

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

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

30 SEPTEMBER 2000

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REVIEW REPORT TO THE DIRECTORS

We have reviewed the accompanying interim condensed consolidated financial statements of Kuwait Finance House K.S.C. and its subsidiary for the nine month period ended 30 September 2000 as set out on pages 2 to 9. 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 the company's 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, in our opinion 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 bank have occurred that might have had a material effect on the business of the parent 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
OF ERNST & YOUNG



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

7 October 2000
Kuwait

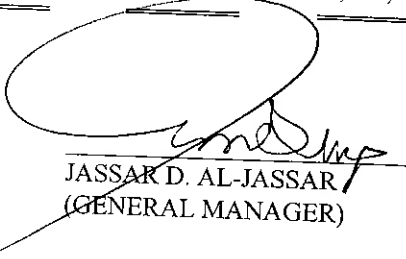
Kuwait Finance House K.S.C. and Subsidiary

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 September 2000

		30 September 2000 (unaudited) KD 000's	31 December 1999 (Audited) KD 000's	30 September 1999 (unaudited) KD 000's
ASSETS				
Cash and balances with banks and other financial institutions	3	66,095	117,617	47,546
Short-term international murabaha	3	248,215	159,710	228,947
Receivables		1,172,603	1,009,593	1,011,523
Leased assets		82,248	75,600	76,141
Government debt bonds	4	43,393	60,679	63,236
Investments		266,448	281,760	272,646
Property and equipment		26,291	22,262	20,168
Other assets		42,264	42,278	46,840
TOTAL ASSETS		1,947,557	1,769,499	1,767,047
LIABILITIES, MINORITY INTEREST AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		3,645	5,689	50,875
Depositors' accounts		1,471,527	1,334,943	1,299,369
Other liabilities		80,800	65,424	64,596
TOTAL LIABILITIES		1,555,972	1,406,056	1,414,840
DEFERRED REVENUE		170,444	156,218	155,697
MINORITY INTEREST		15,897	15,013	15,855
EQUITY				
Share capital	5	61,343	56,799	56,799
Proposed issue of bonus shares		-	3,408	-
Proposed cash dividends		-	22,720	-
Reserves		143,901	109,285	123,856
TOTAL EQUITY		205,244	192,212	180,655
TOTAL LIABILITIES, MINORITY INTEREST AND EQUITY		1,947,557	1,769,499	1,767,047


BADER ABDULMOHSEN AL-MUKHAIZEEM
(CHAIRMAN AND MANAGING DIRECTOR)


JASSAR D. AL-JASSAR
(GENERAL MANAGER)

The attached notes 1 to 10 form part of these condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiary

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2000

		<i>3 months ended 30 September 2000 KD 000's</i>	<i>3 months ended 30 September 1999 KD 000's</i>	<i>9 months ended 30 September 2000 KD 000's</i>	<i>9 months ended 30 September 1999 KD 000's</i>
OPERATING INCOME					
Murabaha, Istisna'a and leasing		28,612	26,163	83,050	74,513
Subvention on government debt bonds	4	703	858	2,295	3,519
Investment income		2,242	3,703	16,281	16,655
Fees and commissions		1,427	1,204	4,131	3,174
Net gain from dealing in foreign currencies		688	(542)	2,091	1,091
Miscellaneous		505	295	1,418	1,294
		<u>34,177</u>	<u>31,681</u>	<u>109,266</u>	<u>100,246</u>
OPERATING EXPENSES					
General and administration		4,408	4,371	12,847	13,013
Depreciation		1,329	1,031	3,604	3,059
Provisions		452	387	4,980	5,069
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		174	144	523	437
		<u>6,363</u>	<u>5,933</u>	<u>21,954</u>	<u>21,578</u>
OPERATING PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS AND MINORITY INTEREST					
Estimated distribution to depositors	6	27,814 (16,218)	25,748 (14,325)	87,312 (51,535)	78,668 (44,702)
PROFIT BEFORE MINORITY INTEREST					
Minority interest		11,596 (281)	11,423 (410)	35,777 (884)	33,966 (1,091)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS					
		<u>11,315</u>	<u>11,013</u>	<u>34,893</u>	<u>32,875</u>
BASIC EARNINGS PER SHARE					
		<u>19 fils</u>	<u>18 fils</u>	<u>57 fils</u>	<u>55 fils</u>

The attached notes 1 to 10 form part of these condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiary

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

30 September 2000

	Reserves						Total shareholders' equity KD 000's
	Share capital KD 000's	Issue of bonus shares KD 000's	Proposed cash dividends KD 000's	Statutory KD 000's	Share premium KD 000's	Voluntary KD 000's	
At 1 January 1999	53,584	3,215	19,290	71,139	5,641	16,087	168,956
Movements during period:							
Cash dividends paid	-	-	(19,290)	-	-	-	(19,290)
Issue of bonus shares	3,215	(3,215)	-	-	-	-	-
Zakat	-	-	-	-	-	(1,886)	(1,886)
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	-	32,875	32,875
At 30 September 1999	56,799	-	-	71,139	5,641	47,076	180,655
At 1 January 2000	56,799	3,408	22,720	84,929	5,641	18,715	192,212
Movements during period:							
Cash dividends paid	-	-	(22,720)	-	-	-	(22,720)
Issue of bonus shares	3,408	(3,408)	-	-	-	-	-
Issue of new shares for cash	1,136	-	-	-	-	-	1,136
Share premium	-	-	-	-	2,067	-	2,067
Zakat	-	-	-	-	-	(2,344)	(2,344)
Net profit for the period attributable to shareholders credited to voluntary reserve	-	-	-	-	-	34,893	34,893
At 30 September 2000	61,343	-	-	84,929	7,708	51,264	205,244

The attached notes 1 to 10 form part of these condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiary

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 September 2000

	9 months ended 30 September 2000 KD 000's	9 months ended 30 September 1999 KD 000's
OPERATING ACTIVITIES		
Net profit for the period	34,893	32,875
Adjustment for:		
Minority interest	884	1,091
Depreciation	3,604	3,059
Operating profit before changes in operating assets and liabilities:	<u>39,381</u>	<u>37,025</u>
Increase in receivables	(163,011)	(60,988)
(Increase) decrease in leased assets	(6,648)	178
Decrease in trading properties	7,923	2,637
(Decrease) increase in other assets	14	(15,075)
(Decrease) increase in due to banks and other financial institutions	(2,044)	29,478
Increase in depositors' accounts	136,584	37,570
Increase in other liabilities	15,376	10,940
Increase in deferred revenue	14,226	6,918
Net cash from operating activities	<u>41,801</u>	<u>48,683</u>
INVESTING ACTIVITIES		
Redemption of government debt bonds	17,286	78,158
Sale (purchase) of non-trading investments	6,318	(30,522)
Purchase of property and equipment	(9,833)	(2,211)
Proceeds from sale of property and equipment	3,272	-
Net cash from investing activities	<u>17,043</u>	<u>45,425</u>
FINANCING ACTIVITIES		
Dividends paid	(22,720)	(19,290)
Payment of Zakat	(2,344)	(1,886)
Issue of new shares	3,203	-
Minority interest	-	38
Net cash used in financing activities	<u>(21,861)</u>	<u>(21,138)</u>
NET INCREASE IN CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	36,983	72,970
Cash and balances with banks and other financial institutions at beginning of the period	<u>277,327</u>	<u>203,523</u>
CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS AT END OF THE PERIOD	314,310	276,493

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The attached notes 1 to 10 form part of these condensed consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiary
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)
 30 September 2000

1 ACTIVITIES

Kuwait Finance House K.S.C. (the parent company) is a public shareholding company incorporated in Kuwait 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. Sales may take various forms including cash, credit and Murabaha sales (purchasing of raw materials, goods, equipment, real estate and selling them at an agreed negotiated profit margin).

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

2 BASIS OF PRESENTATION

These interim condensed financial statements of the company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 1999.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period are not necessarily indicative of the results that may be expected for the year ending 31 December 2000. For further information, refer to the financial statements and notes thereto included in the company's annual report for the year ended 31 December 1999.

3 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2000 KD 000's</i>	<i>31 December 1999 KD 000's</i>	<i>30 September 1999 KD 000's</i>
Cash and balances with banks and other financial institutions	66,095	117,617	47,546
Short-term international murabaha	248,215	159,710	228,947
	<u>314,310</u>	<u>277,327</u>	<u>276,493</u>

4 GOVERNMENT DEBT BONDS

The subvention on the government debt bonds was 5.37% (1999: 5.64%) per annum for the period ended 30 September 2000 and is receivable semi annually in arrears.

5 SHARE CAPITAL

The extraordinary general assembly meeting of the parent company held on 20 March 2000 approved an increase in the authorised share capital from KD 56,799,143 to KD 61,343,074 by issuance of 6% bonus shares totaling 34,079,485 shares and 2% new shares totaling 11,359,828 shares under the employees share option scheme at 282 fils each. The premium arising on the issue of new shares has been credited to the share premium account.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2000

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

The management of the parent company has presented the estimated distribution to depositors and accordingly the net profit for the period attributable to shareholders for information purposes only. The estimated distribution to depositors and the estimated net profit attributable to shareholders should not be relied upon to indicate the distribution of profit to the depositors or the shareholders for the period ended 30 September 2000 or for the year ending 31 December 2000.

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 company's articles of association, based on the annual audited results for the year ending 31 December 2000.

For the purpose of these condensed consolidated financial statements, the net profit for the period ended 30 September 2000 attributable to shareholders has been credited to the voluntary reserve.

7 CONTINGENCIES AND COMMITMENTS

- a) 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 2000 KD 000's</i>	<i>31 December 1999 KD 000's</i>	<i>30 September 1999 KD 000's</i>
Acceptances and letters of credit	33,536	25,385	25,163
Guarantees	84,764	78,559	79,378
	<u>118,300</u>	<u>103,944</u>	<u>104,541</u>

The general provisions for non-cash credit facilities are included in other liabilities on the balance sheet.

- b) At the balance sheet date there were capital commitments amounting to KD 1,247 thousand (1999: KD 2,186 thousand) in respect of uncalled capital of investments.

8 NET OPEN FOREIGN CURRENCY POSITION

	<i>30 September 2000 KD 000's equivalent</i>	<i>31 December 1999 KD 000's equivalent</i>	<i>30 September 1999 KD 000's equivalent</i>
Net assets (liabilities) in major foreign currencies:			
U.S. Dollars	30,332	78,405	54,269
Sterling Pounds	(4,961)	(6,398)	(7,783)
Japanese Yen	(284)	193	3
Euro	1,154	1,114	1,048
Others	1,258	1,852	3,095
	<u>27,499</u>	<u>75,166</u>	<u>50,632</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2000

9 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 balance sheet are considered insignificant.

10 GEOGRAPHICAL SEGMENTS

Primary segment information

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

	<i>Treasury</i> <i>30 September</i> <i>2000</i> <i>KD 000's</i>	<i>Investment</i> <i>30 September</i> <i>2000</i> <i>KD 000's</i>	<i>Retail and</i> <i>corporate</i> <i>banking</i> <i>30 September</i> <i>2000</i> <i>KD 000's</i>	<i>Other</i> <i>groups</i> <i>30 September</i> <i>2000</i> <i>KD 000's</i>	<i>Total</i> <i>30 September</i> <i>2000</i> <i>KD 000's</i>
Revenue	23,523	19,836	63,336	2,571	109,266
Net profit	565	13,996	19,883	449	34,893
Total assets	552,663	385,761	975,650	33,483	1,947,557
Total liabilities, deferred revenue, minority interest and equity	13,501	50,561	1,458,494	425,001	1,947,557
	<i>Treasury</i> <i>30 September</i> <i>1999</i> <i>KD 000's</i>	<i>Investment</i> <i>30 September</i> <i>1999</i> <i>KD 000's</i>	<i>Retail and</i> <i>corporate</i> <i>banking</i> <i>30 September</i> <i>1999</i> <i>KD 000's</i>	<i>Other</i> <i>groups</i> <i>30 September</i> <i>1999</i> <i>KD 000's</i>	<i>Total</i> <i>30 September</i> <i>1999</i> <i>KD 000's</i>
Revenue	19,693	18,437	60,542	1,574	100,246
Net profit	722	12,197	19,472	484	32,875
Total assets	501,439	350,007	885,220	30,381	1,767,047
Total liabilities, deferred revenue, minority interest and equity	12,250	45,875	1,323,312	385,610	1,767,047

Kuwait Finance House K.S.C. and Subsidiary
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED) (continued)
 30 September 2000

10 GEOGRAPHICAL SEGMENTS (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 2000</i>	<i>30 September 1999</i>	<i>30 September 2000</i>	<i>30 September 1999</i>	<i>30 September 2000</i>	<i>30 September 1999</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	<u>87,715</u>	<u>85,037</u>	<u>21,551</u>	<u>15,209</u>	<u>109,266</u>	<u>100,246</u>
Net profit	<u>27,940</u>	<u>27,817</u>	<u>6,953</u>	<u>5,058</u>	<u>34,893</u>	<u>32,875</u>
Total assets	<u>1,546,163</u>	<u>1,431,006</u>	<u>401,394</u>	<u>336,041</u>	<u>1,947,557</u>	<u>1,767,047</u>
Total liabilities, deferred revenue, minority interest and equity	<u>1,941,443</u>	<u>1,753,092</u>	<u>6,114</u>	<u>13,955</u>	<u>1,947,557</u>	<u>1,767,047</u>