNINGS PER SHARE		<u>18 fils</u>	<u>17 fils</u>	<u>54 fils</u>	<u>53 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)

30 September 2003

		(Audited)	
	30 September 2003	31 December 2002	30 September 2002
ASSETS	Note	KD 000's	KD 000's
Cash and balances with banks and financial institutions		163,766	97,729
Short-term international murabaha		402,145	478,262
Receivables		1,427,324	1,328,904
Leased assets		271,528	80,892
Investments		374,734	265,240
Trading properties		99,845	112,460
Investment properties		137,664	102,807
Other assets		91,369	59,030
Property and equipment		35,315	24,314
TOTAL ASSETS		3,003,690	2,549,638
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY			
LIABILITIES			
Due to banks and financial institutions		50,920	56,926
Depositors' accounts		2,306,381	1,951,851
Other liabilities		166,897	97,934
TOTAL LIABILITIES		2,524,198	2,106,711
DEFERRED REVENUE		180,448	170,921
FAIR VALUE RESERVE	4	13,994	4,274
CONSOLIDATION RESERVE		-	4,178
MINORITY INTEREST		19,934	18,255
EQUITY			
Share capital	5	71,689	68,275
Proposed issue of bonus shares	5	-	-
Reserves		193,427	177,024
		265,116	245,299
Proposed cash dividend		-	-
TOTAL EQUITY		265,116	245,299
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, CONSOLIDATION RESERVE, MINORITY INTEREST AND EQUITY		3,003,690	2,549,638


BADER ABDULMOHSEN AL-MURHAIZEEM
(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)

30 September 2003

	Reserves							Proposed cash dividends KD 000's	Sub total 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 reserve KD 000's	Voluntary reserve KD 000's	Treasury shares KD 000's				
At 1 January 2002	65,024	3,251	7,708	111,762	23,718	(914)	29,261	142,274	239,810	
Movement during the period:										
Issue of bonus shares	3,251	(3,251)	-	-	-	-	-	-	-	
Cash dividends paid	-	-	-	-	-	-	(29,261)	-	(29,261)	
Net movement in treasury shares	-	-	-	-	-	217	-	217	217	
Zakat	-	-	-	-	(3,205)	-	-	(3,205)	(3,205)	
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	37,738	-	-	37,738	37,738	
At 30 September 2002	68,275	-	7,708	111,762	58,251	(697)	-	177,024	245,299	
At 1 January 2003	68,275	3,414	7,708	125,240	26,145	(902)	32,089	158,191	261,969	
Movements during the period:										
Issue of bonus shares	3,414	(3,414)	-	-	-	-	-	-	-	
Cash received on cancellation of share options	-	-	71	-	-	-	-	71	71	
Cash dividends paid	-	-	-	-	-	-	(32,089)	-	(32,089)	
Net movement in treasury shares	-	-	-	-	-	219	-	219	219	
Zakat	-	-	-	-	(3,607)	-	-	(3,607)	(3,607)	
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	38,553	-	-	38,553	38,553	
At 30 September 2003	71,689	-	7,779	125,240	61,091	(683)	-	193,427	265,116	

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 2003

	<i>Note</i>	<i>9 months ended 30 September 2003 KD 000's</i>	<i>9 months ended 30 September 2002 KD 000's</i>
OPERATING ACTIVITIES			
Net profit for the period		38,553	37,738
Adjustment for:			
Depreciation		5,604	5,301
Provision for impairment		3,481	-
Operating profit before changes in operating assets and liabilities		47,638	43,039
Exchange of deposits - given		(54,465)	-
Receivables		(141,841)	(160,612)
Leased assets		(162,596)	(28,797)
Trading properties		12,253	(3,526)
Other assets		(20,512)	(7,617)
Due to banks and financial institutions		38,280	(25,008)
Depositors' accounts		329,520	176,695
Other liabilities		65,419	13,039
Deferred revenue		4,724	(1,592)
Net cash from operating activities		<u>118,420</u>	<u>5,621</u>
INVESTING ACTIVITIES			
Purchase of investments		(116,086)	(51,334)
Purchase of investment properties		(34,104)	(2,500)
Purchase of property and equipment		(23,651)	(7,528)
Net cash used in investing activities		<u>(173,841)</u>	<u>(61,362)</u>
FINANCING ACTIVITIES			
Cash received on cancellation of share options		71	-
Cash dividends paid		(32,089)	(29,261)
Payment of Zakat		(3,607)	(3,205)
Net movement in treasury shares		219	217
Net cash used in financing activities		<u>(35,406)</u>	<u>(32,249)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(90,827)	(87,990)
Cash and cash equivalents at the beginning of the period		<u>305,081</u>	<u>362,527</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	<u>214,254</u>	<u>274,537</u>

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 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 30 September 2003 were authorised for issue in accordance with a resolution of the board of directors on 5 October 2003.

2 BASIS OF PRESENTATION

The 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 30 September 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 30 September 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)

30 September 2003

4 FAIR VALUE RESERVE

	<i>30 September 2003</i>	<i>(Audited) 31 December 2002</i>	<i>30 September 2002</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Balance at beginning of the period	5,771	2,923	2,923
Change in fair value recognised during the period	7,458	3,028	1,623
Realised during the period	428	(180)	(272)
Impairment loss recognised during the period	337	-	-
Balance at end of the period	<u>13,994</u>	<u>5,771</u>	<u>4,274</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)

30 September 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>30 September 2003 KD 000's</i>	<i>(Audited) 31 December 2002 KD 000's</i>	<i>30 September 2002 KD 000's</i>
Cash and balances with banks and financial institutions	163,766	147,882	97,729
Short-term international murabaha – maturing within 3 months of contract date	131,577	183,823	176,808
Exchange of deposits – maturing after 3 months of contract date	(81,089)	(26,624)	-
	<u>214,254</u>	<u>305,081</u>	<u>274,537</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 2003 KD 000's</i>	<i>(Audited) 31 December 2002 KD 000's</i>	<i>30 September 2002 KD 000's</i>
Acceptances and letters of credit	35,664	29,021	23,720
Guarantees	126,519	112,212	105,503
	<u>162,183</u>	<u>141,233</u>	<u>129,223</u>
Capital commitments	<u>81,013</u>	<u>102,968</u>	<u>177,079</u>

9 NET OPEN FOREIGN CURRENCY POSITION

	<i>30 September 2003 KD 000's equivalent</i>	<i>(Audited) 31 December 2002 KD 000's equivalent</i>	<i>30 September 2002 KD 000's equivalent</i>
Net assets (liabilities) in major foreign currencies:			
U.S. Dollars	106,218	97,893	(6,130)
Sterling Pounds	(7,929)	(10,686)	(10,090)
Japanese Yen	844	(253)	(280)
Euros	1,929	111	35,597
Gulf Co-operation Council currencies	(11,315)	(12,610)	(12,818)
Others	985	1,039	(29,364)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 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:

30 September 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>
Operating income	9,920	20,587	85,616	4,100	120,223
Net profit for the period	2,094	7,100	28,209	1,150	38,553
Total assets	826,721	737,253	1,413,768	25,948	3,003,690
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	60,055	98,592	2,235,234	609,809	3,003,690
30 September 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>
Operating income	18,788	16,087	74,228	3,526	112,629
Net profit for the period	6,055	5,576	25,175	932	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

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 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>30 September 2003</i>	<i>30 September 2002</i>	<i>30 September 2003</i>	<i>30 September 2002</i>	<i>30 September 2003</i>	<i>30 September 2002</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>
Operating income	<u>101,180</u>	<u>92,750</u>	<u>19,043</u>	<u>19,879</u>	<u>120,223</u>	<u>112,629</u>
Net profit for the period	<u>32,127</u>	<u>30,731</u>	<u>6,426</u>	<u>7,007</u>	<u>38,553</u>	<u>37,738</u>
Total assets	<u>2,509,516</u>	<u>1,986,646</u>	<u>494,174</u>	<u>562,992</u>	<u>3,003,690</u>	<u>2,549,638</u>
Total liabilities, deferred revenue, fair value reserve, consolidation reserve, minority interest and equity	<u>2,989,625</u>	<u>2,534,419</u>	<u>14,065</u>	<u>15,219</u>	<u>3,003,690</u>	<u>2,549,638</u>

12 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the parent company at 30 September 2003 amounted to KD 224,329 thousand (31 December 2002: KD 324,278 thousand, 30 September 2002: KD 333,914 thousand).