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The Knet Bulletin

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From the GM's office

'DESPITE THE FINANCIAL SITUATION, 2009 WILL BE A SPECIAL YEAR' : HASAN AKBAR

Dear Colleagues,

First of all I would like to express my absolute gratitude to each and everyone of you for your contribution in 2008 and for making it yet another exceptional year of success both financially and strategically. As I have mentioned on numerous occasions, 'you' are our most valuable asset and I assure you that without your skills, dedication, and team work, Knet would not be the exceptional organization it is today.

The issue of our Bulletin has drifted by almost two months, as we have been extremely busy with our year-end results, General Assembly meeting, the formation of our new Board for the coming three years, and most importantly the presentation and proposal of our annual budget to Knet Management.

Having gone through the effort and emotions of preparing for the year 2009, I owe it to you to reflect on the successes of the year that has passed by.

- **POS** - Highlights from last year show that this service is our most successful and profitable service. Our terminal count has reached nearly 18000 machines installed all over Kuwait with a variety of technologies that fit the needs of our merchants. As a sign of the tremendous growth in 2008, the transaction volume successfully increased by 21% from the previous year, in addition to the revenue which has increased by 32%.
- **ATM** - Our ATM team managed to install 38 machines to reach a total of 225 ATMs. An awareness campaign kicked off our national drive of reducing ATM fees by 50%, which highlighted Knet's confidence in its strong position as the national switch capable of generating additional volume of transactions to compensate the effect of reduction. Knet ATMs completed KD12.5 million with an increase of 29.6% from the previous year. Recently, your collective effort toward generating creative services resulted in the introduction of our on-wheels Mobile ATM as a symbol of Knet pride and leadership in electronic channels.

As the above reflects your continued superiority in the electronic channel arena, the year 2008 witnessed an impressive set of projects which will enable Knet to fly into new horizons. I would like to recap on two of them.



Knet GM Hasan Akbar

The Spirit of Giving

- **E-Government:** The Knet team has invested time, effort, and other valuable resources to build a strong proposal for a government payment services project. Moreover, with the help of our E-Government team, we have negotiated a solid agreement to achieve the business partnership with the government towards offering this service, which will reflect positively on the image of the country as a whole. On the 8th of May 2008, the Ministry of Finance signed a master agreement with Knet whereby the latter shall offer electronic payment services for collecting state fees, in a step toward attracting 28 government entities to join the e-government system and benefit from its services.
- **Check Book printing:** This service has been running successfully for quite a few years now. Recently our operations team managed to encourage all banks to upgrade their checkbook printing with the latest security features, which includes ultraviolet technology and micro text. This is a major enhancement to the mode of operation in the CBP unit.

At the end, I would like to conclude with a word of wisdom; *There is a saying that goes, “No pressure, no diamonds”; well, we created many diamonds last year and we shall continue to do so.*

Thank you all and keep up the good work.

Sincerely,

Hasan Akbar

BLOOD BANK DRIVE 2008

Knet played host to the blood bank drive for yet another year in a row. The drive was advertised amongst the staff, and to all working in the Suad Complex. As in previous years, the blood bank staff set up their improvised camp in the main conference room at Knet.

There was a steady stream of staff and visitors who literally crowded the 7th floor, all looking forward to doing their good deed for the day. The blood bank drive was organized in cooperation with the Kuwait Central Blood Bank which frequently advertises through its 'Sweethearts' campaign, the necessity of donating blood to save lives.

Knet PR officer, Thurayya Backour, said, “Knet continues its unstinting efforts in supporting humanitarian causes, giving back to the community a part of what it has magnanimously received. Knet’s role in this campaign is in line with its social responsibility, with an eye to promoting the importance of such a campaign and ultimately giving from the heart”.



Ahmad Hassoun

The Spirit of Giving



Visitors



Blood Donors

Knet GM Hasan Akbar

Wafa'a Othman

THE POS GATHERING

When the Ministry of Communication decided to change the existing landline telecommunication numbers from 7 digits to 8 digits by adding the digit 2 at the beginning of every number, Knet carried an advertisement in the local newspapers advising merchants of the procedures to be followed in order to update their POS devices well in advance to be compliant with the change by October 17th 2008, the deadline given by the Ministry as the operational date.



With the season of giving just around the corner, at Knet, we had an early sampling of this wonderful feeling. In the days following the addition of the extra digit, the Knet Operations Room and Help Desk witnessed a deadly surge in the number of calls being received from anxious merchants seeking assurance and verifying that they had indeed complied with the given procedures.

The normal after-hours staff were inundated with merchant calls when off-duty staff came in willingly to help, from managers to administrative staff with several senior staff even paying visits to commercial areas till the dead of night to offer assistance; one big Knet family all looking to help their customers and their colleagues, till the storm finally blew over and everything returned back to normal.



Operations and other staff attending calls

The Insiders

LOOKING BACK ON 2008

Though not in the limelight very often, these are the people on the inside, at the helm, driving others to make the wheels of Knet turn, and looking back at 2008, this is what they had to recount.

Abdulla Al-Ajmi, Business Development Manager - This past year, we signed on with quite a few non-member banks, as well as international banks that had set up locally, with the intention of providing Knet's trademark services. We started testing with some new switches as well, and hopefully, they shall go live in the very near future. We had several meetings during the year with our current GCC switches to enhance our services.

Of course, the big feather in our crown at the moment is the E-government project which is a pioneering step for Kuwait, for Knet, and is slated to go live very soon. We took on the task of driving ATMs for some banks as well; doing the credit card operation for one bank at present, and have helped our local banks in EMV migration.

Since it hasn't been long since I've taken on the role of Business Development Manager, I can say we've just touched the tip of the iceberg, the New Year shall bring a whole new world of opportunities, which Knet shall most confidently take on.

Mohammed Al-Sarraf, Operations & Services Manager - I believe that we had a very successful year in which we accomplished most of our goals. Our major achievements within OSD were the installation of cameras on all of our ATMs for added security; replacement of nearly 4500 CM2 POS terminals (out of 5000); and migration of most of our GSM terminals to GPRS.

On the ATM level, we consolidated our ATM contracts with all banks and have introduced SLAs to ensure provision of an even better quality of confident service to our customers and clients. We also installed secured and decorative surrounds on all our off-site ATMs to comply with PCI standards.

As for the Check Book printing service, we got an additional finishing machine to secure our production by maintaining high availability of check book printing services. Also, we obtained approval from the Kuwait Banking Association (KBA) to start implementing state-of-the-art security features for our check papers and expect to go live by mid 2009.

We did have our challenges with the changing of MOC numbers, but we overcame this issue very successfully and obtained our normal POS operations.

I would like to take this opportunity to thank all staff who assist in achieving OSD and Company objectives and wish all Knet staff the best for the year 2009.



Abdulla Al-Ajmi



Mohammed Al-Sarraf

The Insiders

Haifa Al-Ali, Application Development Manager - Last year we undertook a lot of projects; a major step taken was a B24 system migration to the latest release 6.8.

Regarding our ATMs, we increased the limit on our NCR ATMs to KD500; we also enabled EMV, as well as accepting AMEX cards on all our ATMs. In collaboration with the Operations & Services department, we did the Gaspar software installation for ATM journal capturing remotely, and the certification for the installation of cameras on all ATMs. All our ATMs are now IP.

With regard to EMV compliance, we assisted three banks on issuing EMV cards by providing them with EMV 'Early option' facility to validate EMV data on their behalf.

We moved a number of banks to IP, rather than X.25. We are working towards changing all our links to be Triple DES encryption as per PCI requirements.

We connected to VISA and MasterCard for one bank, i.e. VISA and MasterCard have certain technical requirements and we took away the hassle of processing these transactions on behalf of the bank.

We started working on the Postilion project for Integrated POS and ATM driving. With regard to Payment Gateway, we began the process of upgrading the system which has been installed in the test environment for testing, and are aiming to move it to production by the first quarter of 2009; followed by credit card acquiring.

In addition, we also worked on the E-government project, on POS installation, and new reports; and we are testing new switches for inclusion into our network.

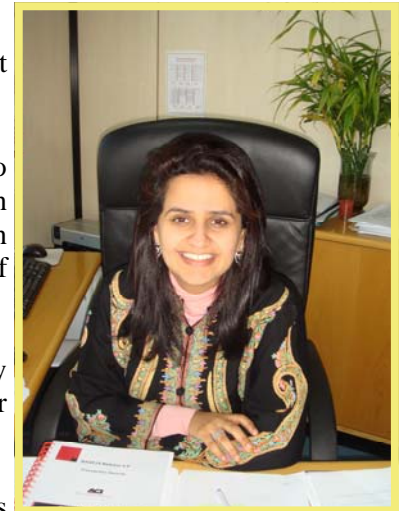
Jim Oommen, Finance Manager - We successfully closed our audit for the year and financially our Company has been able to sustain and improve on our operational performance which in turn has resulted in positive trends on the profitability and liquidity.

Within our finance department we had an upgrade of our accounting system which will help us in strengthening our accounting and reporting system.

During the course of the year, we also embarked on a project to automate the 'Purchase' process which will help to do away with the manual process we had in place. The project is ready to go live with the New Year.

As part of the Internal control measure to safeguard and track our assets we also underwent a physical count of all our fixed assets (except for POS). We will now have a process in place for controlling our fixed assets to properly track, record and account for them.

Needless to mention that the achievements of the Finance department would not have been possible without the hard work, dedication and professionalism exhibited by all the members of our Finance team and I would like to take this opportunity to applaud each one of them for their good efforts.



Haifa Al-Ali



Jim Oommen



Mariam Al-Mudhaf

The Insiders

Mariam Al-Mudhaf, Manager - HR & Administration - 2008 was a major year for the HR department in that we completed an employee engagement survey wherein we took note of our employees' comments and suggestions; subsequently action plans were drawn up for all departments based on this feedback.

We also drew up career ladders whereby employees will know in which direction they can head and how to get there; in addition we are developing technical and behavioural competencies which is scheduled to be completed shortly.

Another major plus was the computerization of the HR system that has been integrated with the time attendance, thereby automating many HR processes.



Ghadna'a Zeraie

Ghadna'a Zeraie, Technical Support Manager - We've achieved a lot in 2008 technically; most importantly we upgraded our Tandem System to the NonStop Integrity NS14000 Itanium-based. We had our VISA/MasterCard project, i.e. running credit card transactions for one of our local banks. We did have a problem with our X.25 service and a test of our strength with the new MOC numbering plan, but we did overcome it all and for this a lot is due to our team at Knet.

We revamped our website, and added an additional application – Knet online – for our Member Banks and partners. Now they can send claims, request for POS, run reports and download daily files from the web site. We installed a new automated PBX system with IVR operation; thus customers can request papers rolls for POS through the IVR systems, making things easier for our operations staff; in fact on the issue of POS faults, once an engineer concludes a successful transaction, the fault is closed automatically; so all in all, a pretty accomplished year for the TSD.

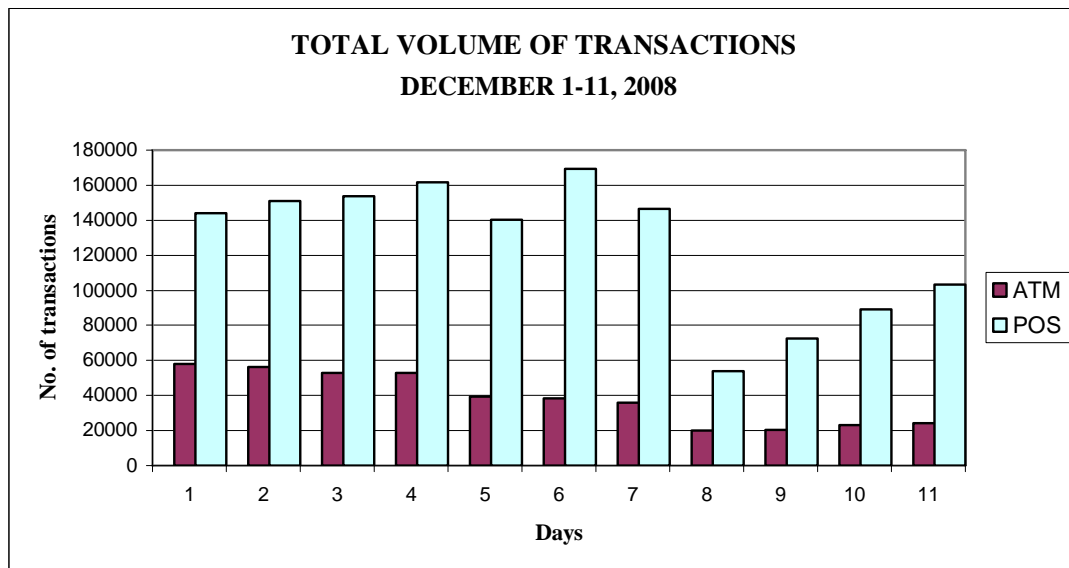
EID AL-ADHA STATISTICS

We saw a steady increase in transactions from the 1st of December up to the day preceding Eid Al-Adha.

The graph following indicates the total *volume* of transactions for the period of December 1 to 11, and shows a steady rise in ATM and POS figures from the 1st up to the 4th of December peaking again on the 6th and declining with Eid. For ATMs, the highest transaction volume was recorded on the 1st with more than 55,000 transactions, and for POS, the highest transaction volume was recorded on the 2nd with more than 150,000 transactions.

For ATM on the 1st, the transactions picked up after 6pm to peak during the hour of 7 pm with almost a thousand transactions every twenty minutes; whereas for POS, on the 2nd, the transactions were up after 7 pm in the evening to peak at 8 pm with nearly 15,000 transaction for that hour, portraying almost 5,000 transactions every 20 minutes.

Statistics

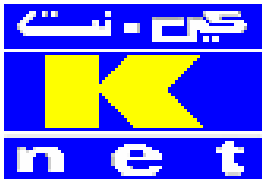


The graph on the next page indicates the total *value* of transactions for the period of December 1 to 11, and as was the case with the volume, it shows a steady rise in ATM and POS figures from day one. For ATMs, the highest transaction value was recorded on the 1st totaling more than KD 3 million, and for POS, the highest transaction value was recorded on the 2nd totaling more than KD 11 million.

TRAINING

A number of staff attended training, conferences, exhibitions and seminars over the last few months. They were:

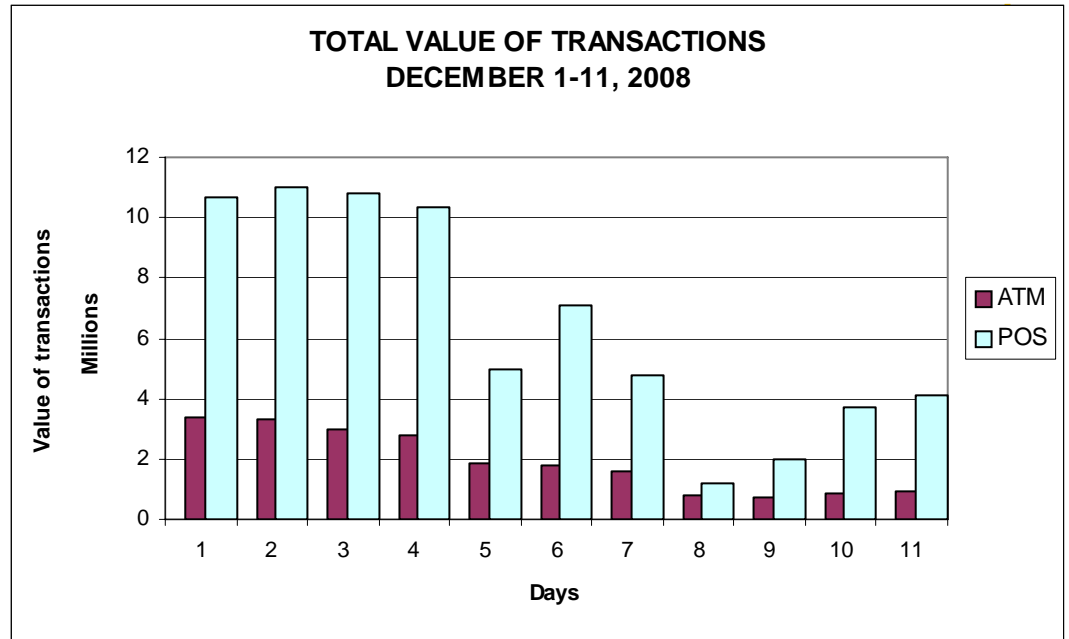
- Hasan Akbar for 'General Management Program' (GMP) at Boston, Massachusetts, U.S.A
- Hasan Akbar and Jenan Al-Shatti for the 'Wincor World 2009 Trade Fair Forum for Banking & Retail' in Germany
- Abdulla Al-Ajmi for the GCC meetings in Oman and Riyadh, K.S.A.
- Mohammed Al-Sarraf for 'ATM Security 2008 Conference' in U.K.
- Abdulla Al-Ajmi, Ghadna'a Zeraie and Ruqayya Al-Mehri for the GCC meeting in Riyadh, K.S.A.
- Mohammed Al-Sarraf and Ahmad Hassoun for 'POS Remote Monitoring' session in Moscow, Russia
- Ghadna'a Zeraie & Jenan Al-Shatti for 'Cartes & Identification 2008 Congress' at Paris, France
- Dalal Al-Yaqout, Bassem Farah and Khaled BuAbbas for 'ATM Application Training Course' in Dubai, U.A.E.
- Anthony Rodrigues for 'Nonstop NS-Series Server Administration', at HP Netherlands
- Habib Al-Ekri for 'Transactions Security Services' (TSS) in U.K.
- Nawaf Al-Ebrahim for GITEX Exhibition at Dubai, U.A.E.
- Salwa Shaheen for 'Managing Projects using Microsoft Project', at Dubai, U.A.E.



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Graph depicting the total value of transactions in the period running up to Eid Al-Adha

HAPPENINGS

We welcomed several new recruits within the past few months, they are :

- Ahmed Al-Mahmeed in Application Development as System Supervisor. Ahmed holds a bachelor's degree in Management Information Systems and has previously worked for Oula fuel company and Wataniya.
- Reem Al-Saleh in Public Relations team as Public Relations Coordinator. Reem holds a bachelor's degree in Business Administration Systems and has worked previously in the procurement field.
- Saquib Javaid in Application Development as Web Developer. Saquib holds a master's degree in Computer Sciences and has previously worked as a web administrator.
- Naseema Abdulkarim in Operations & Services as Trainee Help Desk Clerk. Naseema holds a diploma in Computer Sciences and has worked in the Administration Field for more than 5 years.
- Fadl Mohammed in Operations & Services as Check Book Printing Operator. Fadl has previously worked in the Administrative Field.
- Rabih Kanaan in Technical Support as Shift Operator. Rabih holds a master's degree in History and has previously worked in Human Resources.

Congratulations went out multi-fold to:

- Nawaf Al-Ebraheem from Operations & Services who tied the nuptial knot in October.
- Omar Abdulkarim from Operations & Services on the birth of his first baby, a girl named Asma'a .
- Thurayya Backour from Public Relations on the birth of her baby boy, Qays.
- Dalal Al-Yaqout from Application Development on the birth of her baby boy, Abdulrahman.

***Knet wishes joy to all in Kuwait on the occasions of the 48th National Day
and 18th Liberation Day, on the 25th and 26th of February 2009.***

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