



TEMENOS

The banking software company

Capital Markets Day

14 February 2018

Agenda

10.00 – 10.45	Strategy and vision	David Arnott, CEO
10.45 – 11.30	Building Enterprise Architecture around Temenos	Willem Hueting, Senior General Manager International Markets, KBC
11.30 – 11.45	Coffee	
11.45 – 12.30	Product leadership	Mark Winterburn, Group Product Director
12.30 – 13.00	Creating shareholder value	Max Chuard, CFO, COO
13.00 – 13.15	Q&A	
13.15 – 14.00	Lunch	

Strategy and Vision

David Arnott, CEO

14 February 2018





2017 was another outstanding year



Market growth underpinned by structural drivers



We are best placed to capitalize on the opportunity



Strategy to deliver sustained growth

\$737m

Total revenue

\$224m

EBIT



114%

Cash Conversion

\$150m+

R&D Spend

Our 25th year was another landmark for Temenos

We have delivered ahead of our strategic plan

Extending our lead in core banking, fund administration and private wealth

Licence growth in each area materially above market growth
Won all landmark deals in 2017*

Penetrating the U.S. market

New strategic accounts signed; strong pipeline development
Important progress with referenceability of U.S. Model Bank

Establishing ourselves as a leader in digital banking

Major digital banking projects (e.g. Pepper), significant uptick of cloud deployment, culminating in industry analysts' recognition

Strategic partner alignment and industrializing sales

251 Go-Lives in 2017; majority involved partners
Sales and pre-sales headcount up by over 20%

**based on RFPs Temenos was invited to participate in during 2017*

Won all major deals in the market in 2017*



The provider of choice – across all tiers and segments



*based on RFPs Temenos was invited to participate in during 2017. This slide contains logos of new named clients, significant extended business, re-licensing

ally



LarrainVial 

Vancity

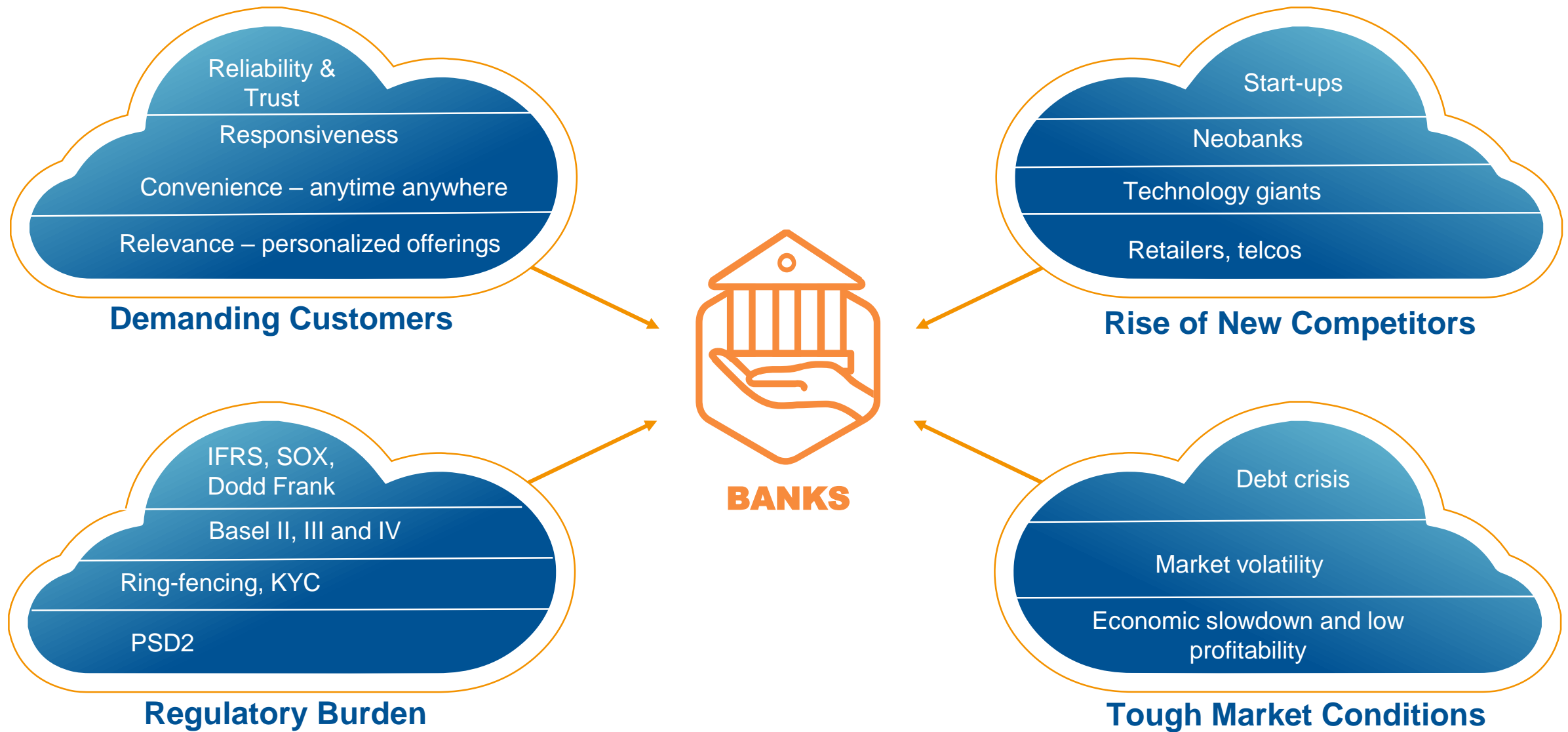
TORICUM PRIVATE BANK

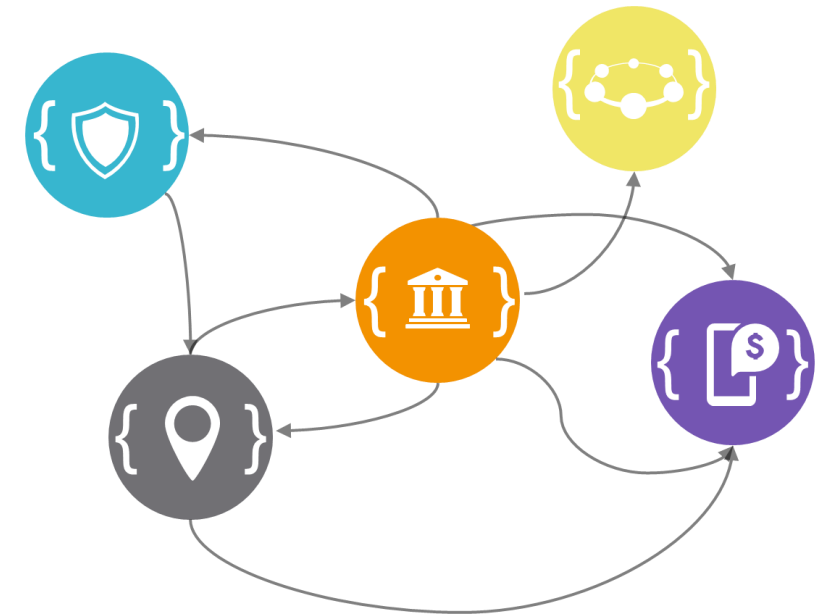
PEPPER.



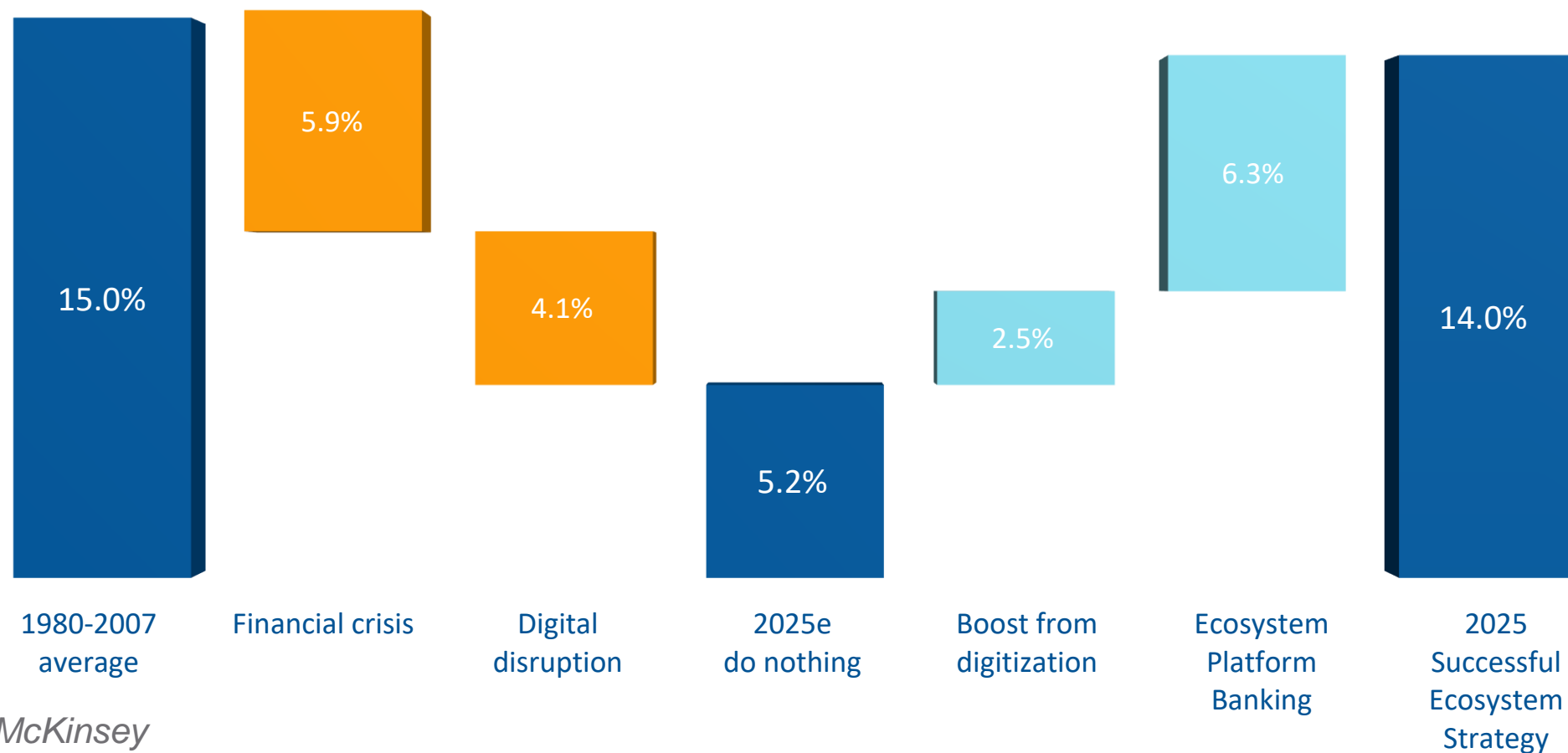
Rakuten Europe Bank

Delivering unparalleled customer success





Bank RoE – historical and projected

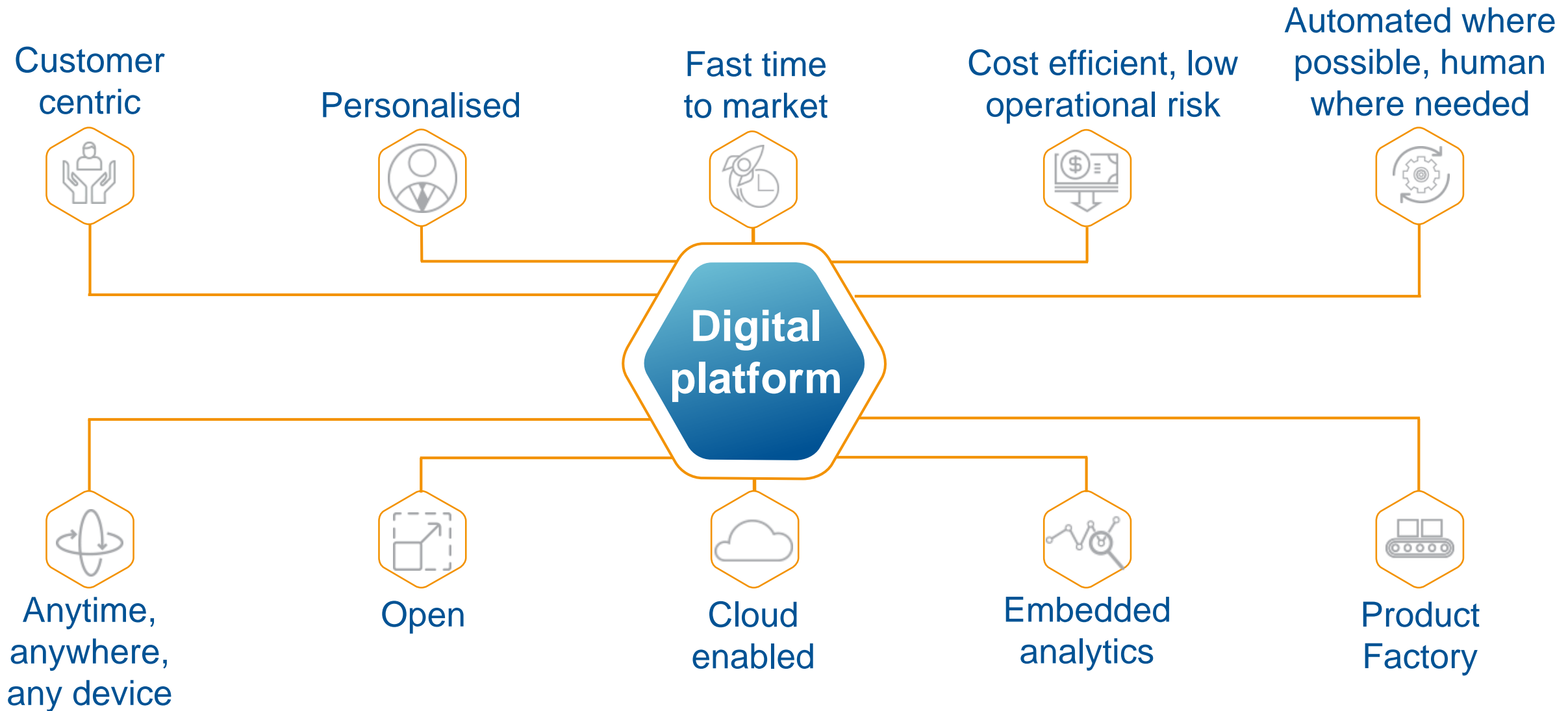


Source: BCG, McKinsey

Do nothing not an option – banks need to build digital ecosystems



Offering the best customer experience with highest level of fulfilment



We are the only vendor to offer this complete digital platform



Rich model banks for 30+ countries



First go-live already achieved



Project in line with plan, progressing well



First go-live already achieved



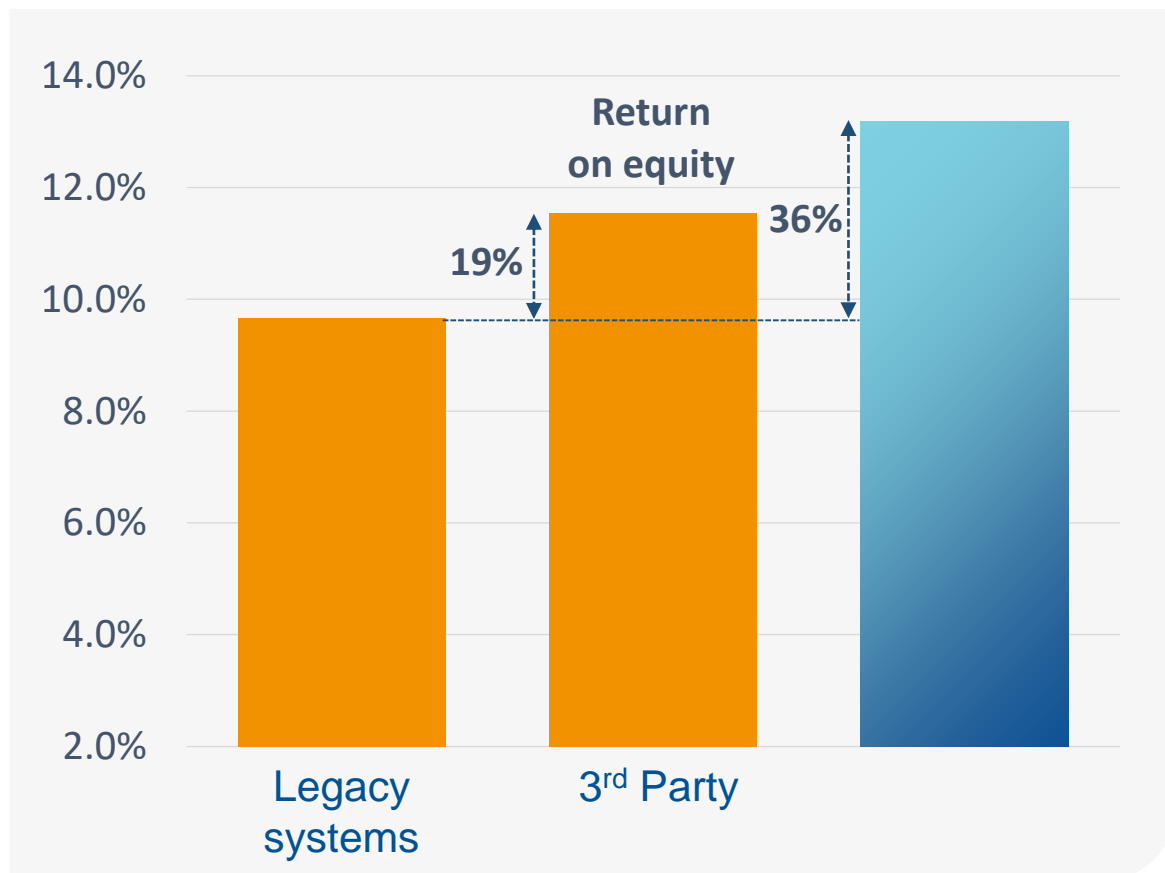
Driving domestic and global expansion



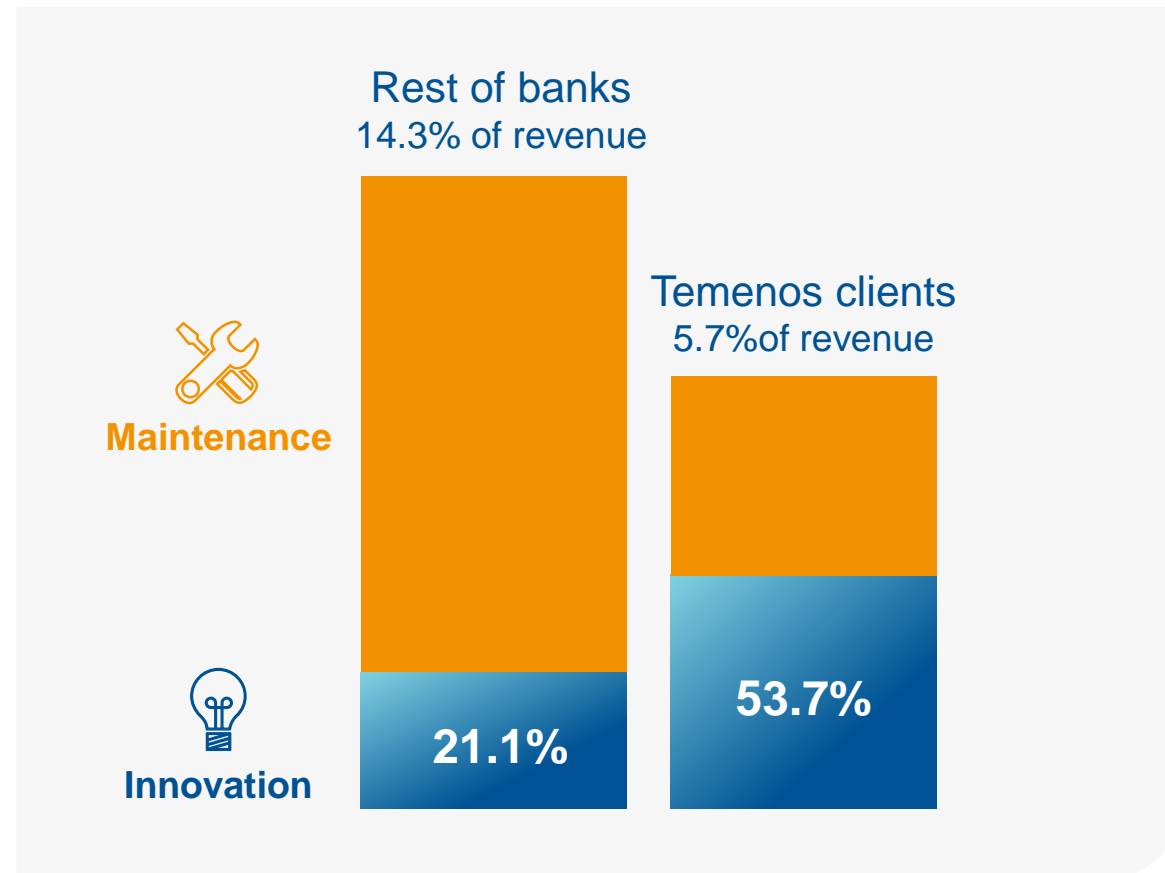
Retail and corporate transformation

Tier 1 credentials create barriers to entry for the competition

Banks running Temenos software enjoy a higher return on equity



Banks running Temenos software free up more budget for innovation



Methodology agreed when publishing white-paper "Bridging the Profitability Gap", co-written with **Deloitte**.

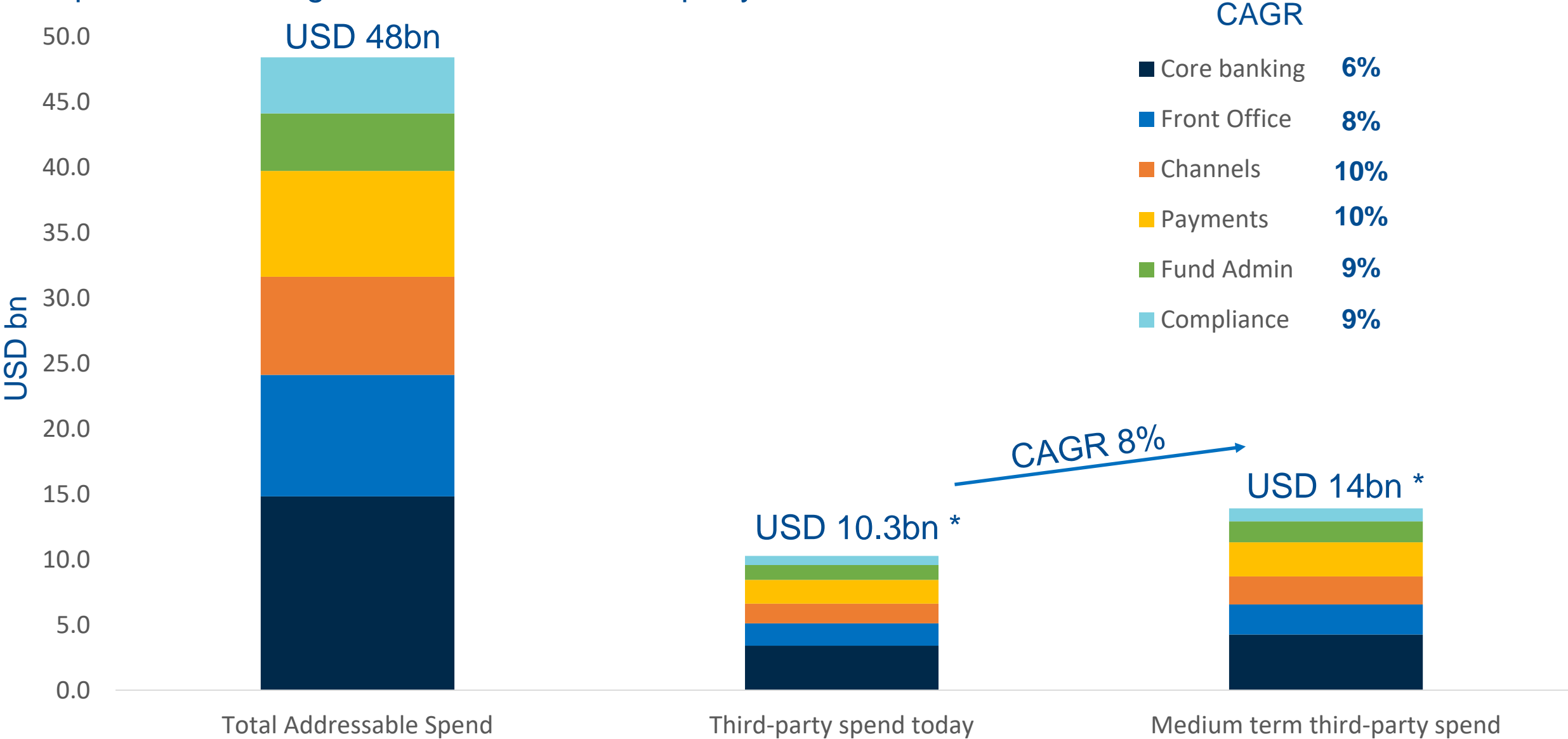
Source: Celent report "IT Spending in Banking"

The most profitable banks run Temenos

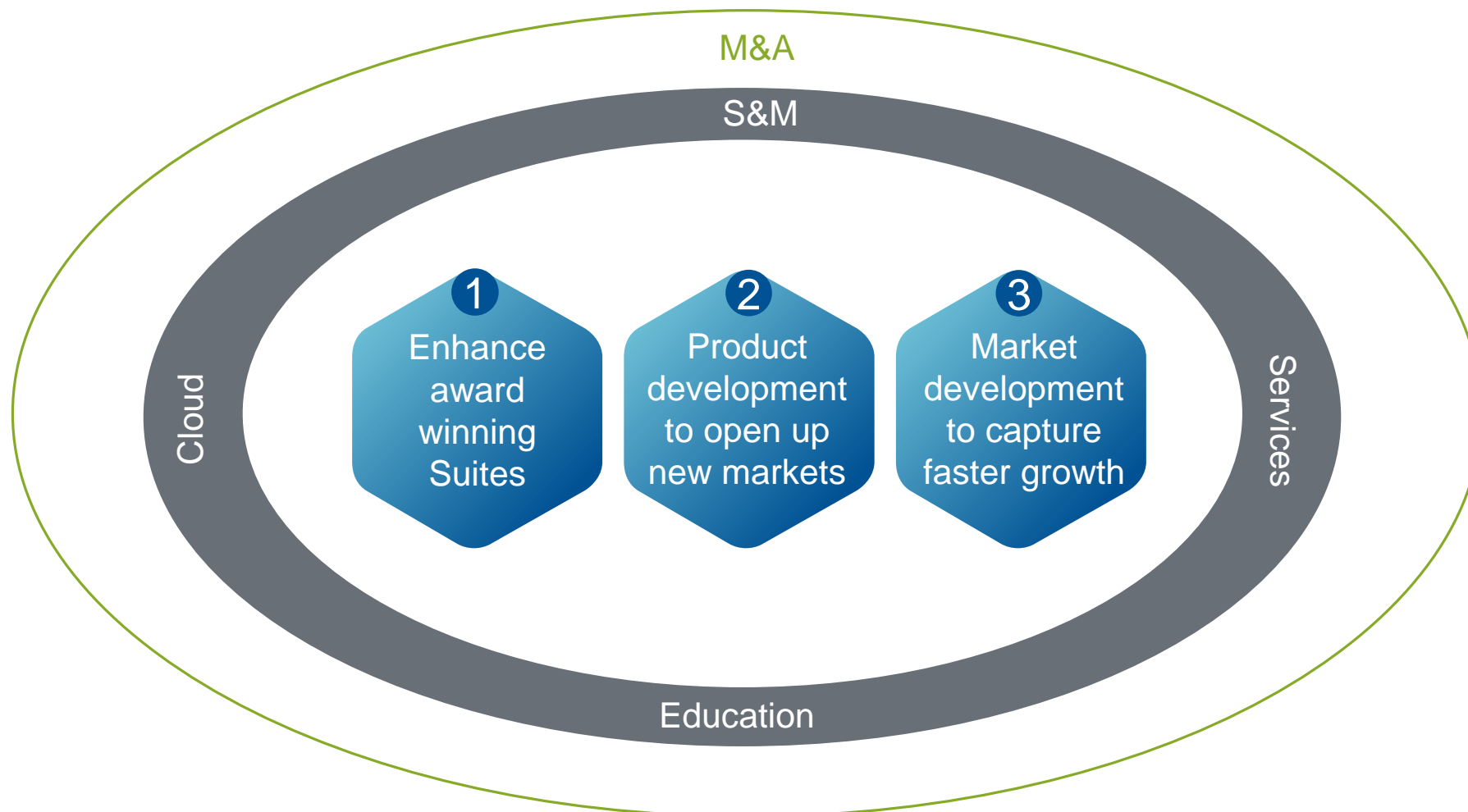
Looking forward



Spend on banking software: total vs. third party



* Licenses and maintenance
Source: Gartner, IDC, Celent, Ovum, Oliver Whyman, Temenos estimates



A layered set of initiatives to deliver sustained growth



APIs to allow our customers to capitalize on open banking – a catalogue of APIs plus an API designer



MarketPlace to provide an ecosystem of third-party complementary solutions and banking services – an exponential growth opportunity



Analytics to bind together the front-to-back proposition, driving higher automation, better decision making and much richer customer interaction



Major functional enhancements driven chiefly by customer demands, across corporate, wealth and retail – extending gap over competition

Enhancing our Suites to empower banks to become platforms

Origination

New omnichannel, tier 1 ready solution reinforces front to back value proposition and opens up addressable market of USD900m (growing at 6%)



Fraud & compliance

Packaged updates for major new regulations and suite of solutions to address financial crime opens up a USD700m market (growing at 9%)

We're opening up new markets worth USD1.6bn



Provider of choice for **tier 1 & 2 banks**, but significant opportunity to expand footprint (still only 30%) and increase wallet share with existing accounts (4%)



Following Rubik acquisition, we have the platform (team and solutions) to build greater market share in **Australia** (7th largest market for banking software spend)



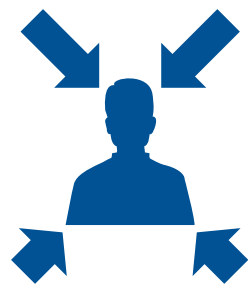
We have organization, model bank-ready Suites and references to continue to develop **US market** (37% of global market) – and we are winning the major deals



Highly differentiated **Payments** proposition; proven traction in a USD1.8bn market, we believe it will make material contribution to revenues in next 3 years

Extremely well positioned to grow presence in largest markets

Chief Revenue Officer



Sales Academy



20% Sales headcount increase

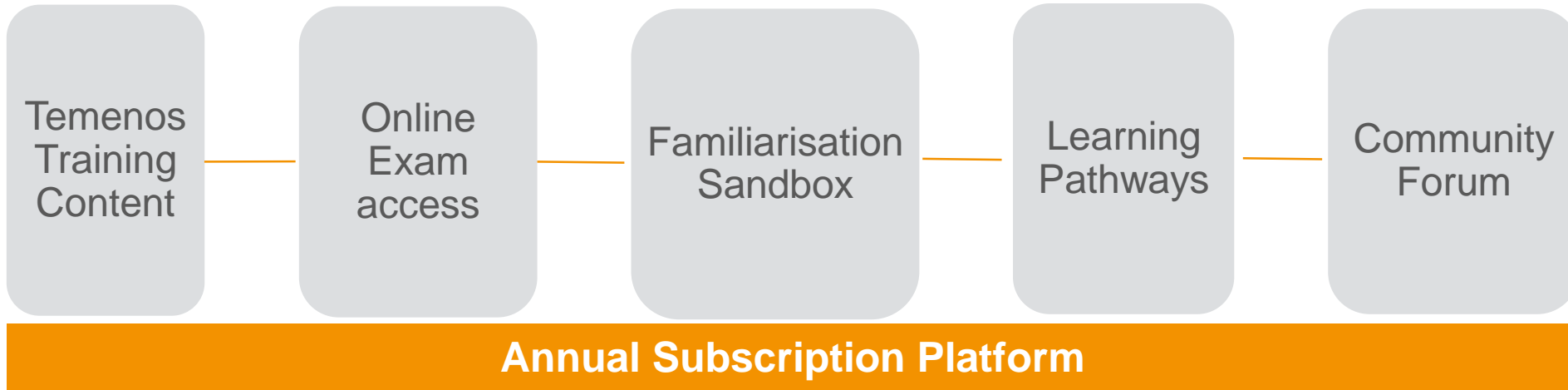


Value engineering

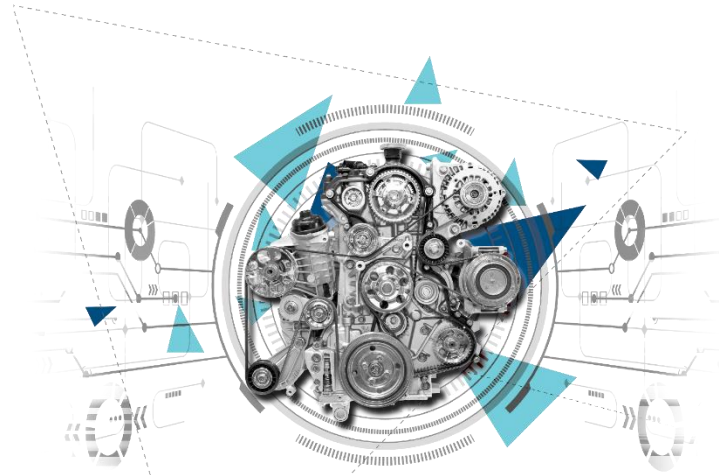


Continued investment in Sales and Marketing to capture the market

TLC - ONLINE



TLC - ENGINE



Scaling knowledge acquisition for rapidly growing ecosystem

Cloud



Client
Assembly
Factory



20k
Certified
Resources



Projects
governed by
Experts



Differentiated
delivery
model



Scaling services even faster with even better customer success

Test on Cloud



Implement on Cloud



Run on Cloud



Leverage cloud for faster, more cost-effective implementation & deployment

c. USD 1bn
Total available financing

Logos surrounding the central graphic include: *actisbsp*, FINANCIAL OBJECTS, Lydian Associates Ltd, *Viveo* GROUP, *fe-mobile* security, banking, payments, ODYSSEY, PRIMIGYN, *accelerant*, edge IPK, MULTIFONDS® Building success, Rubik, and TriNovus.

Accelerated growth in key markets and segments

Increased scale

Complementary products

We maintain our M&A discipline to overlay on top of organic growth



2017 was another outstanding year



Market growth underpinned by structural drivers



We are best placed to capitalize on the opportunity



Strategy to deliver sustained growth



TEMENOS

The banking software company

BE@T

Building Enterprise Architecture around Temenos

Temenos Capital Markets Day
London, 14 February 2018

Agenda

1. KBC Business Profile
2. KBC Group Strategy
3. Group-wide digital transformation
4. Temenos in BU IM

1. KBC's Business Profile

KBC : Overview key financial data at 9M17

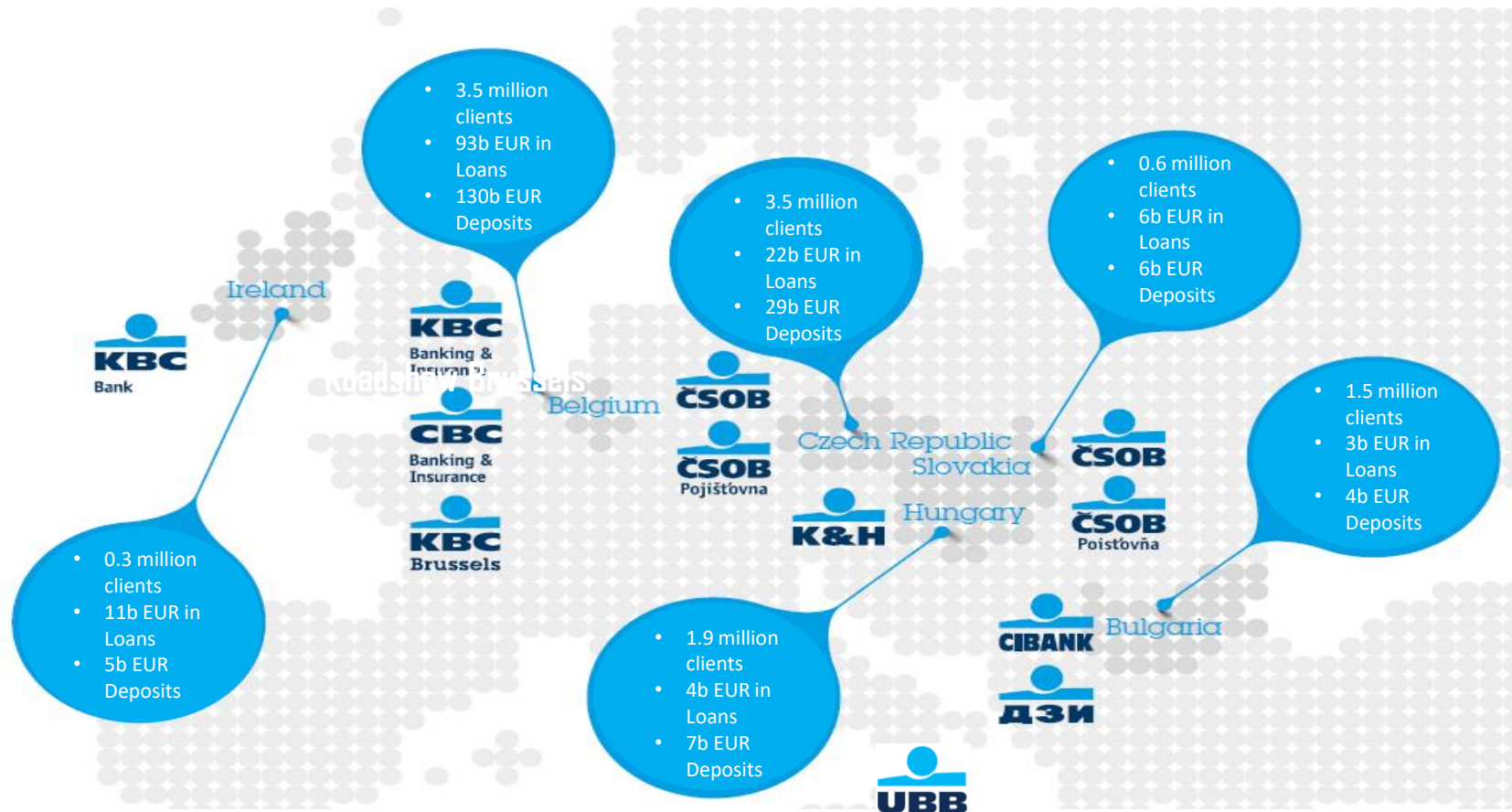


KBC Bank	
Net result³:	1 850m EUR
Total assets:	261bn EUR
Total equity:	16bn EUR
CET1 ratio⁴:	14.0%
C/I ratio⁵:	53%
Credit Cost Ratio:	-0.05%

KBC Insurance	
Net result³:	360m EUR
Total assets:	39bn EUR
Total equity:	3,1bn EUR
Solvency II ratio:	221% ⁶
Combined ratio:	83%

1. As at Aug 2017
2. Presented ratio is fully loaded; on a phased-in basis the ratio stands at 15.8% for KBC Group
3. Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted by the holding-company/group item
4. Includes KBC Asset Management ; excludes holding company eliminations
5. Adjusted for specific items (see glossary for definition)
6. Belgian insurance companies are allowed from the NBB (19/4/2017 – but retroactively) to allow a higher adjustment of deferred taxes, in line with general European standards, if they pass recovery test. This is the case for KBC.

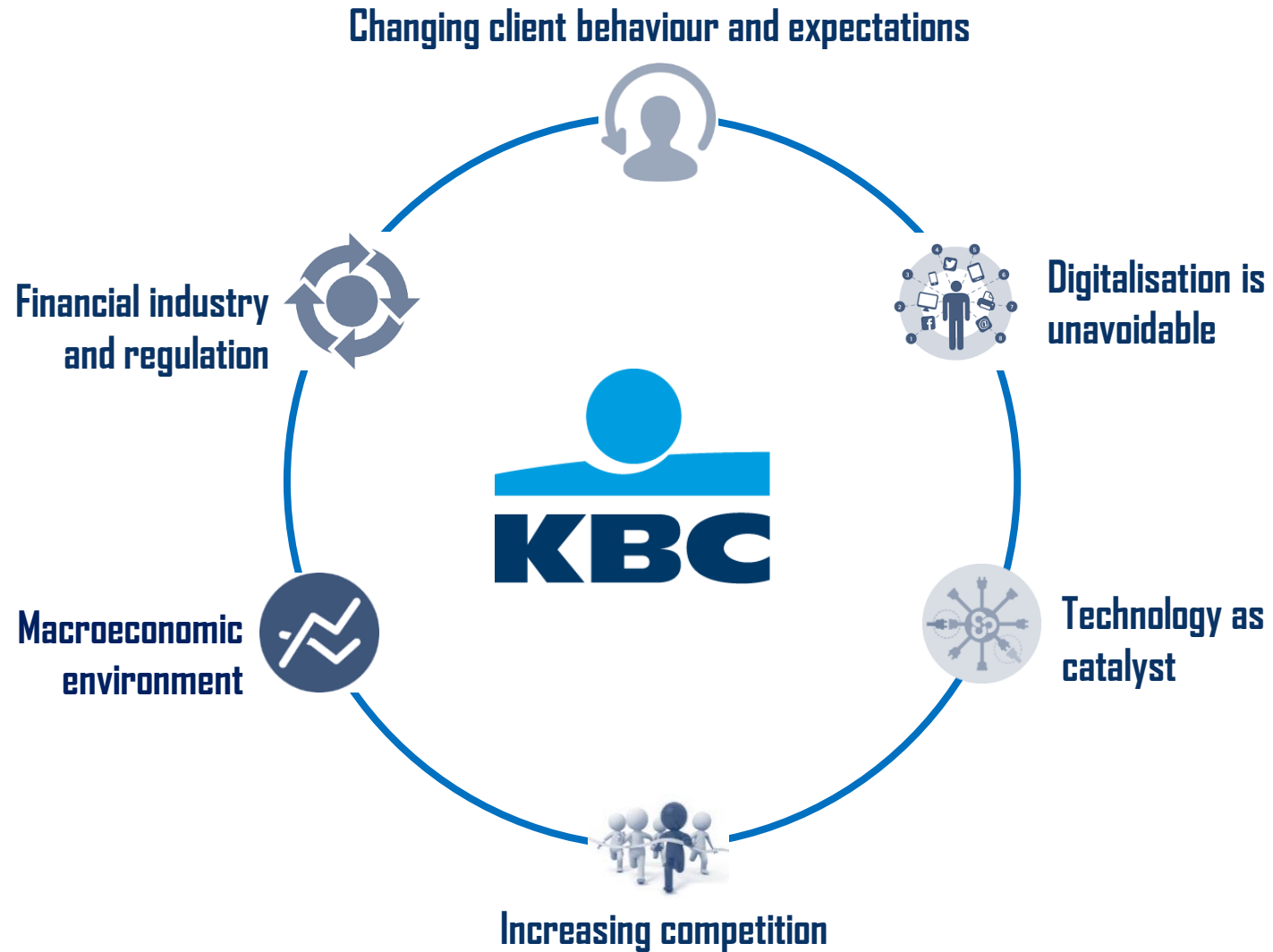
KBC : 6 well defined core markets:



* Loans to customers, excluding reverse repos (and bonds)
 ** Customer deposits, including debt certificates but excluding repos

2. KBC Group Strategy

The environment is continuously changing



Our business model has proven to be very successful



**MORE OF THE SAME,
BUT DIFFERENTLY**



So we are keeping our core strategy unchanged
KBC aspires to be the reference
Our Group strategy principles power our transformation

Client centricity



Digitalize the front
and back end



Simplicity



Co-creation



Invest wisely:
Min costs/max speed



Empowerment.
Local teams lead

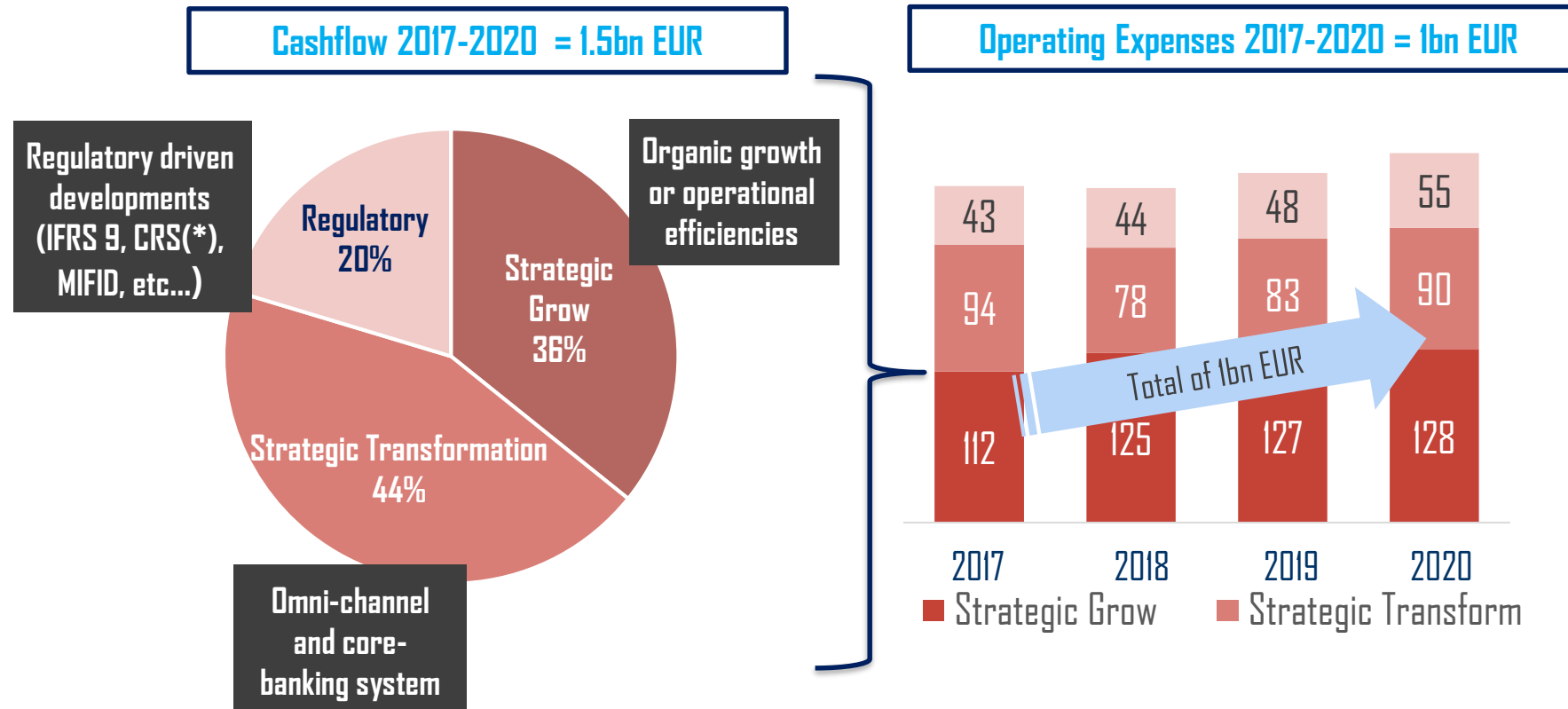


More of the same but differently...

- Integrated distribution model according to a real-time omni-channel approach remains key but client interaction will change over time. Technological development will be the driving force
 - Human interface will still play a crucial role
 - Simplification is a prerequisite:
 - In the way we operate
 - Is a continuous effort
 - Is part of our DNA
- +
- Client-centricity will be further fine-tuned into 'think client, but design for a digital world'
 - Digitalisation end-to-end, front- and back-end, is the main lever :
 - All processes digital
 - Execution is the differentiator
 - Further increase efficiency and effectiveness of data management
 - Set up an open architecture IT-package as core banking system for our International Markets Unit
 - Improvement in the applications we offer our clients (one-stop-shop offering) via co-creation/partnerships with Fintechs and other value chain players
- =
- Investment in our digital presence (e.g., social media) to enhance client relationships and anticipate their needs
 - Easy-to-access and convenient-to-use set-up for our clients
 - Clients will drive the pace of action and change
 - Further development of a fast, simple and agile organisation structure
 - Different speed and maturity in different entities/core markets
 - Adaptation to a more open architecture (with easy plug in and out) to be future-proof and to create synergy for all

3. Group-wide digital transformation

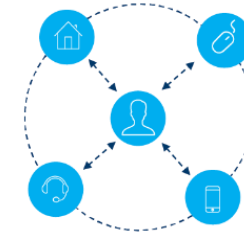
Investing in transformation ... but differently ...



(* The Common Reporting Standard (CRS) refers to a systematic and periodic exchange of information at international level aimed at preventing tax evasion. Information on the taxpayer in the country where the revenue was taken is exchanged with the country where the taxpayer has to pay tax. It concerns an exchange of information between as many as 53 OECD countries in the first year (2017). By 2018, another 34 countries will join.

What will we deliver?

- ➔ Further optimise our **integrated distribution model** according to a real-time **omni-channel approach**
- ➔ Prepare our applications to **engage with Fintechs** and other value chain players
- ➔ Invest in our **digital presence** (e.g., social media) to **enhance client relationships** and anticipate their needs
- ➔ Further **increase efficiency** and **effectiveness** of data management
- ➔ Set up an open architecture IT package as **core banking system** for our **International Markets Business Unit**



4. Temenos in BU IM

Four KBC entities plan to migrate to T24, together, to achieve specific business goals & transform their businesses (and ICT architecture)

Why?

Increase commercial agility:

- Improve local responsiveness, provide faster TTM, and facilitate easier SmartCopy between entities and adoption of latest market practices

Become more future proof:

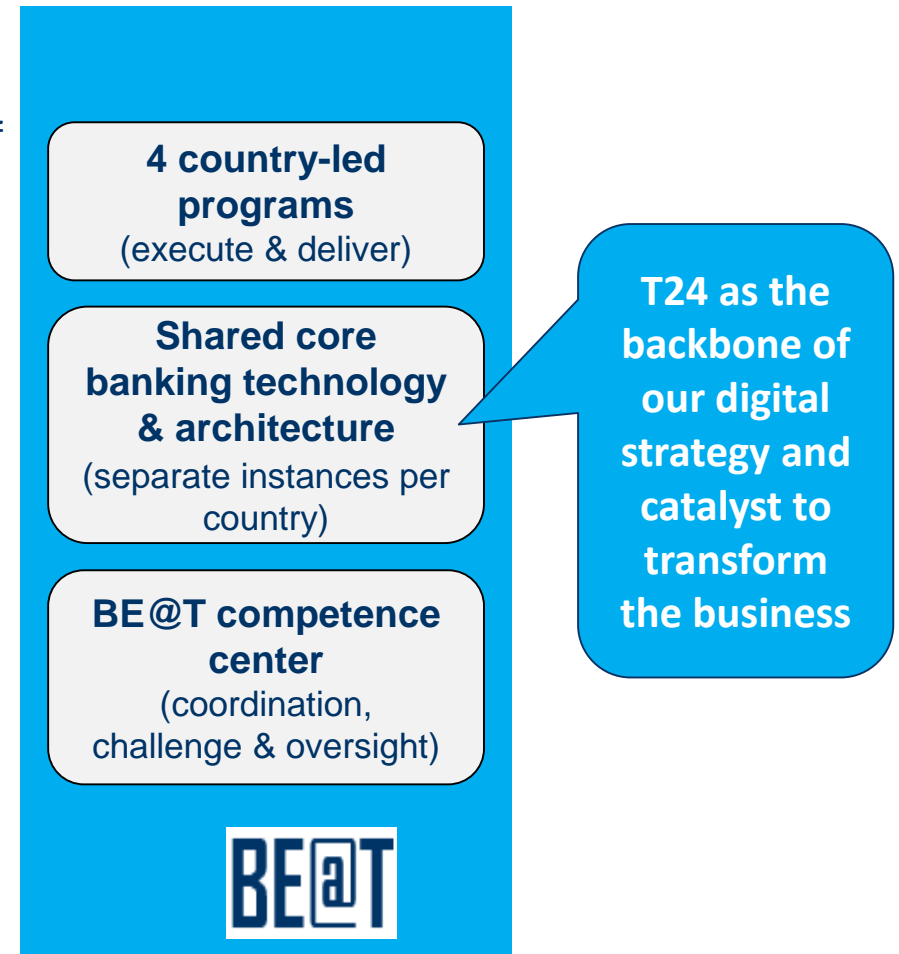
- Through open architecture, APIs, and external cooperation, accessing technological partners to keep up with market developments, future regulations and the speed of digitalization, to better meet our customers' needs.

Manage costs (run, upgrade and develop):

- Shared developments, activities, resources and group purchasing power expected to reduce long term costs (though potentially increasing medium term CAPEX).

Drive efficiency and simplicity:

- Business transformation and simplification complementing ICT simplification (lower customization, fewer interfaces, ...)



Dedicated programs led by country managers. Local lead - business lead.
Supported, overseen, and coordinated by the center of competence



Wim Verbraeken

Project Arrow





Daniel Kollar




BE@T
Center of
Competence



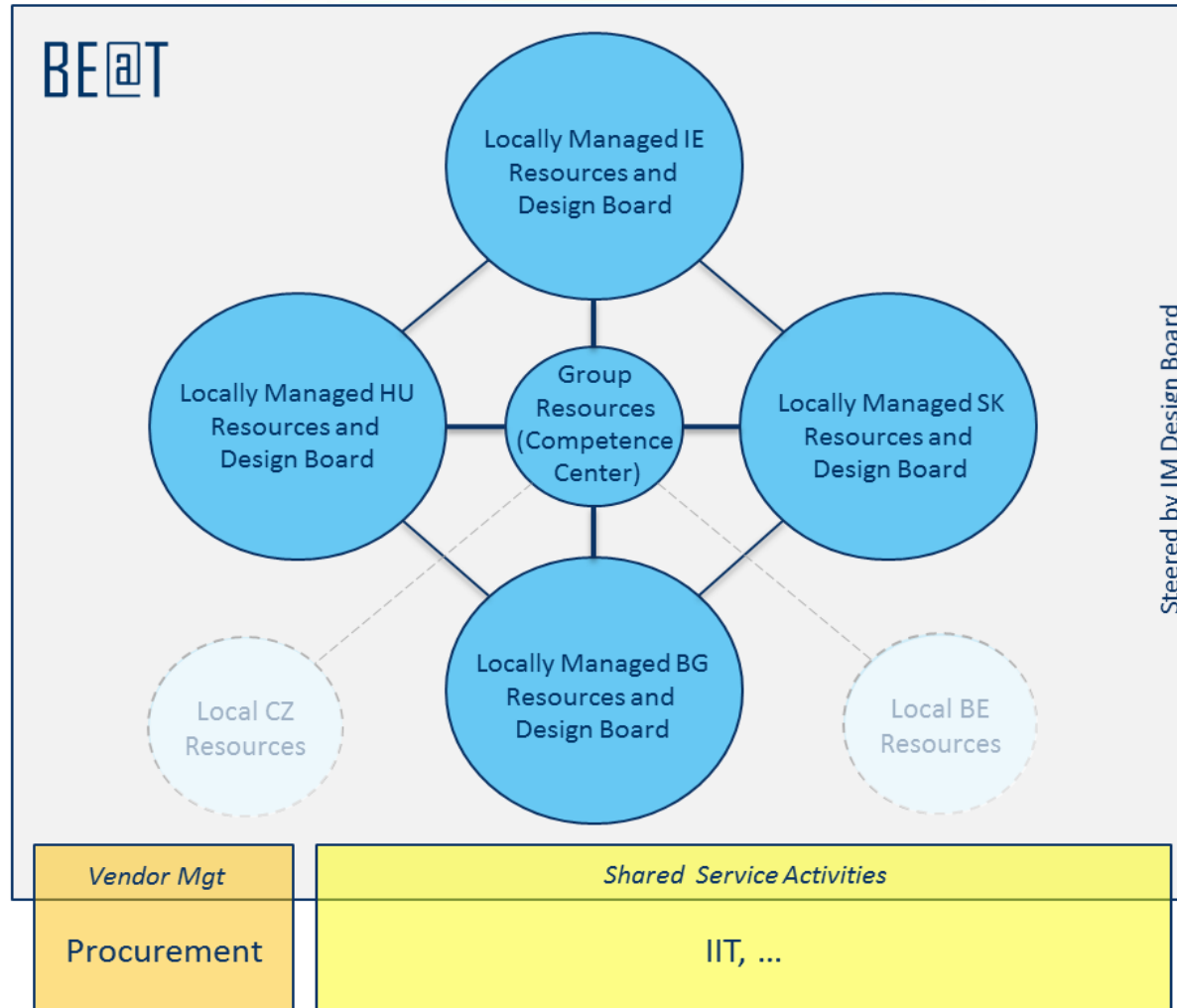
David Moucheron



Peter Andronov



Local entities & competence center closely cooperate to stay aligned



Local country teams

- Typically larger teams
- Work on target architecture and Temenos implementation
- Experts with relevant experience in one country can go to other countries as needed & agreed

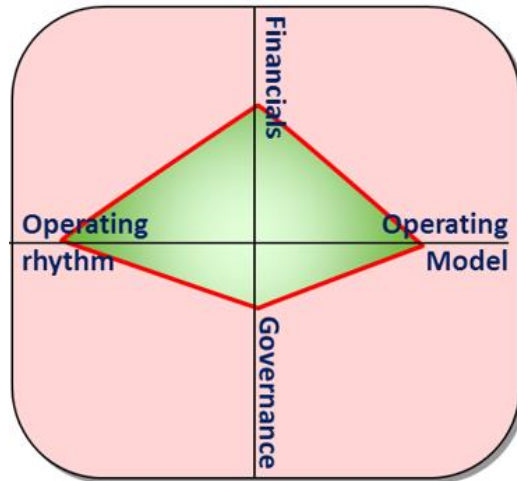
The BE@T competence center

- Smaller than the local teams
- Coordinate, challenge and oversee
- Internal consultants (“pull”)

Steered by the **IM Design Board**
(= extended MC IM)

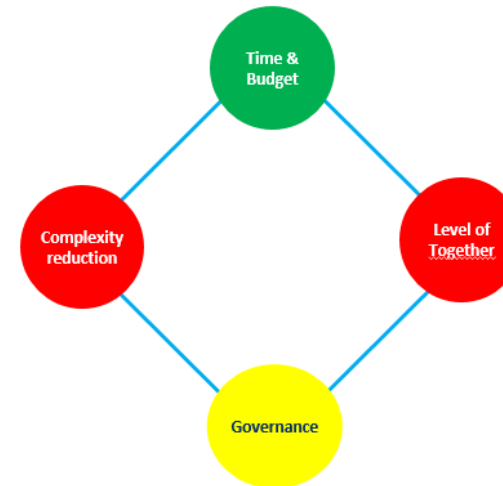
...with a clear playing field and regular program reporting

Performance Diamond Principles



1. Operating rhythm
2. Financials
3. Operating model
4. Governance

Progress Reporting Elements



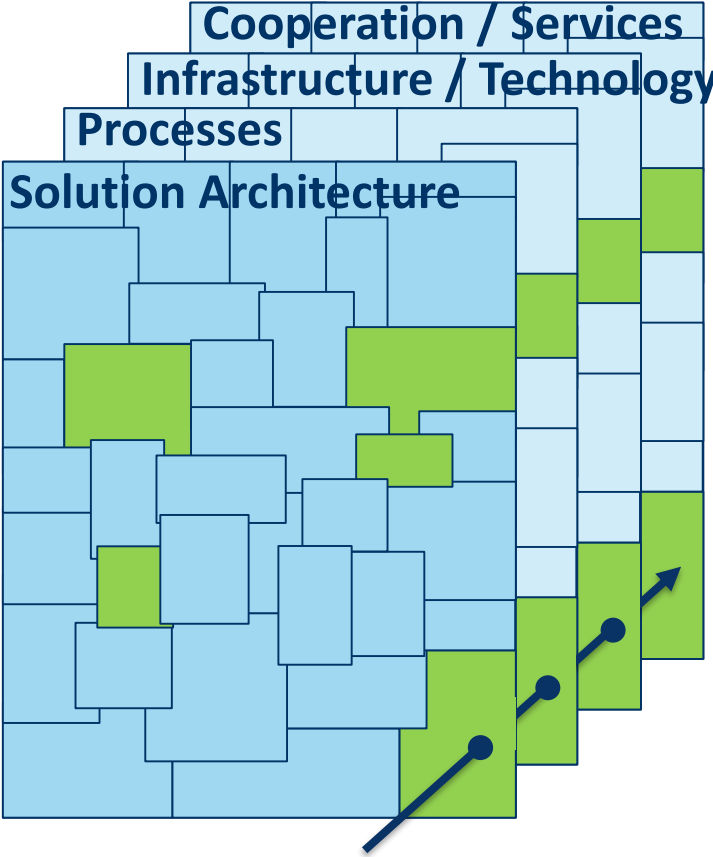
1. Time & budget
2. Complexity reduction
3. Level of together
4. Governance

Scope

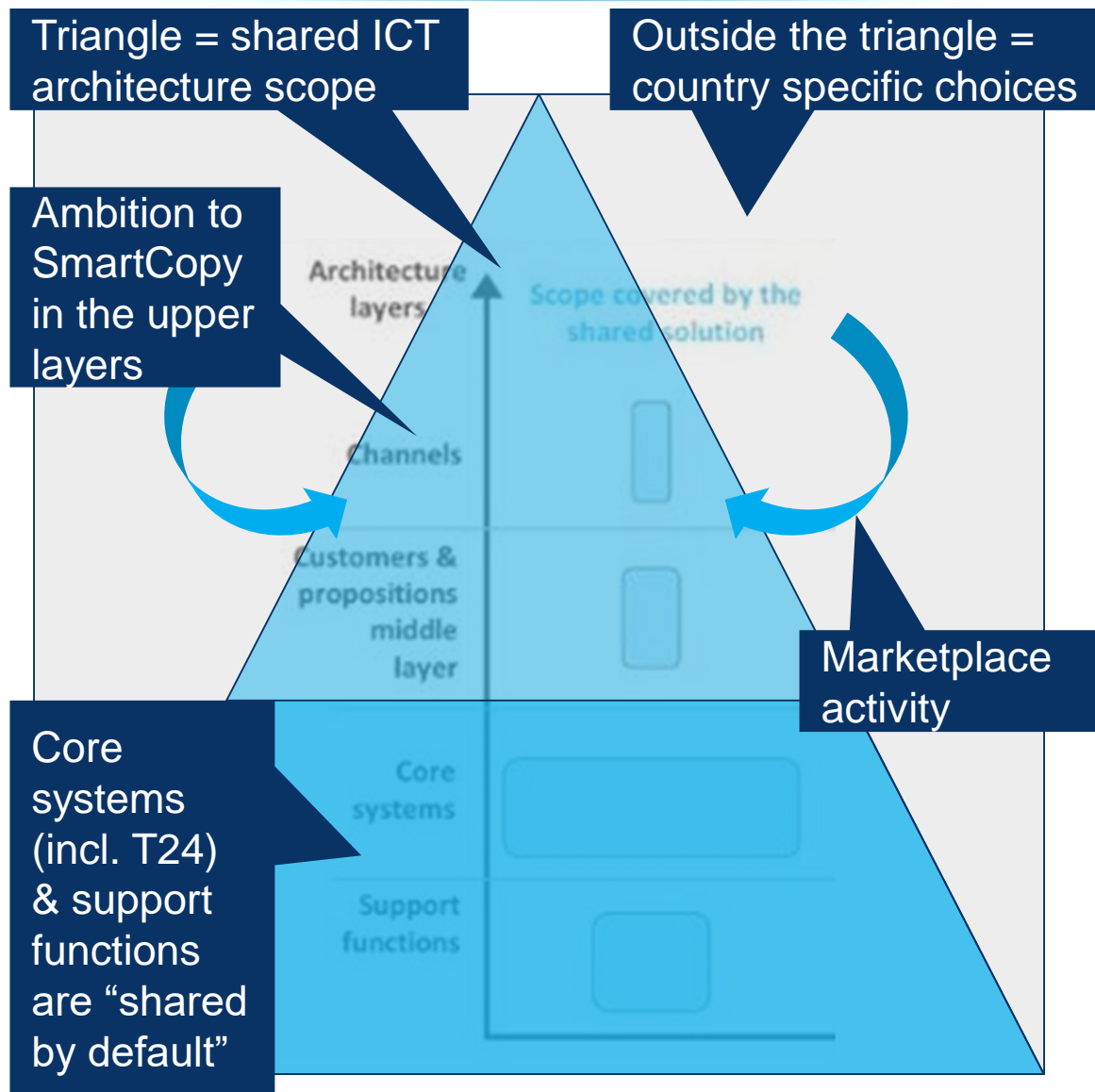
Interim Architectures in 4 (pragmatic) architectural dimensions



Strategic Target Architecture in 4 (pragmatic) architectural dimensions



What do we mean with shared technology and architecture?



1. We start from the KBC Group strategy
2. We will align our Target ICT Architecture and Infrastructure where possible on all 4 architecture layers
3. Under the "Marketplace" approach, each country can propose to share software packages, etc., adopting what is already used in another country or jointly choosing a new package. These items then become part of the shared Target ICT Architecture for those countries which "opt-in" for these items.

There is a clear commitment to agreed principles

- **All countries to migrate to the agreed target architecture** (the “triangle”)
- **One centrally managed infrastructure** (CE-DC)
- **All T24 modules to be upgraded at least every 3 years**
 - “Stay together” (enabling sharing)
 - “Stay current” (latest developments)
- **No internal T24 development**
- **No customizations for T24 modules**
 - Unless agreed by the IM Design Board

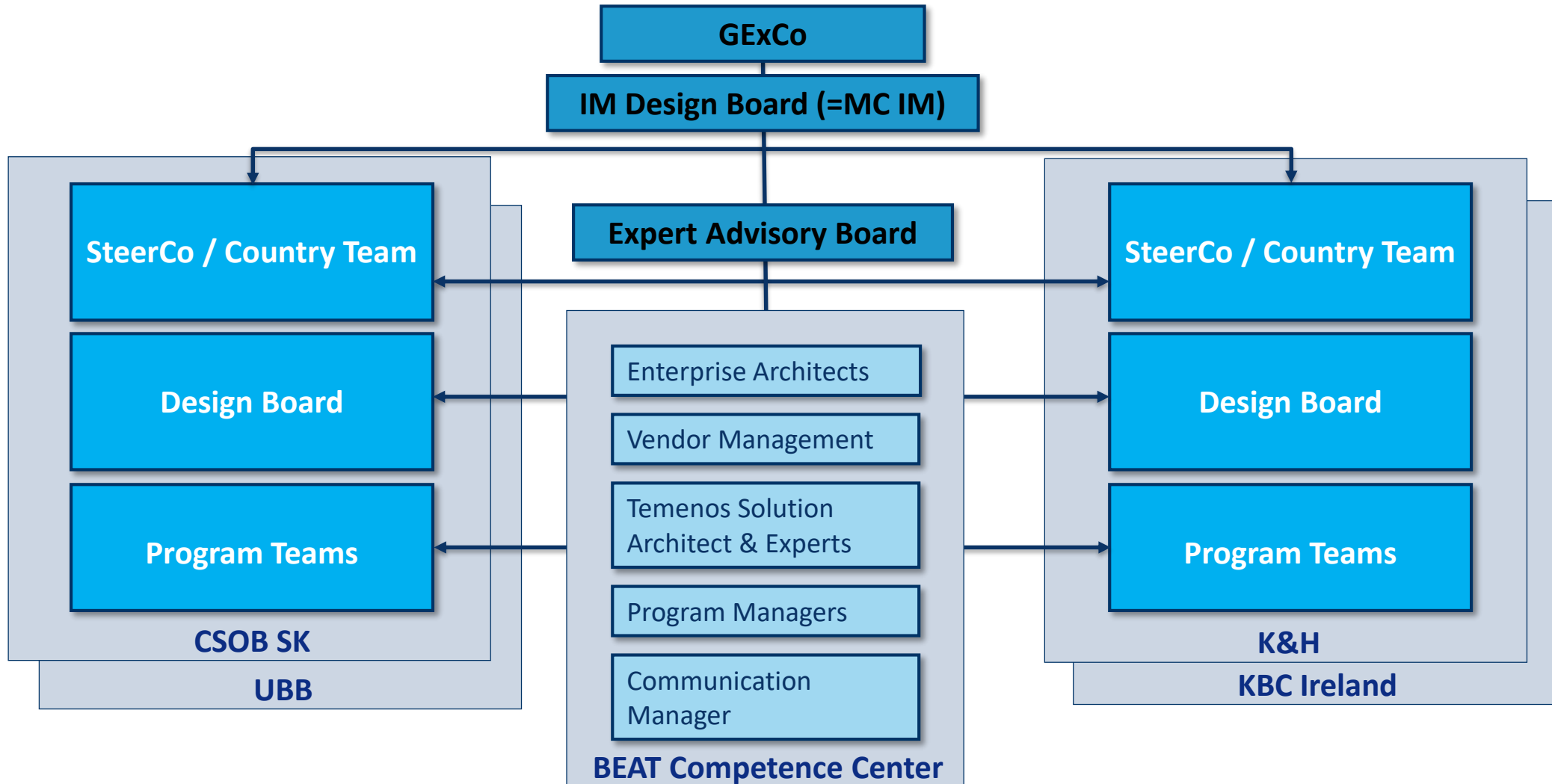
KBC and Temenos launched a strategic partnership, and will commit significant resources and attention to make it a success



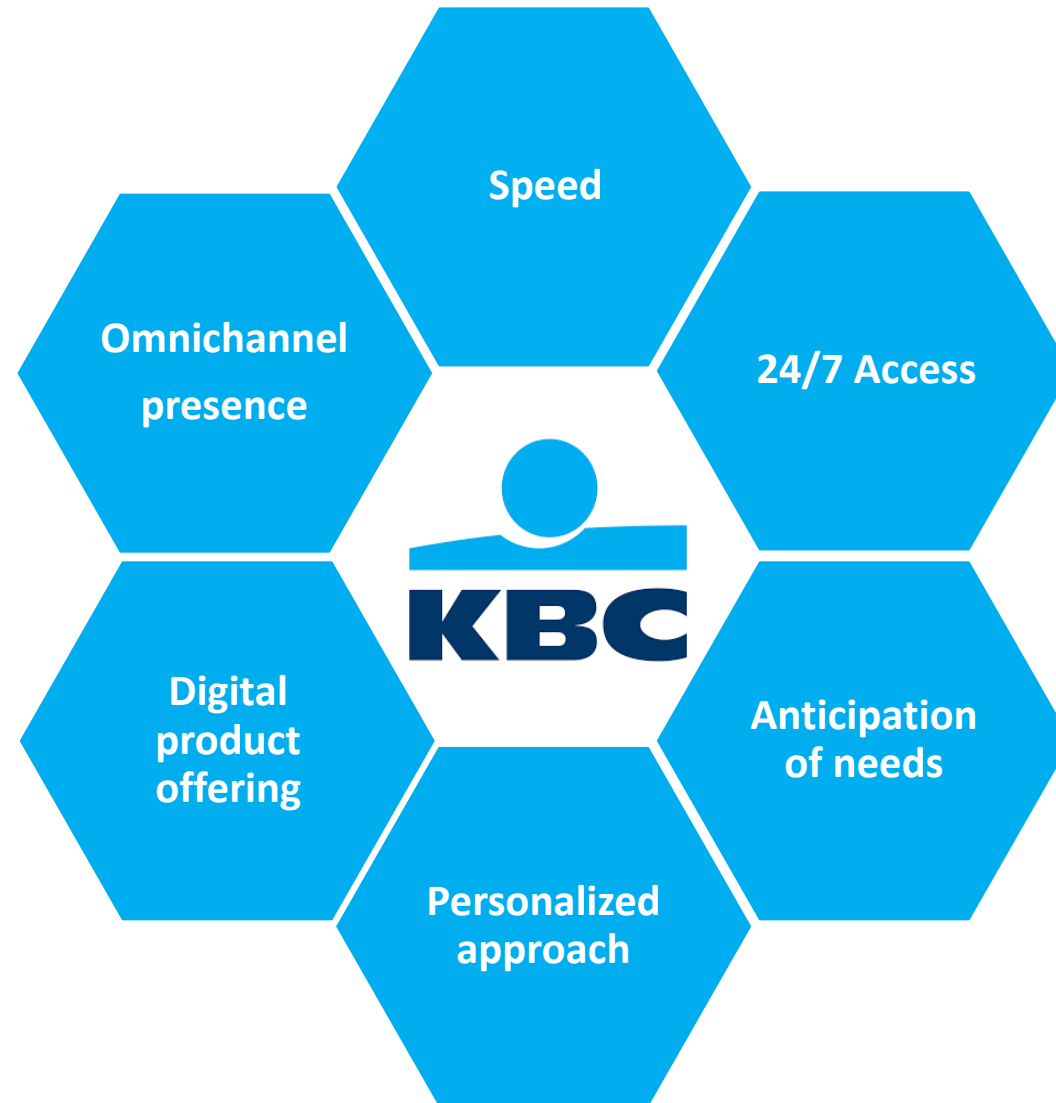
Governance of Tier 1 Engagements



We established a strong partnership with Temenos, based on clear roles & principles



Building a sustainable future!





TEMENOS

The banking software company

Product Leadership

Mark Winterburn, Group Product Director

Kanika Hope, Strategic Business Development Director

Prema Varadhan, Chief Architect, Product

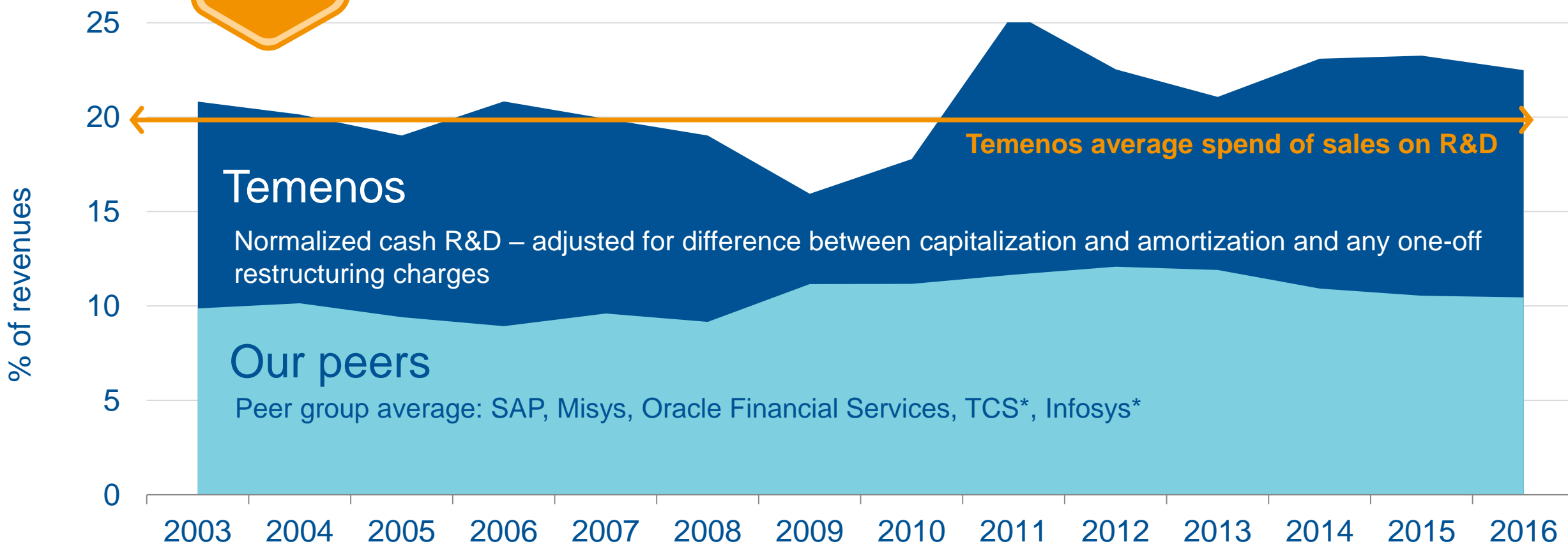
14 February 2018

Introduction



\$1.58b

Cumulative R&D investment 1990-2016**



Source: Company Annual Reports, ThomsonReuters Eikon, Temenos estimates

*For the Services vendors, we are weighting the R&D against the "software products" revenue, not against the total revenue. For Infosys, we are using the R&D pertaining to Software Products, using the weightage last disclosed in 2007, and applying that to the whole R&D disclosed for 2008-2016

**Assume Present Value of investment (1990-2016) adjusted at 3% annual inflation; Excludes acquisition spend.

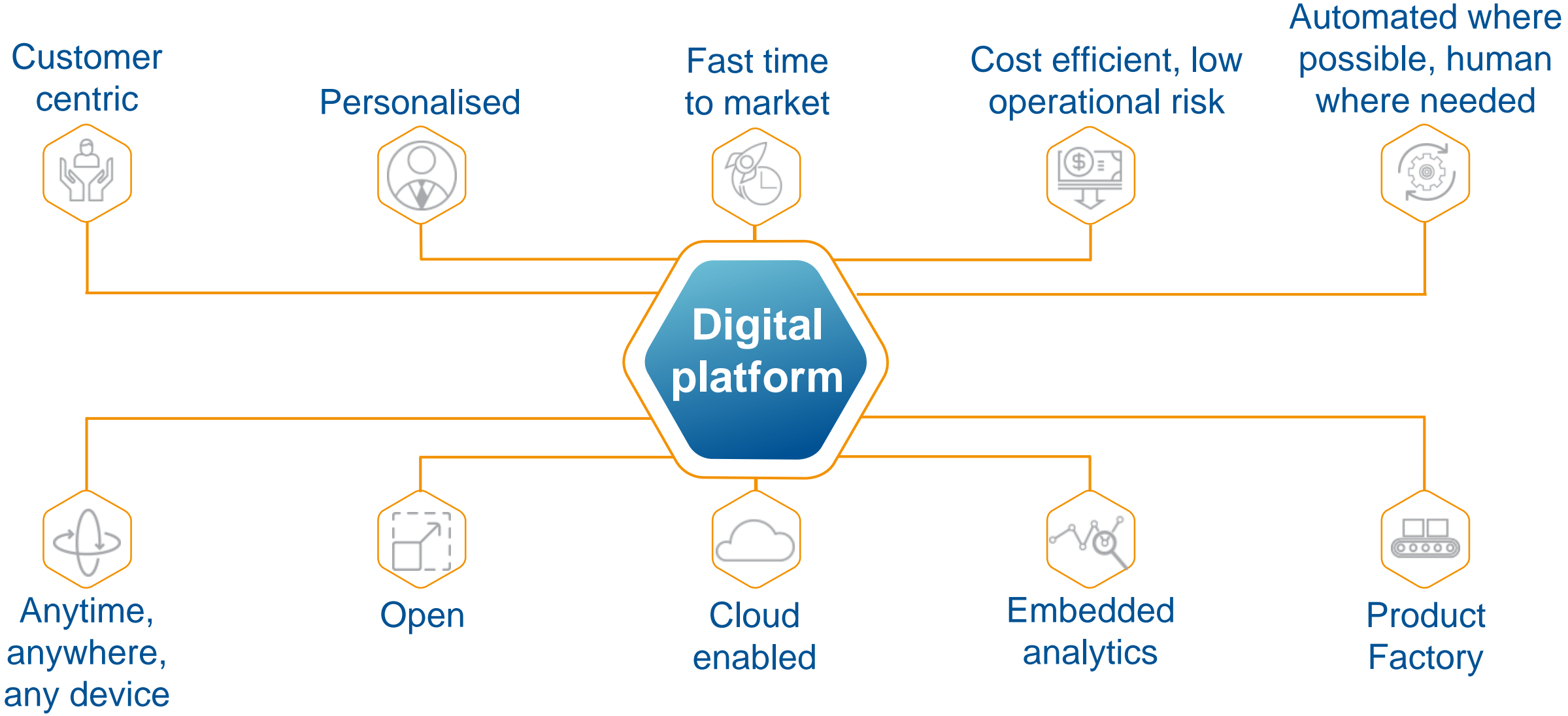


Unified Temenos Platform

➤ **UTP** is the Temenos approach to providing a platform for Continuous Delivery of the Temenos Suites, where customer feedback is at the heart of our development.

➤ **UTP** allows Temenos to respond more quickly to evolving customer needs, market trends, and regulatory changes. It provides Temenos with a platform for making change in a fast and repeatable manner whilst promoting quality.

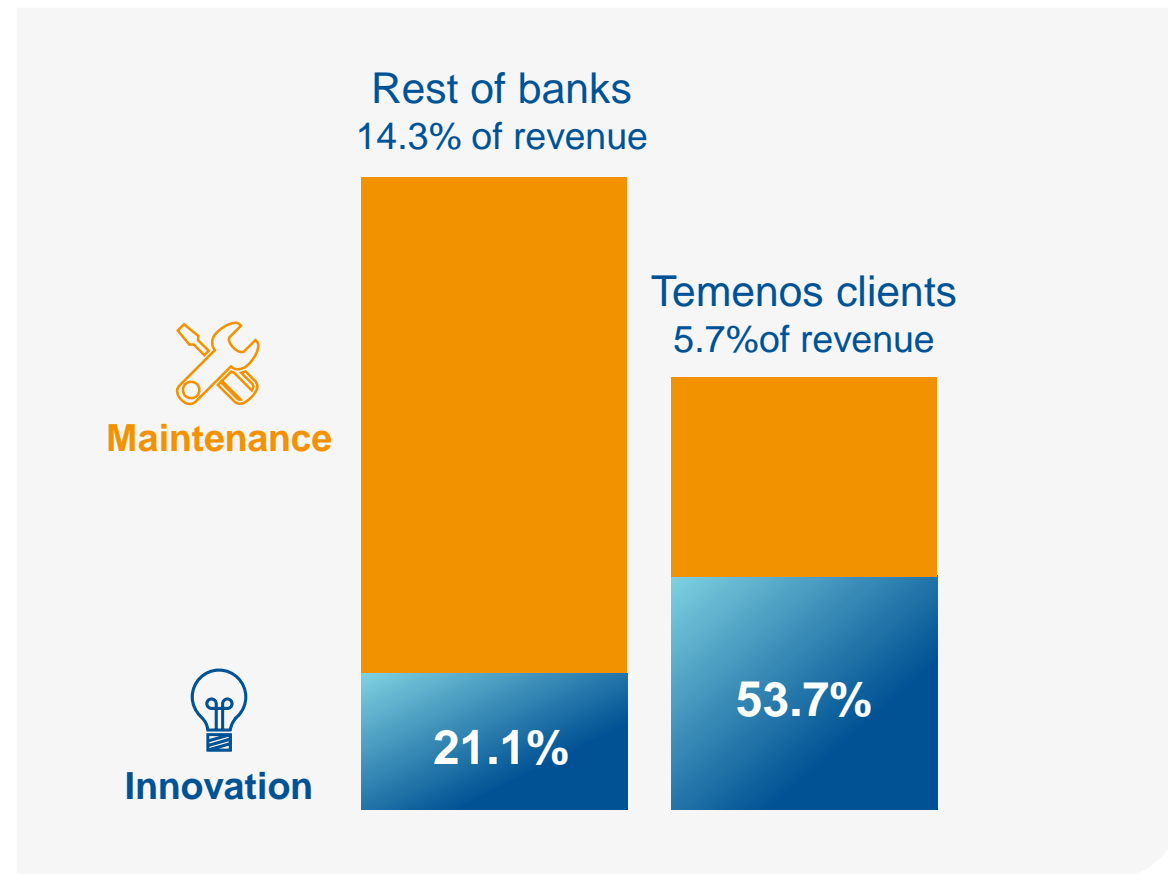
➤ **UTP** also underpins the ability to support highly collaborative Continuous Delivery models with on-premise clients and SaaS delivery models.



We are the only vendor to offer this complete digital platform

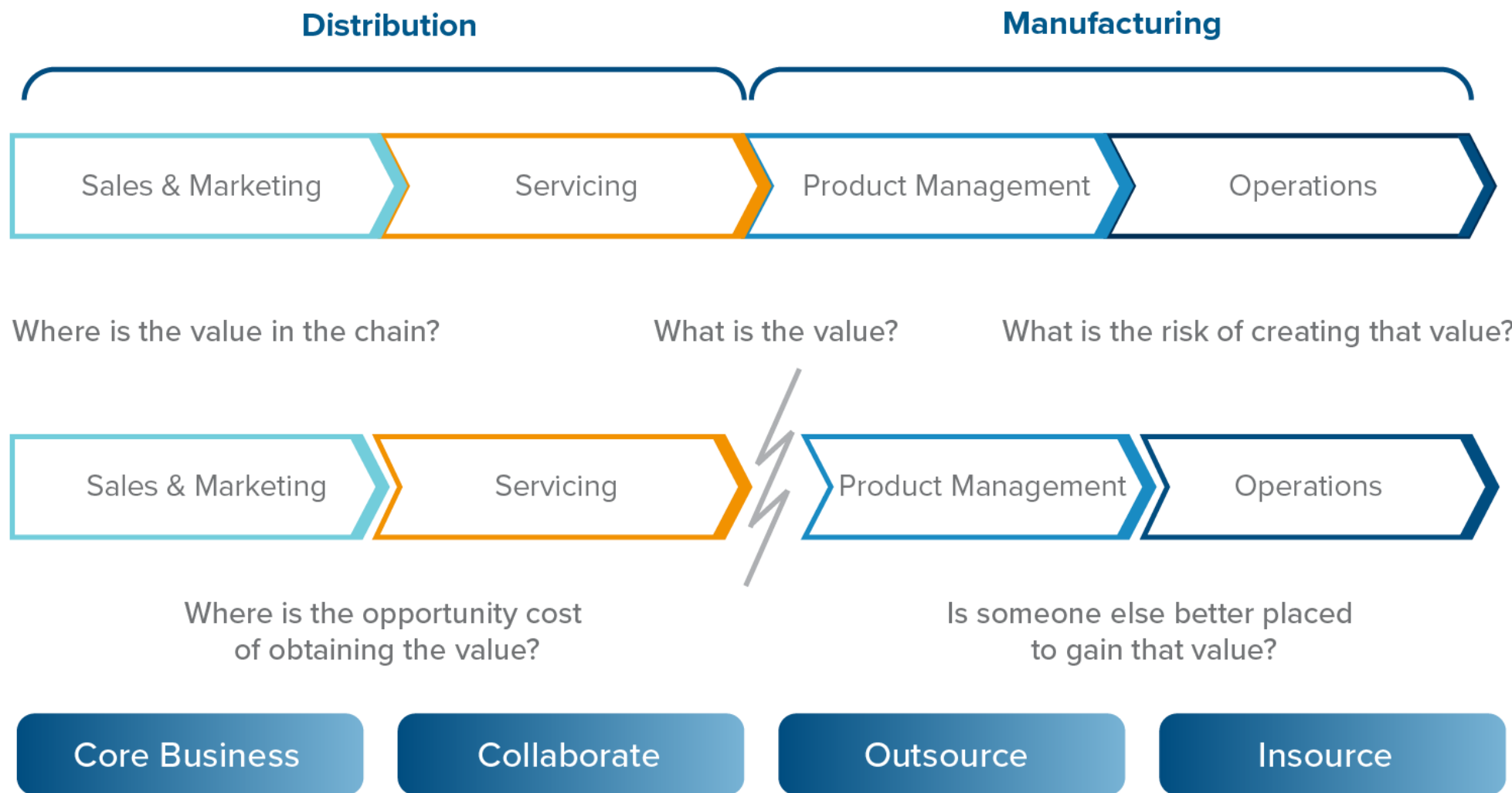
“.....
Temenos has the highest score in product strategy and excels in fostering product innovation
.....”
Gartner

Banks running Temenos software free up more budget for innovation



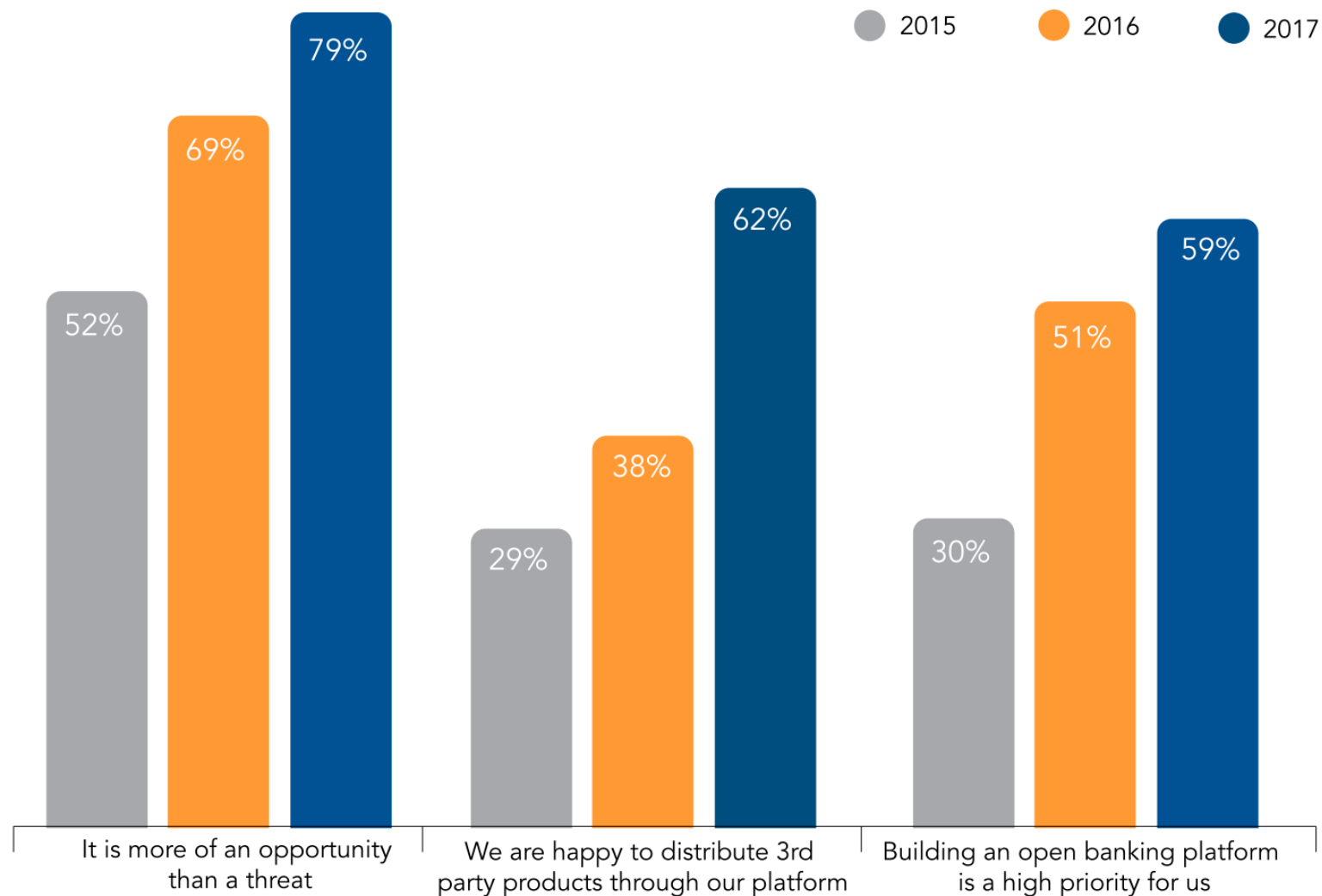
Source: Celent report "IT Spending in Banking"

Shifting banks from maintenance to innovation

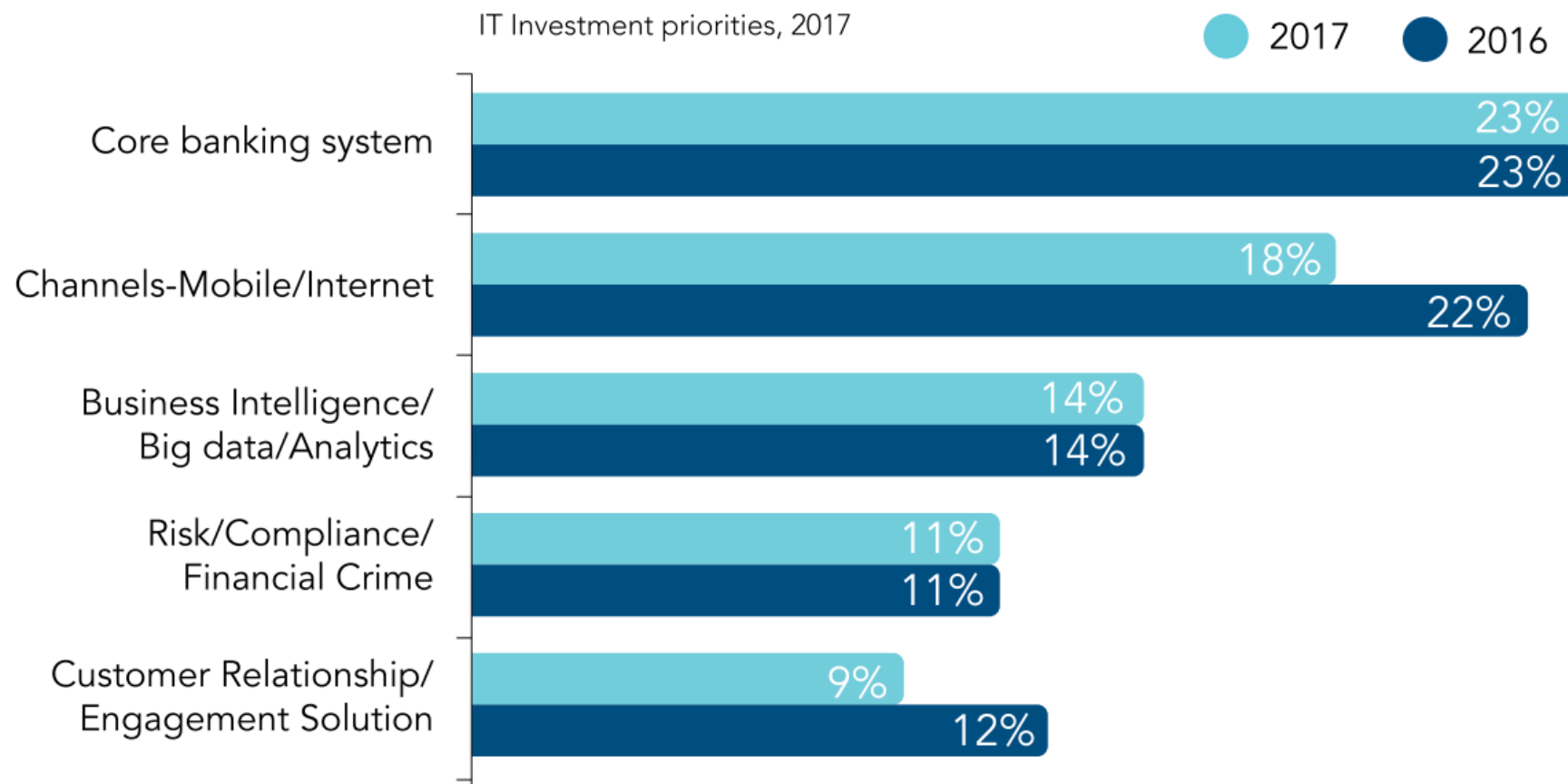


Divergence of Manufacturing and Distribution

How do you view open banking?



What are your top IT investment priorities?

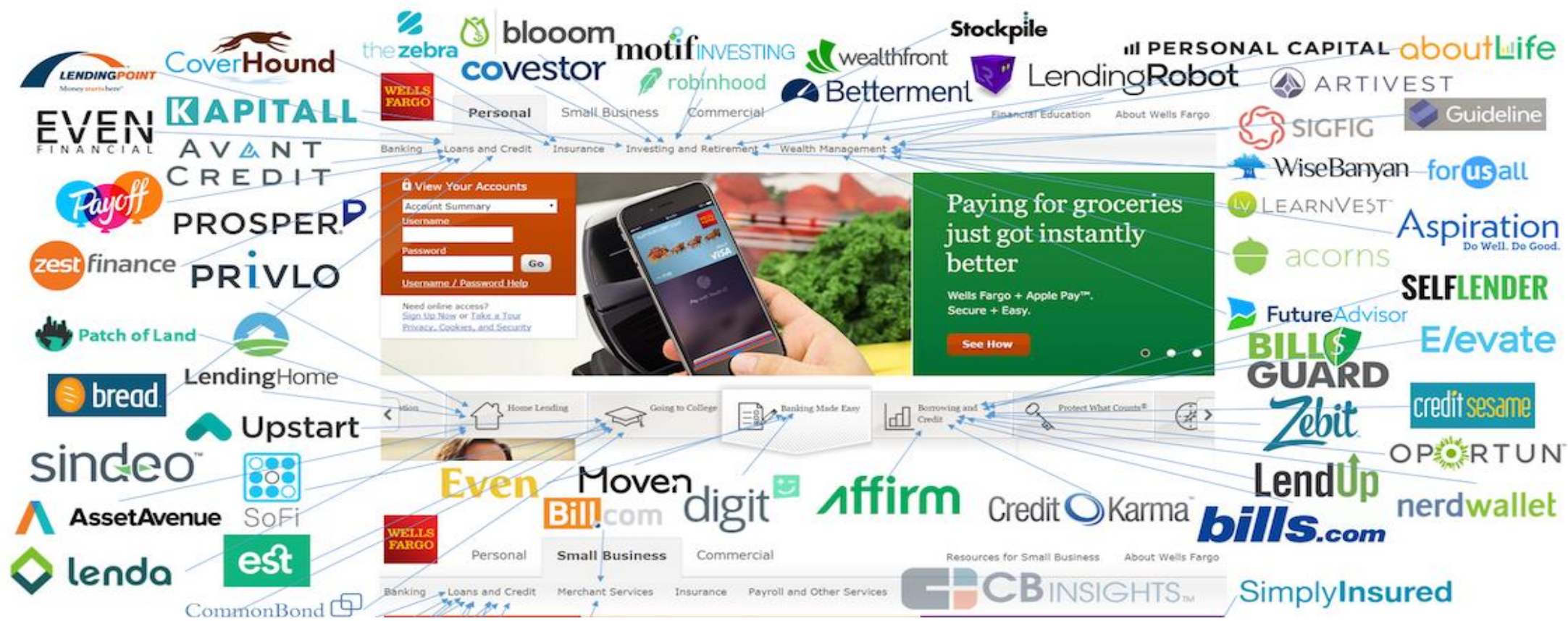


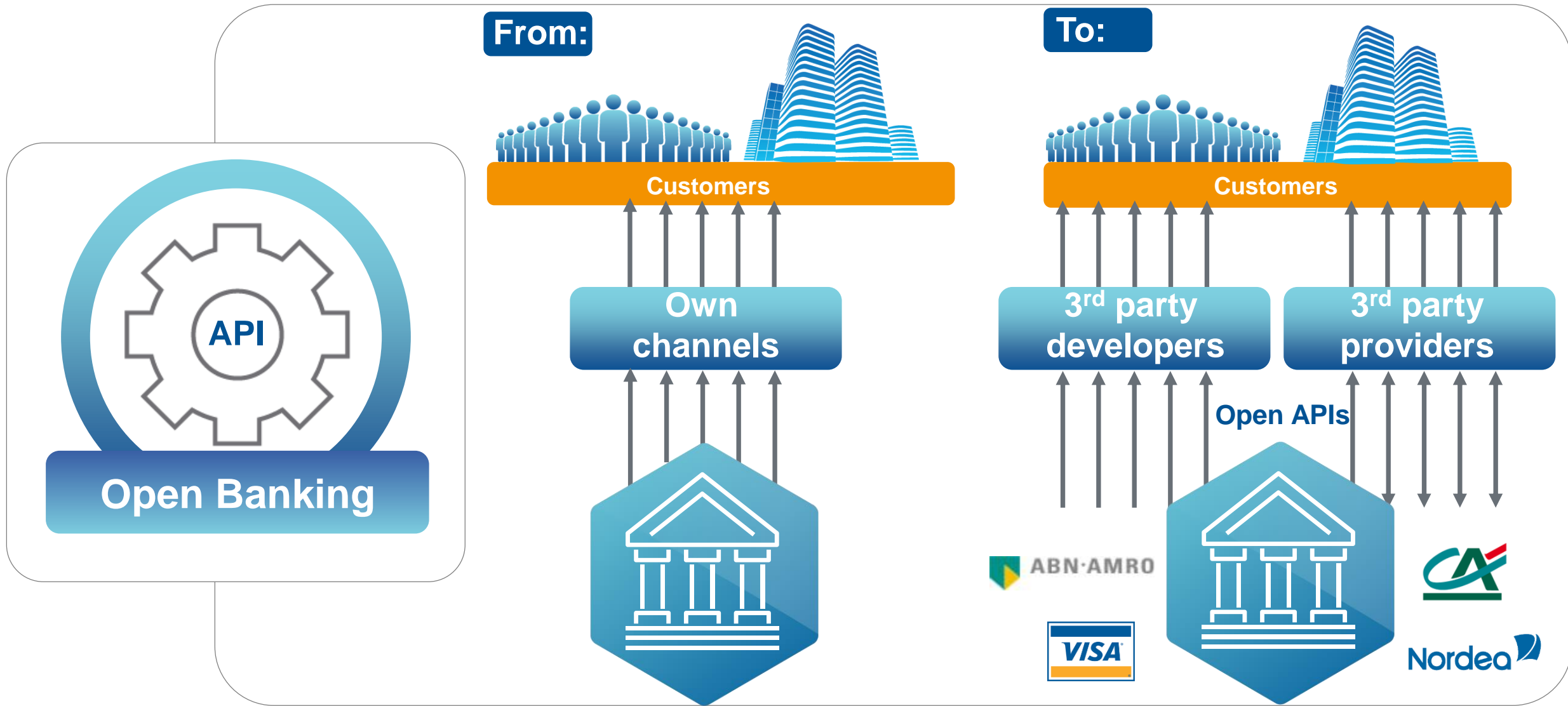
Temenos Perspectives on Open Banking





Unbundling of a Bank





Financial services providers have been publishing open APIs for many years



Relevance

Transparency

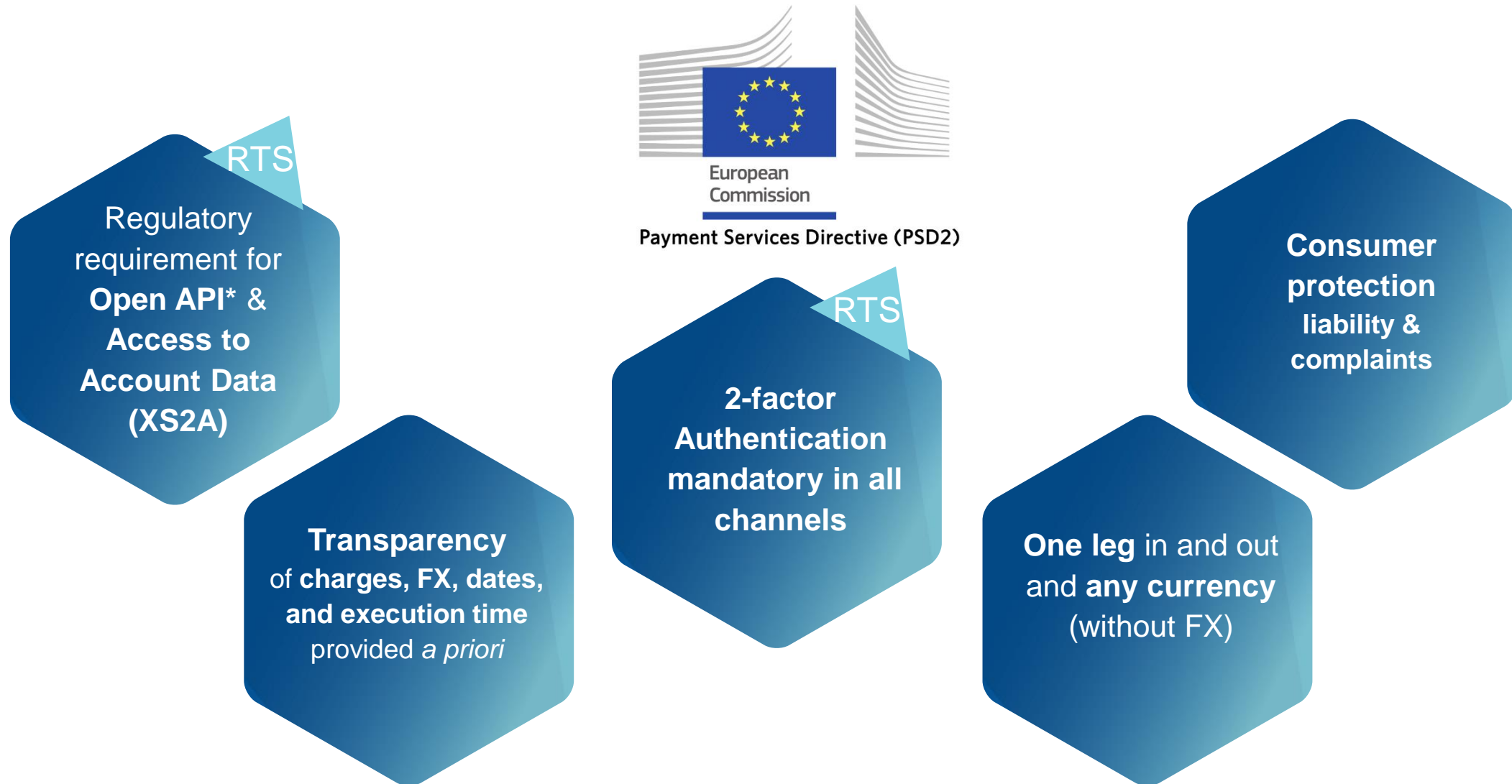
Choice

Convenience

Access

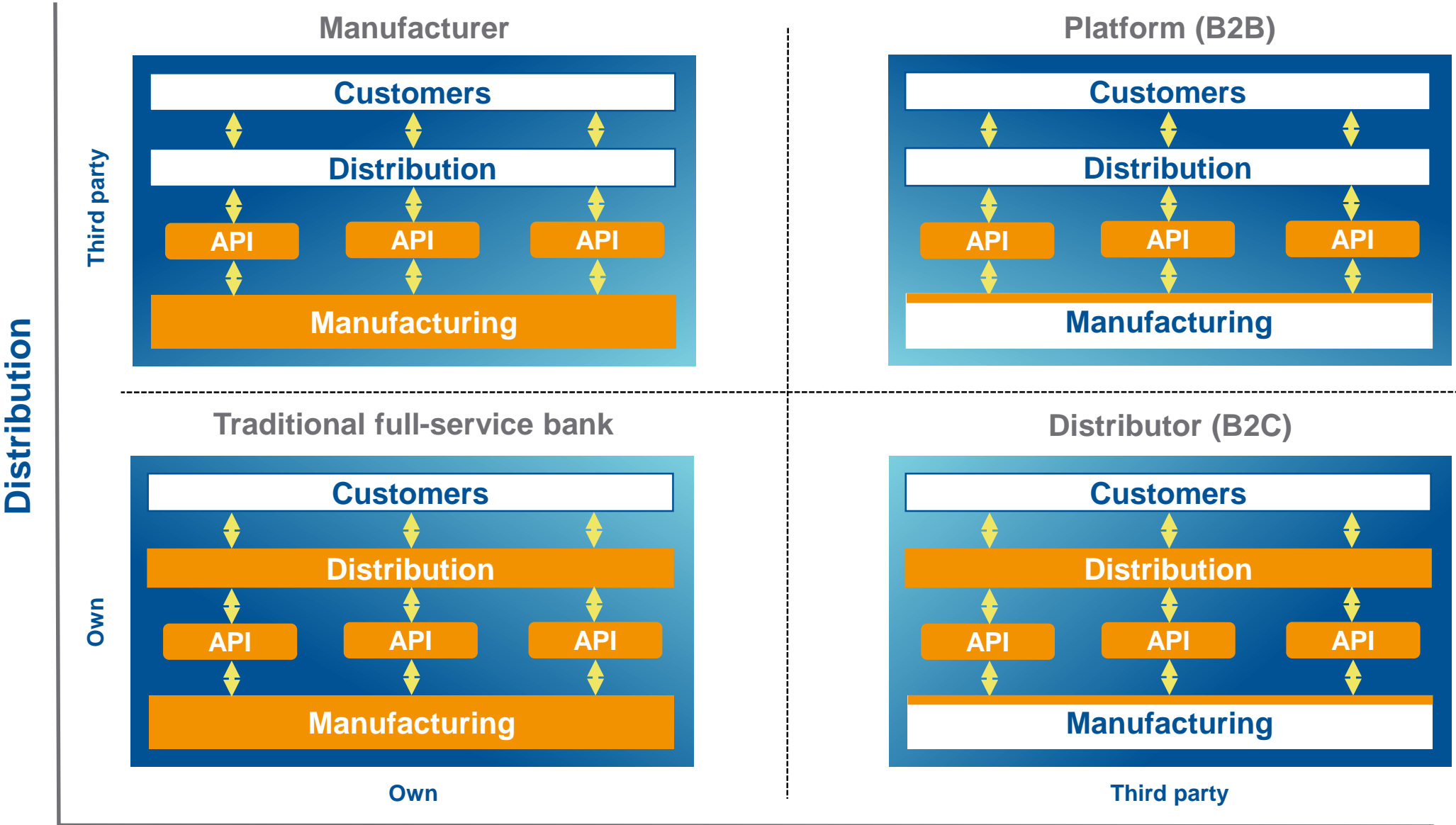
“Open banking will fundamentally shift banking in the way internet banking did more than a decade ago. We will see new ways of distributing banking products. This will create more choice and value for customers.”

Jarkko Turunen, Head of Open Banking, Nordea

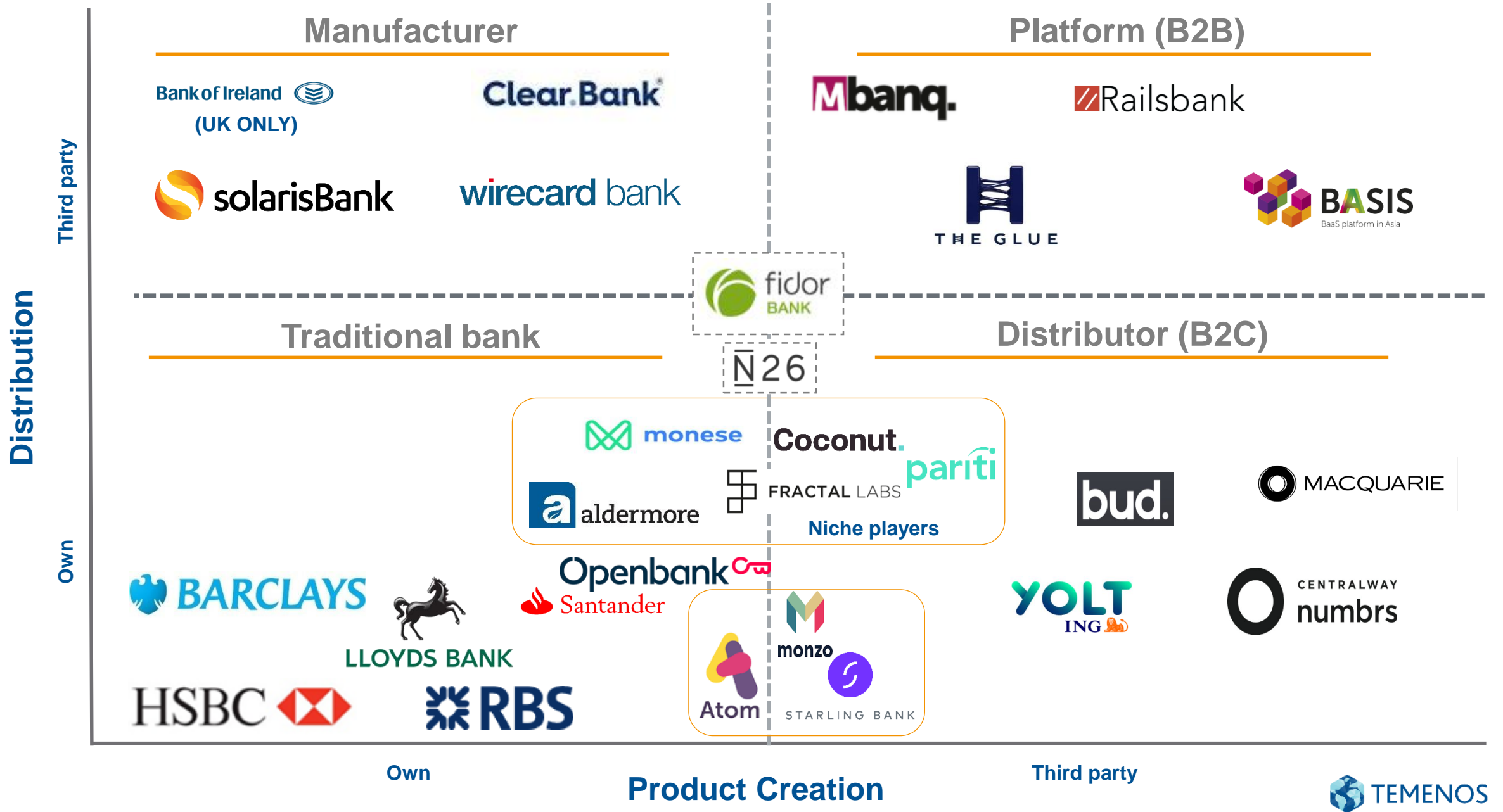


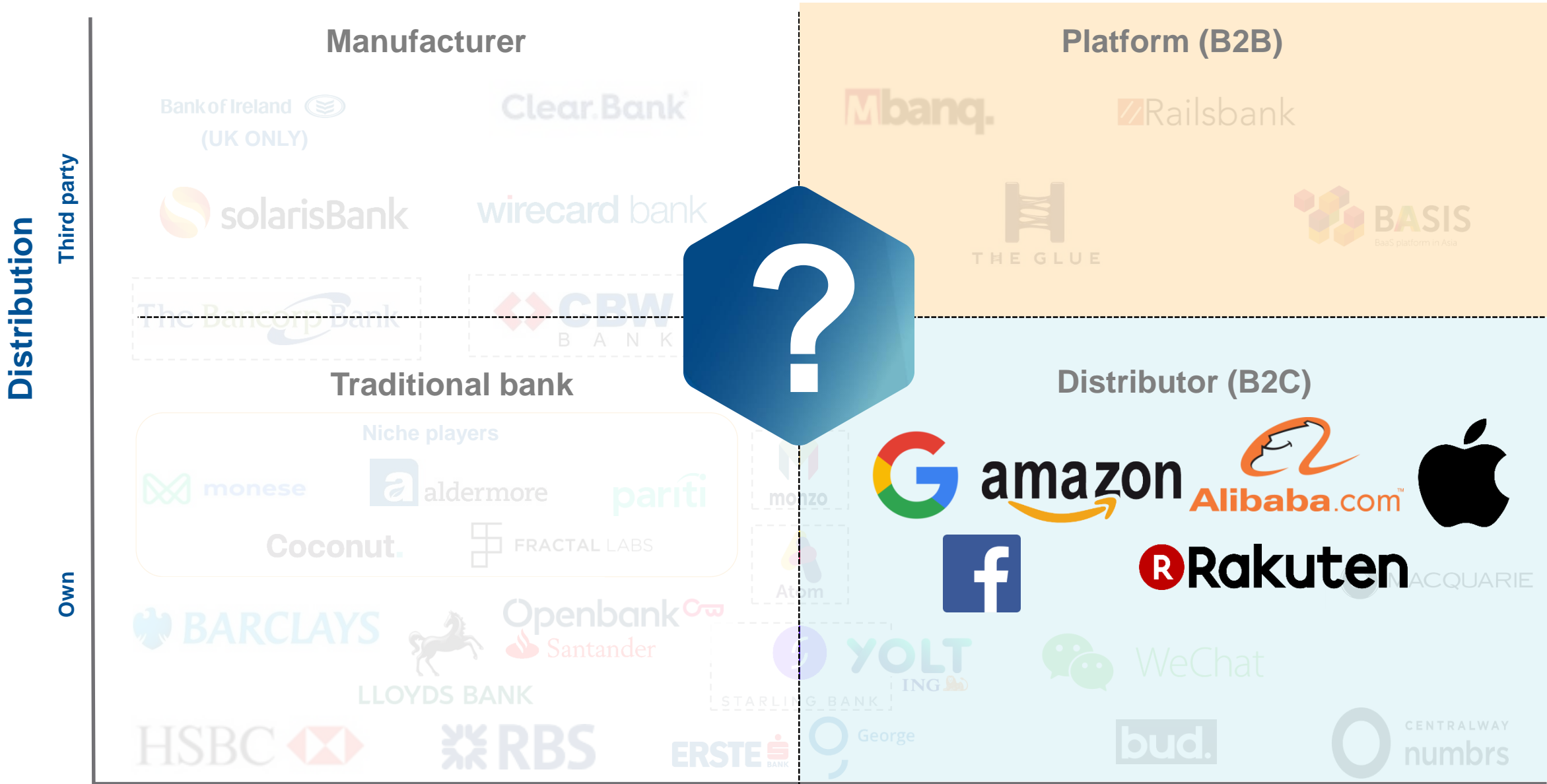
Driving innovation, competition and transparency

* Industry consensus though not part of guidelines



Product Creation

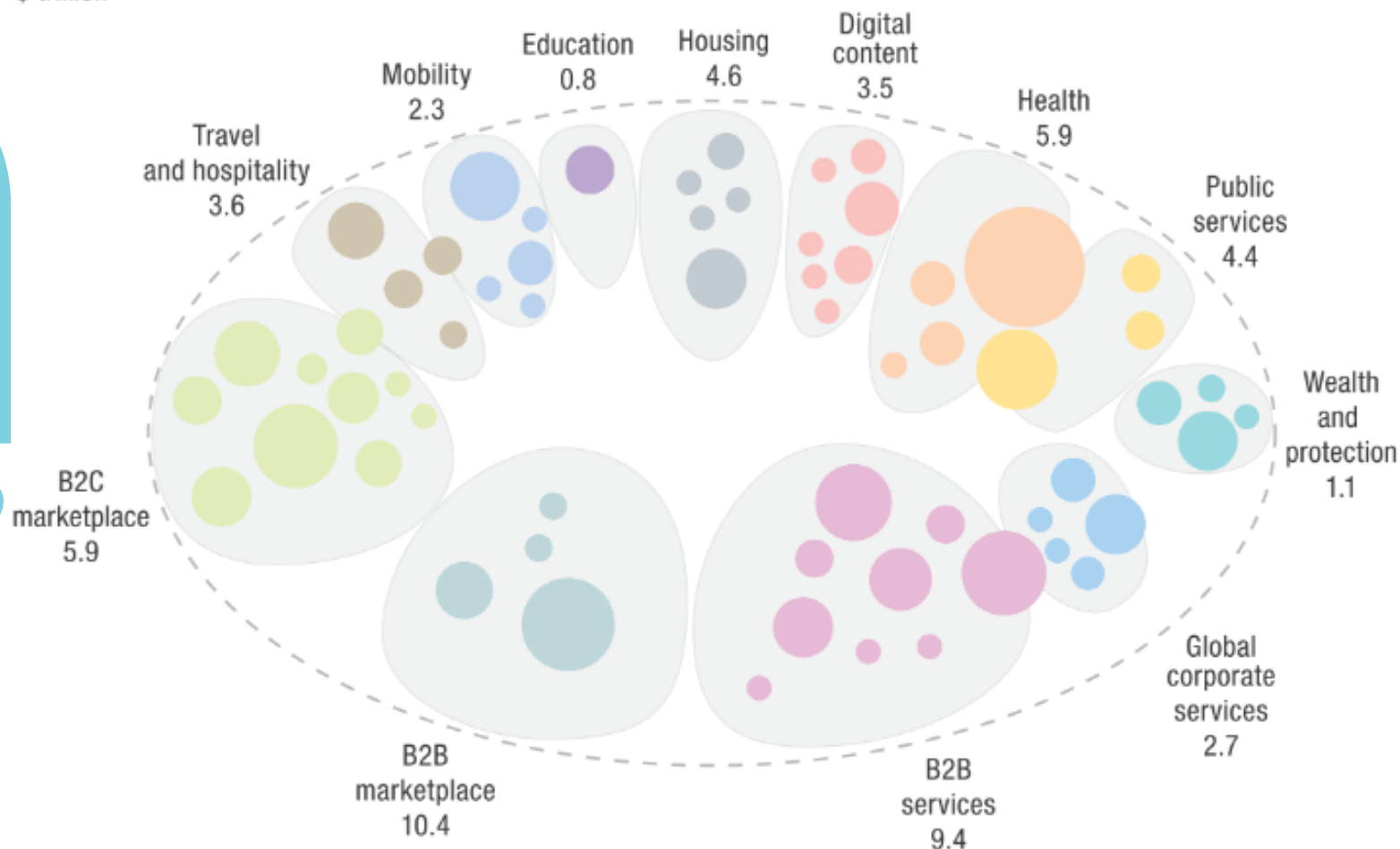




“ **Digital ecosystems across various industries** – Within a decade, 12 large ecosystems will emerge in place of many traditional industries, totalling sales of \$55 trillion.

McKinsey & Company ”

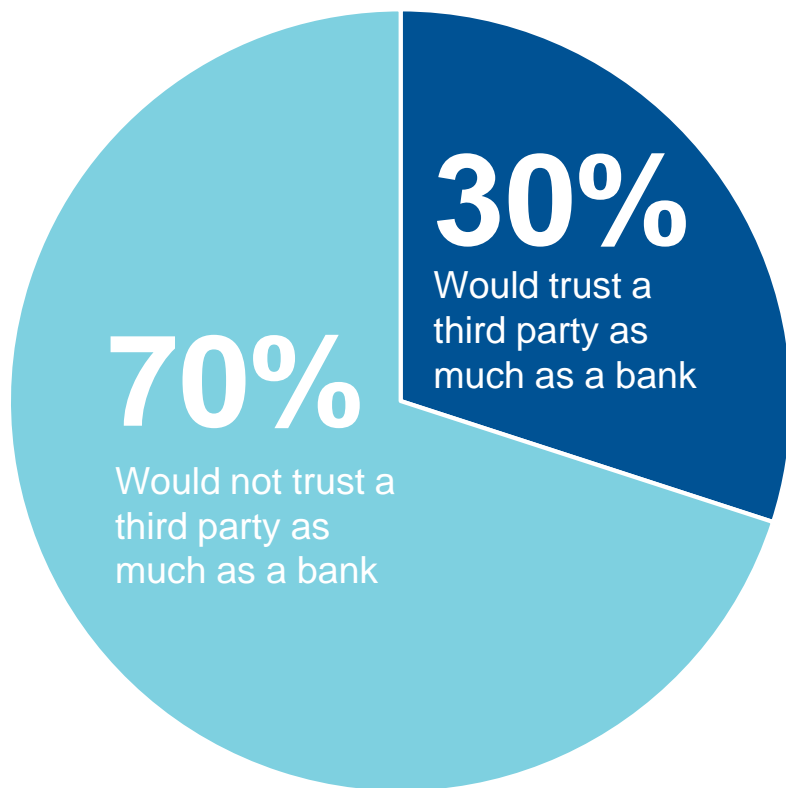
Ecosystem illustration, estimated total sales in 2025¹
\$ trillion



Will the digital eco-systems of tomorrow spell the end of banks as we know them?

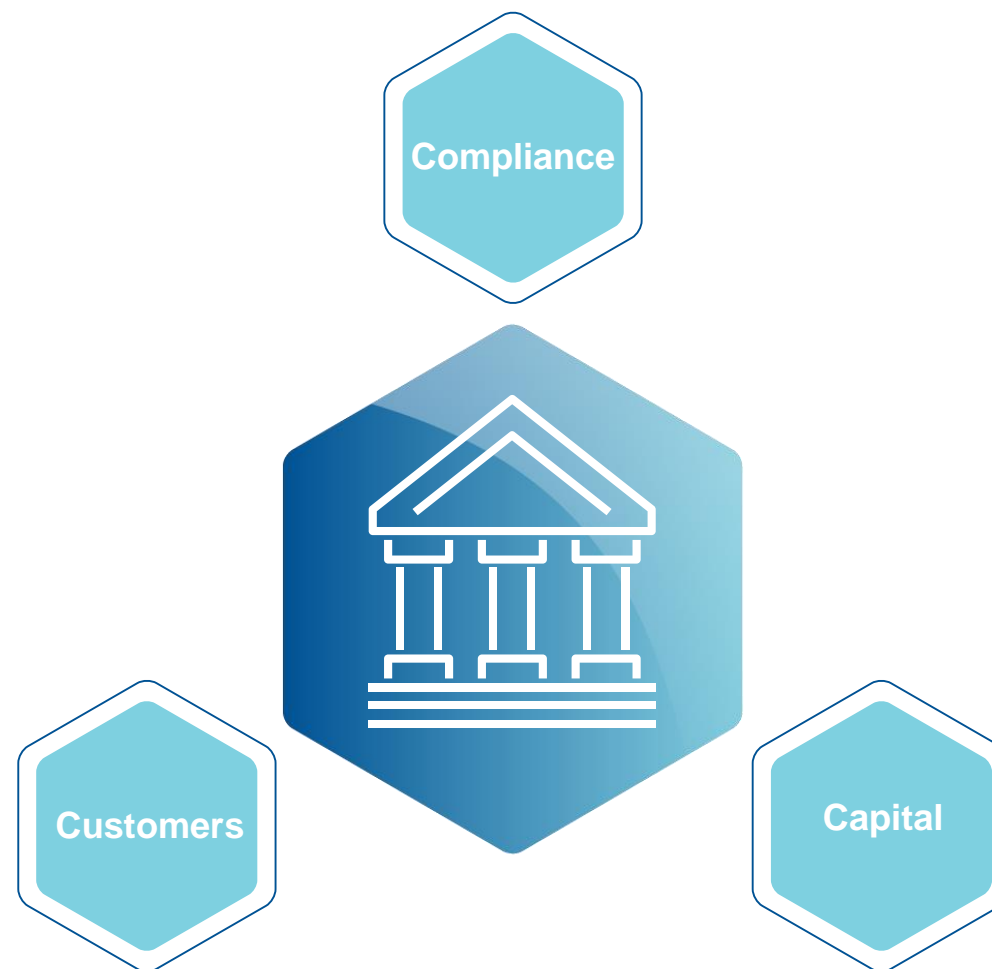
Trust

Would you trust a third party as much as a bank with your data?

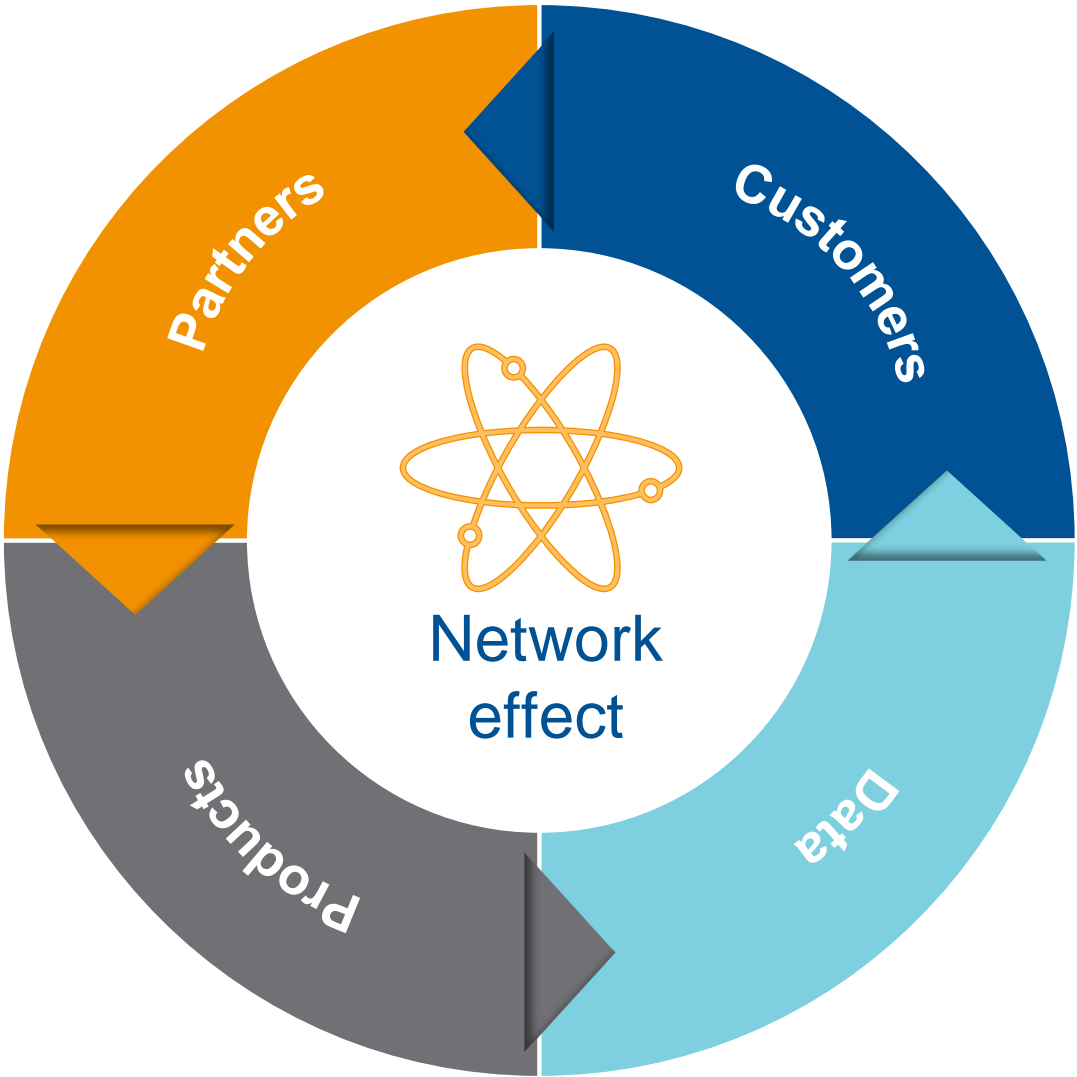


Source: Accenture PSD2 UKI Banking Customer Survey

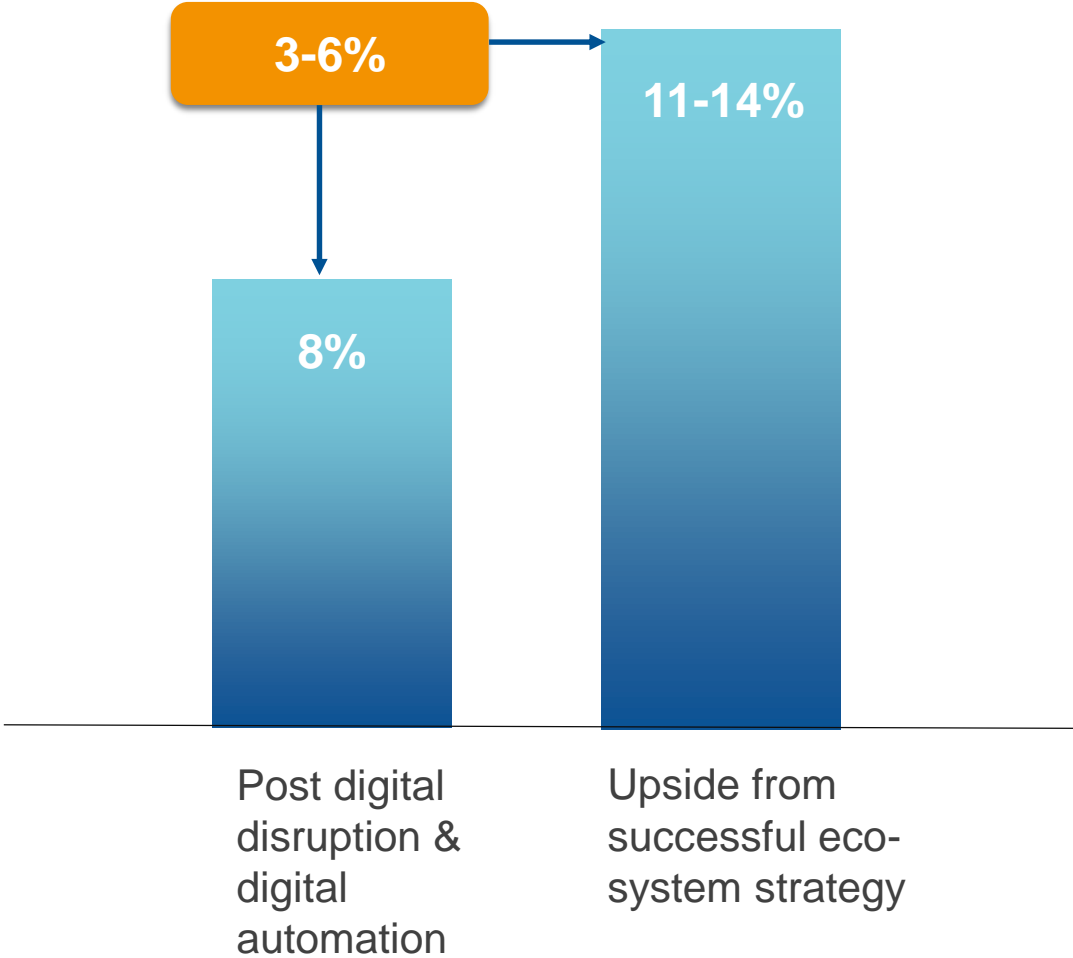
The 3 C's



Source: EIU Report on Retail Banking 2017

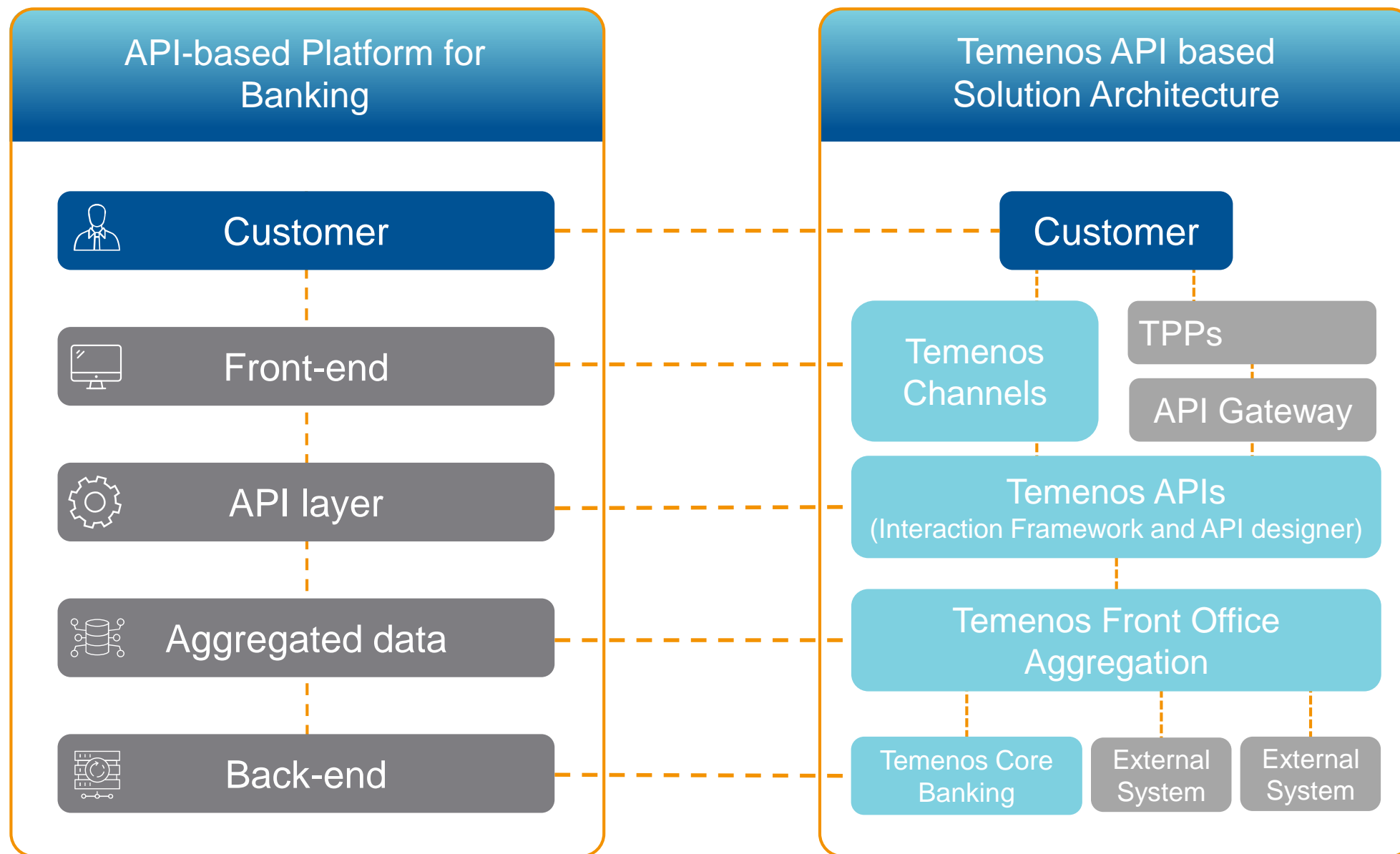


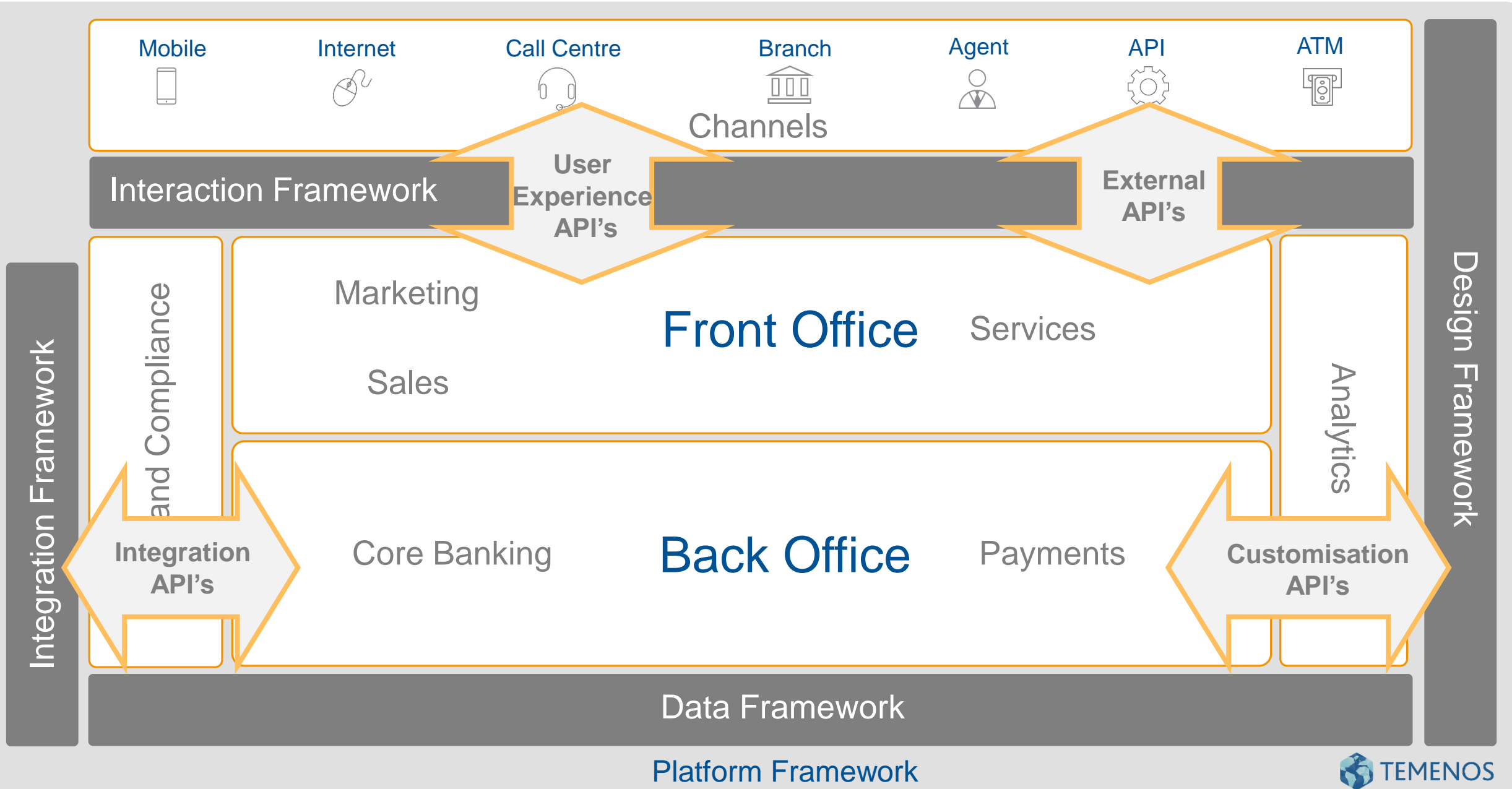
Return on equity – average bank*



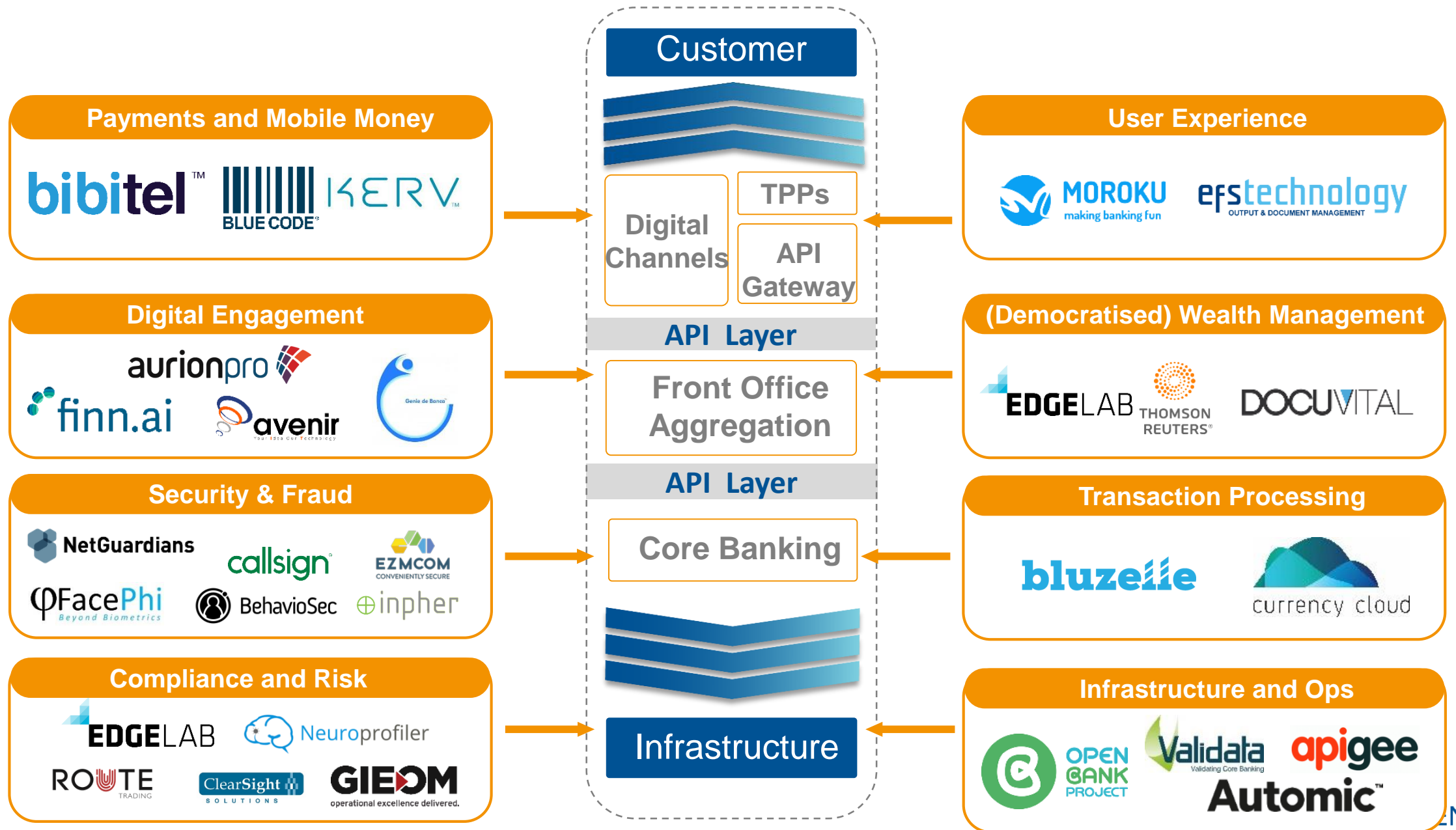
* McKinsey Report - "Remaking the bank for an eco-system world", Oct 2017







Temenos Marketplace – Extending Temenos Stack to support Open Banking



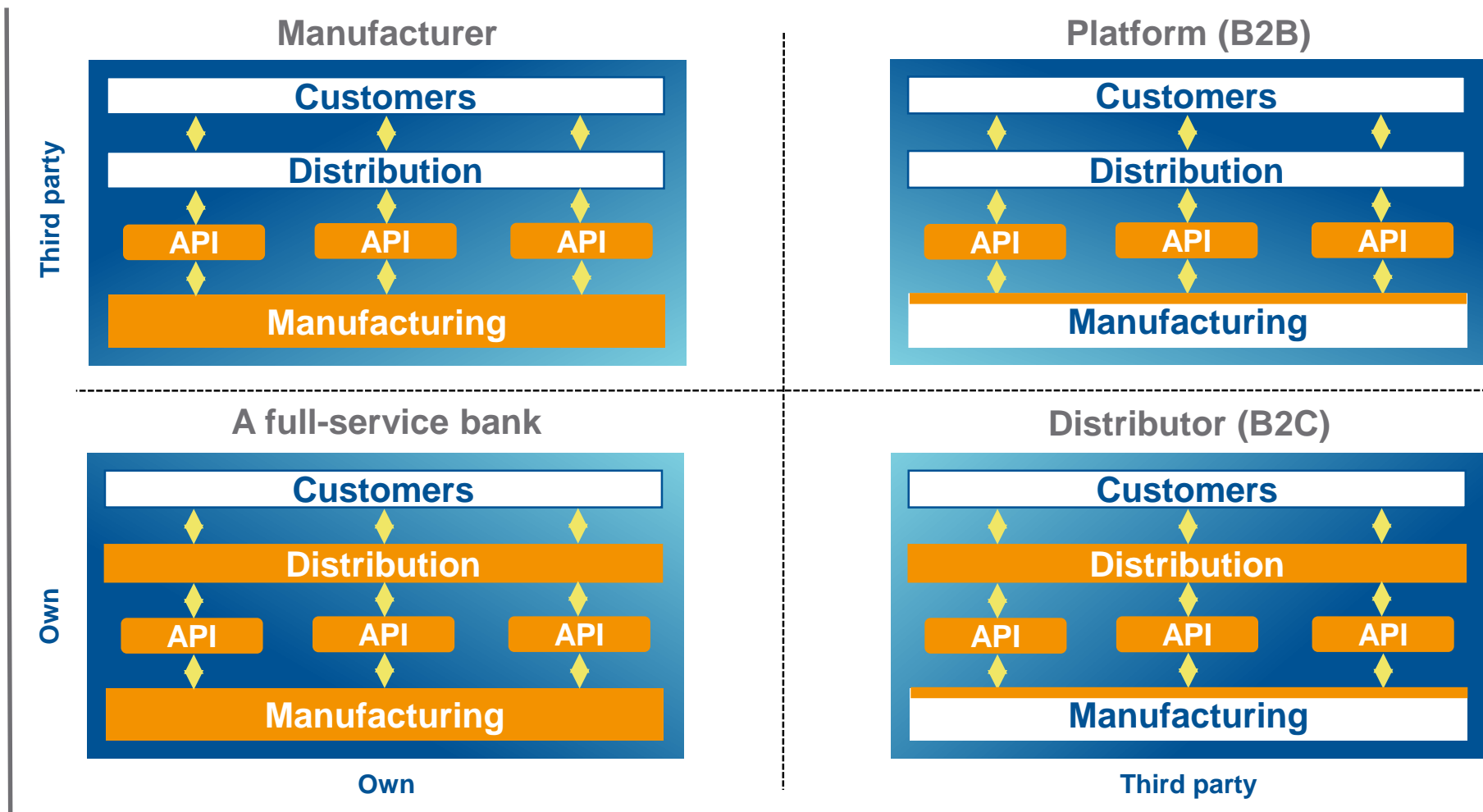
Core

Open API Platform

Distribution

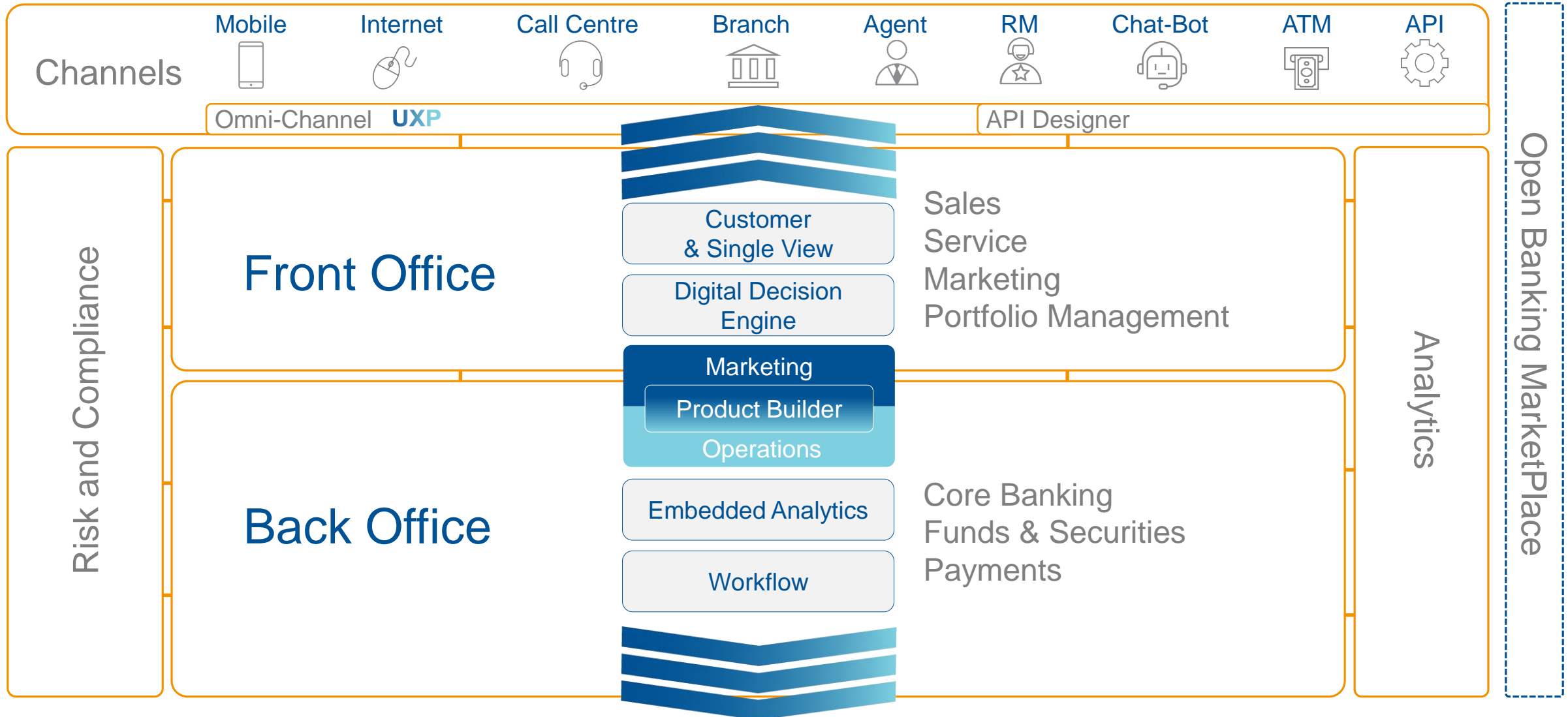
Full Stack

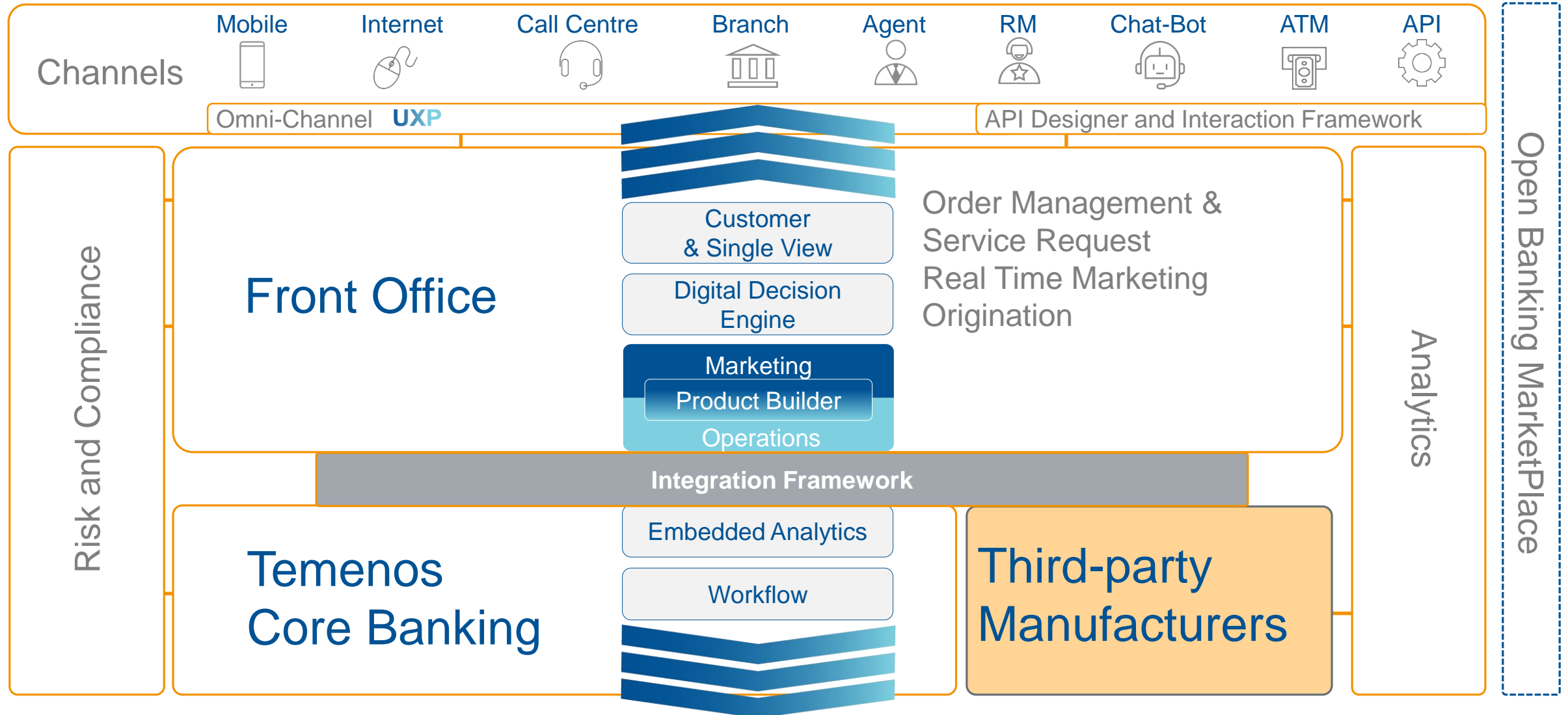
Front Office

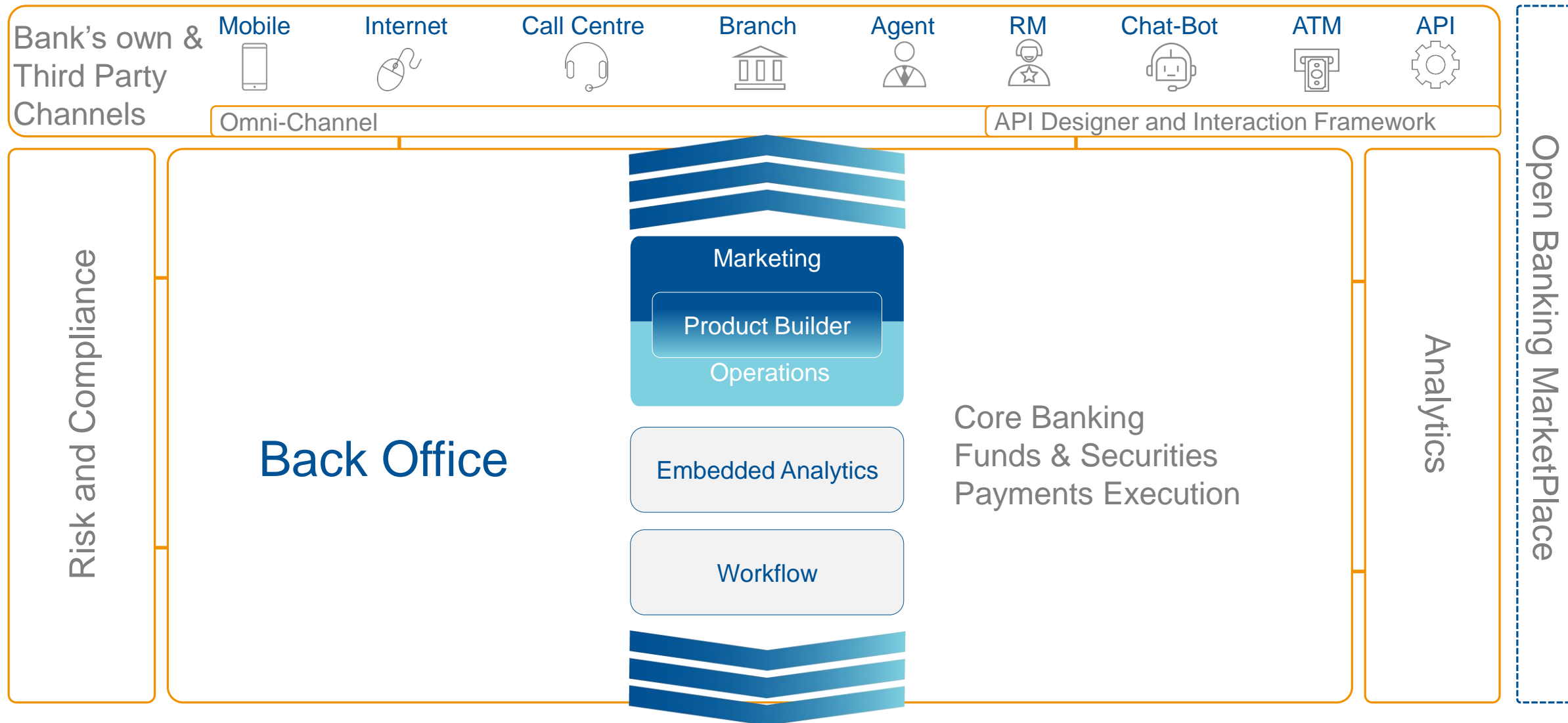


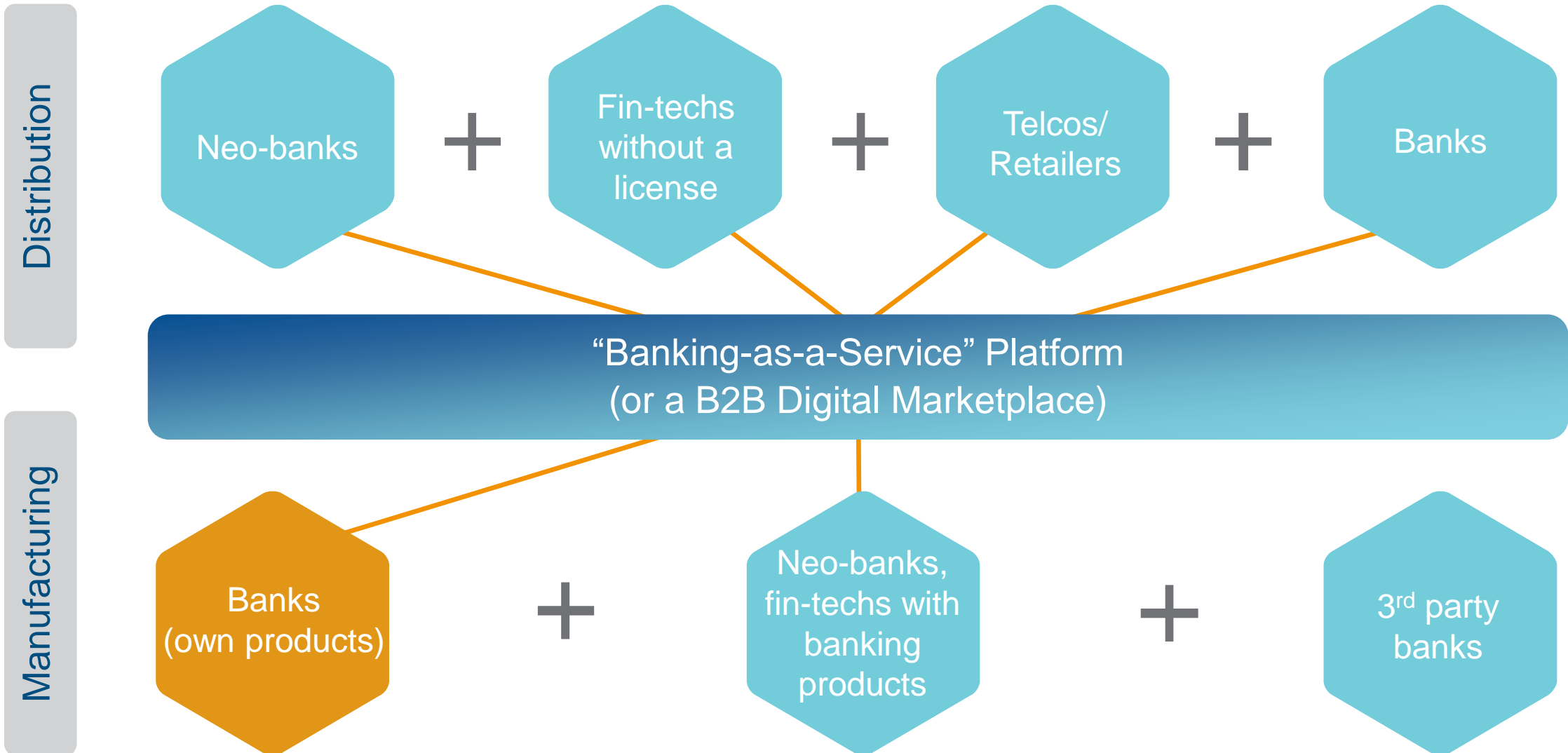
Product Creation

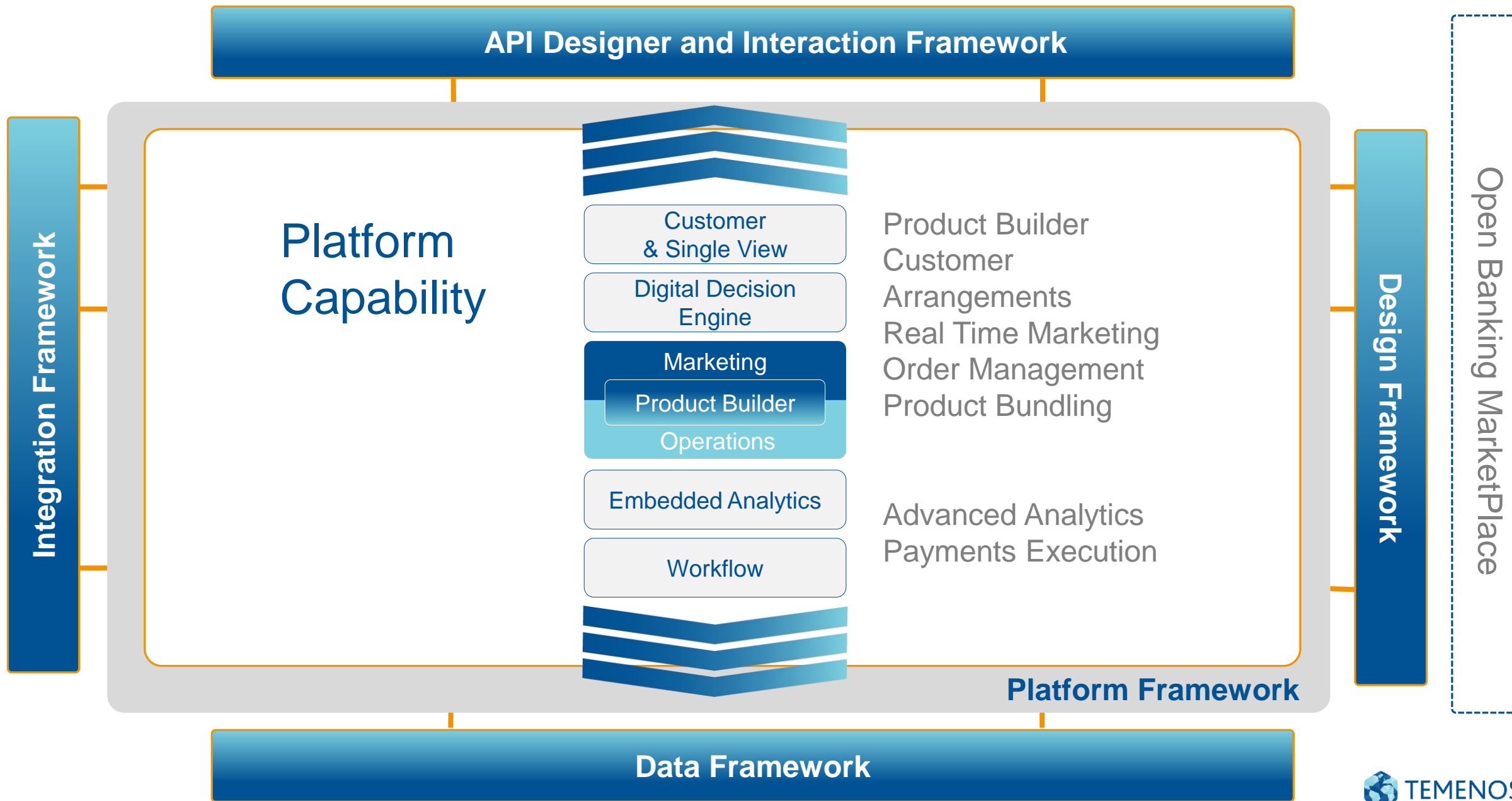
An API-driven, flexible, scalable architecture is required for all 4 models



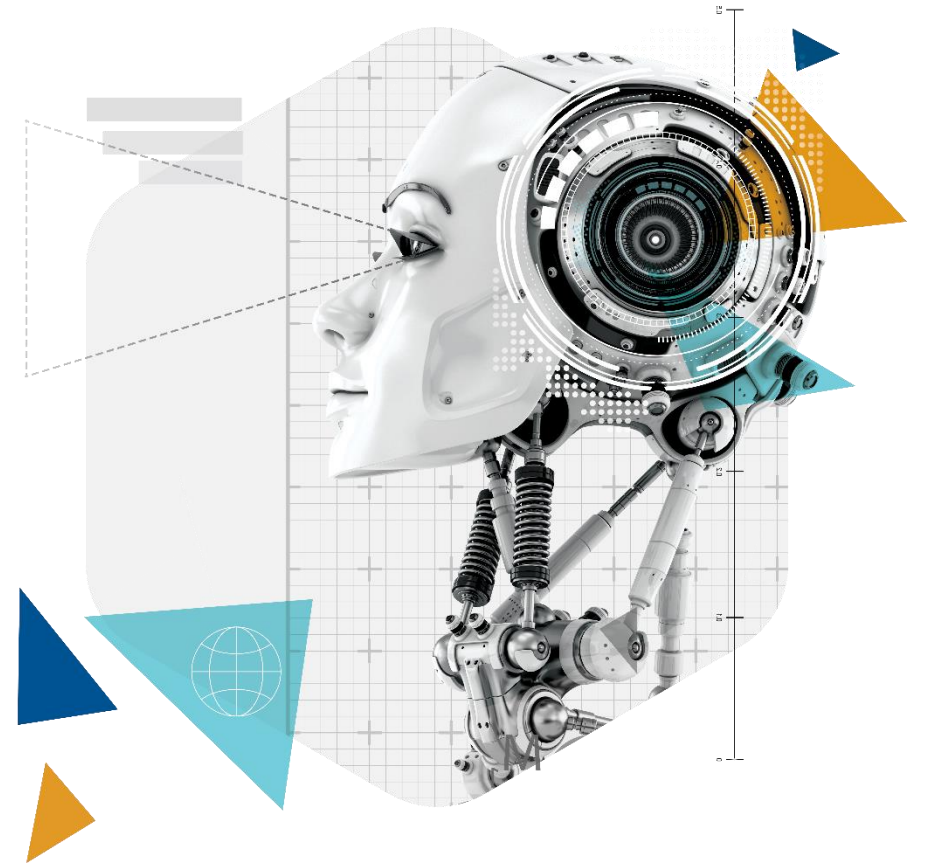








Artificial Intelligence at Temenos



Robo Advisors

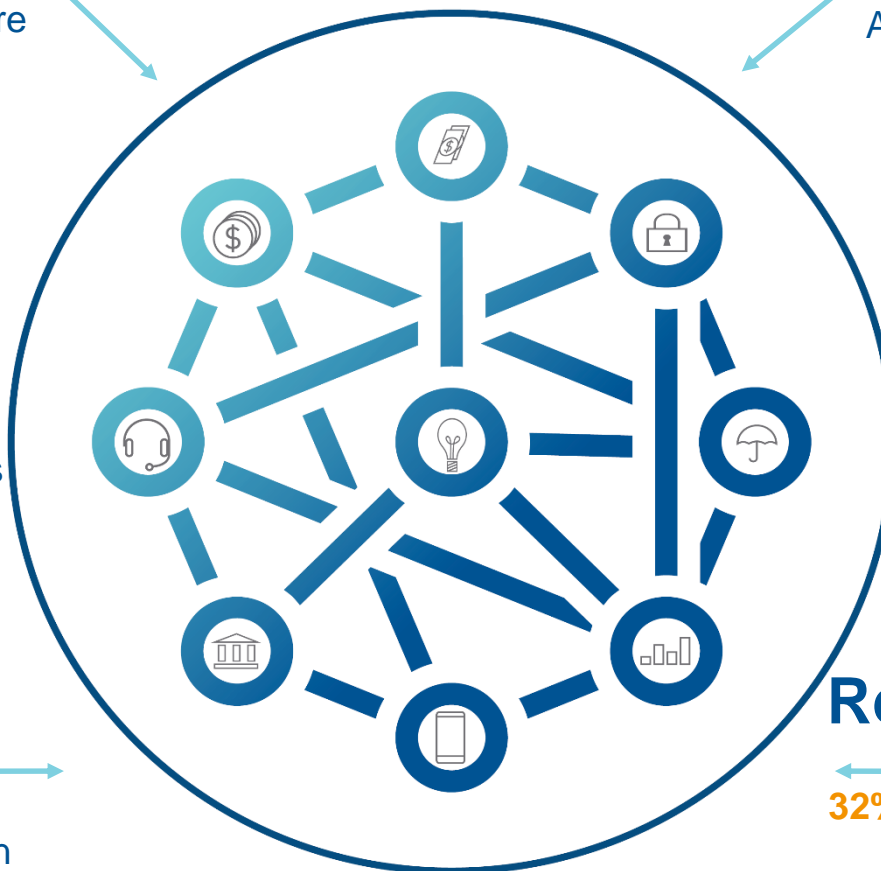
Assets under management by robo advisors are estimated to increase **68%** annually to about \$2.2tn in 5 years (A.T. Kearney)

Chatbots

A hot trend for 2017 will be '**Botification**', as banks look to 'botify' their mobile banking-related service, marketing, and advice offerings with chatbots and AI technology (Cornerstone Advisers)

Compliance

Banks must recognize the **innovation opportunities** compliance with regulation can bring, to simplify and automate their approach to regulation and create business value and even competitive advantage. (Forrester)



Financial Crime Mitigation

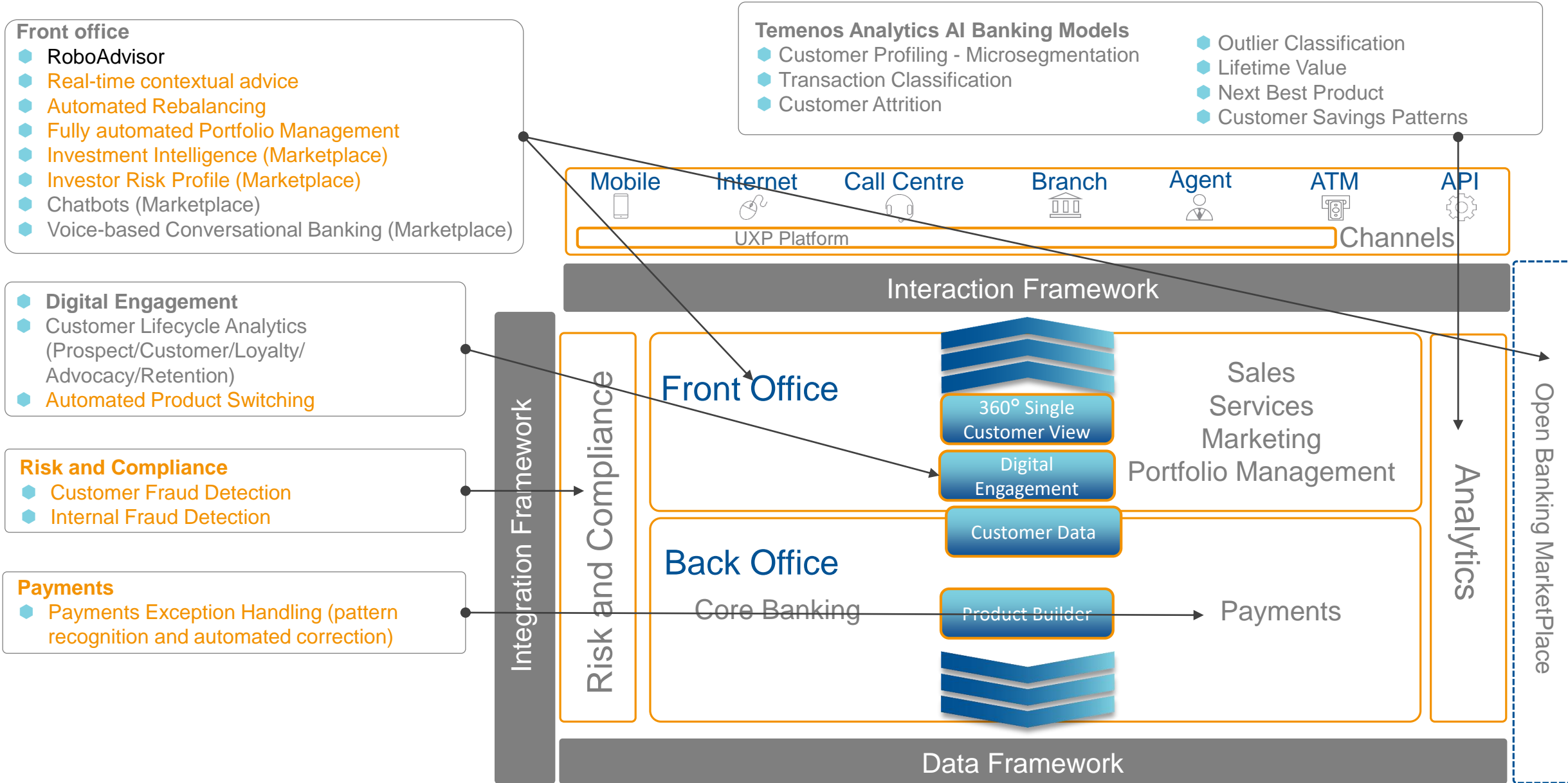
AI used for fraud prevention dates back to **1987** by Security Pacific National Bank in the US

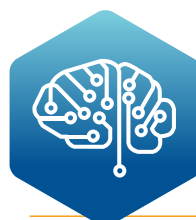

Digital Engagement

Soon, customers will demand **hyper-personalized** conversations with their banks, via an IoT device and with artificial intelligence...will banks be ready? (Bankwide)

Real-time, predictive analytics

32% of financial services executives confirmed using AI technologies such as: predictive analytics, recommendation engines, voice recognition and response (Narrative Science)



 AI algorithms	 Temenos AI Banking Models
Machine Learning	Proactive
Supervised – Linear regression model	Funds Flow
Supervised – Logistical regression model	Customer attrition; Customer outlier analysis
Unsupervised – Clustering and association	Customer micro-segmentation
Robotic Process Automation	Payments exception handling
Natural Language processing	Chatbots
Voice recognition	Conversational Banking (with voice assistants)



TEMENOS

The banking software company

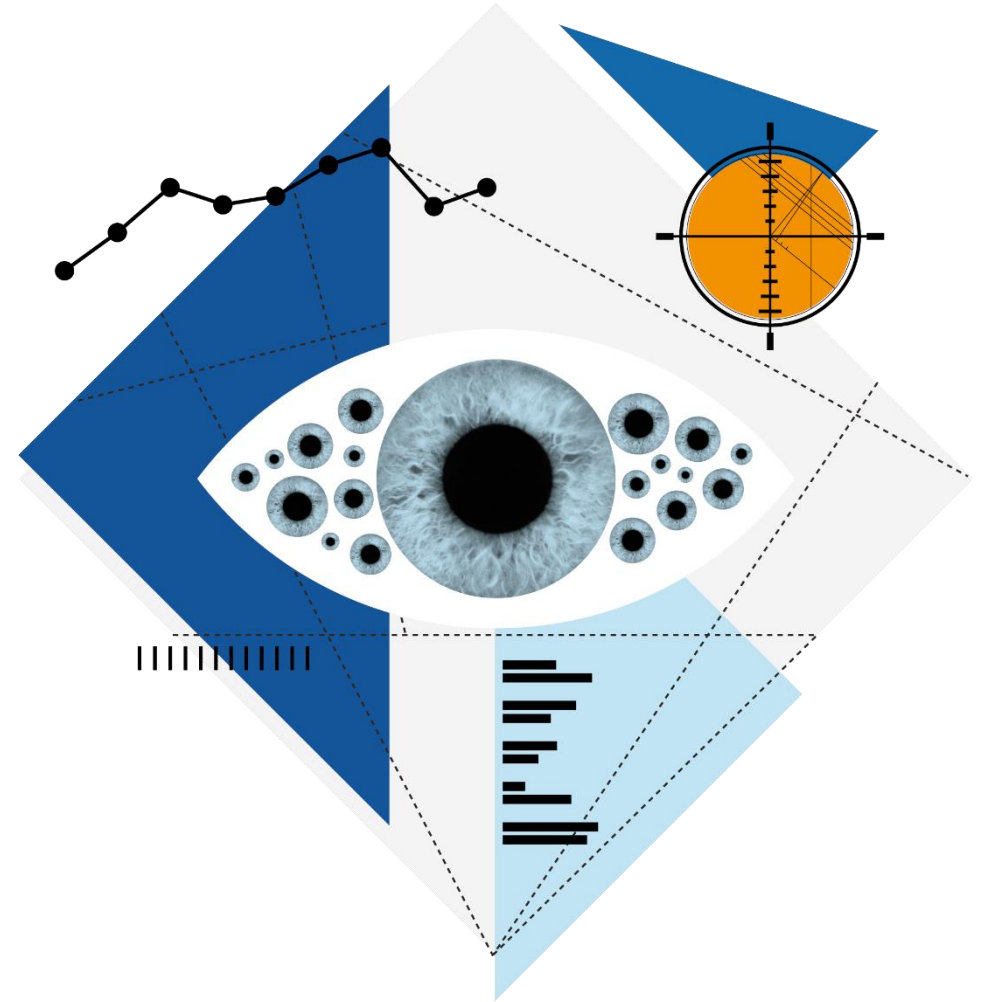
Creating shareholder value

Max Chuard, CFO, COO

14 February 2018

Agenda

1. Creating shareholder value
2. Drivers of growth
3. Medium term targets



Creating shareholder value

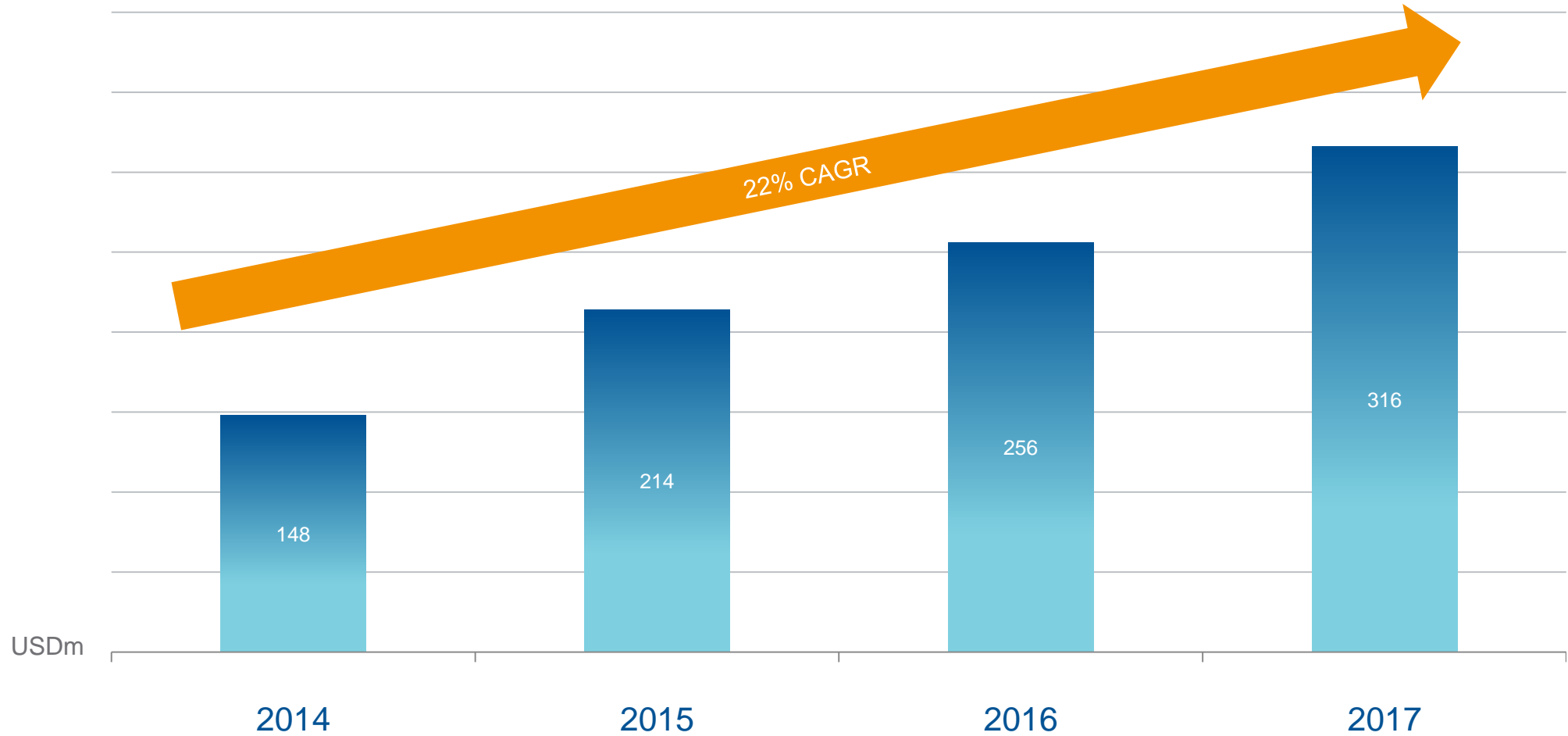


- ◆ Exceptional revenue growth
- ◆ Recurring revenue drives margin expansion
- ◆ Significant cash flow generation
- ◆ Disciplined capital allocation

Shareholder
value

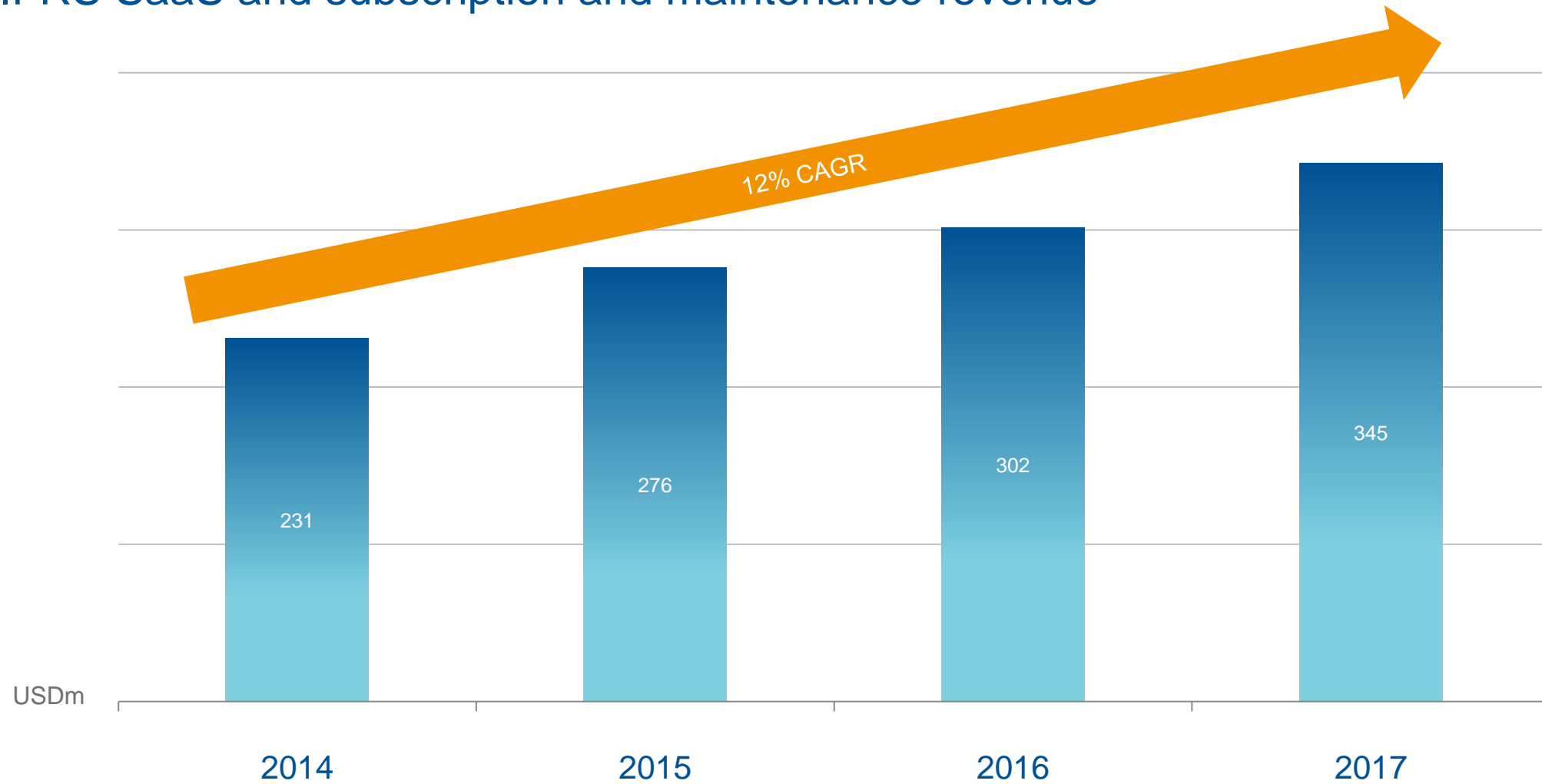
Share price CAGR of 42% since 2003

Non-IFRS total software license revenue



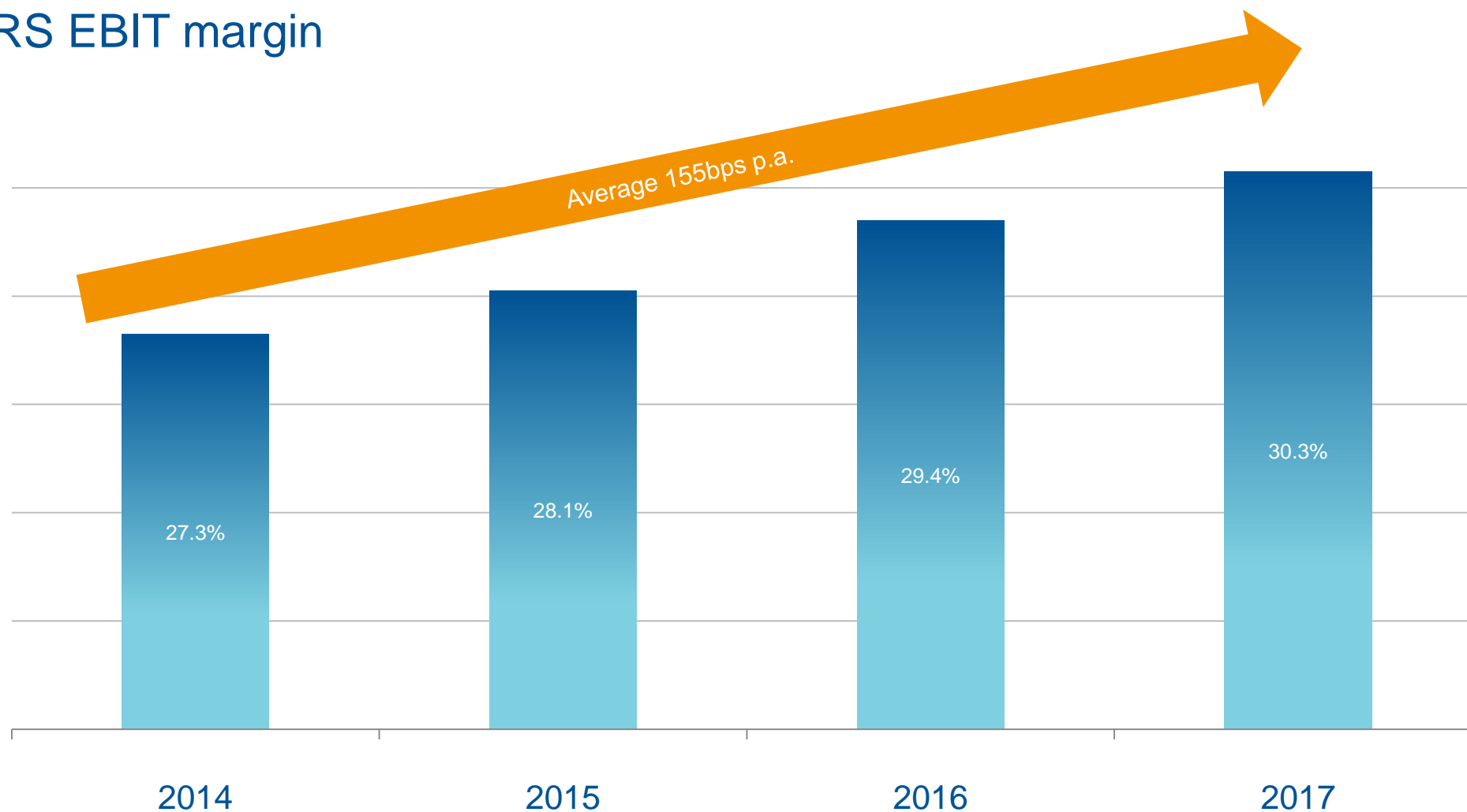
Medium term target of at least 15% CAGR

Non-IFRS SaaS and subscription and maintenance revenue



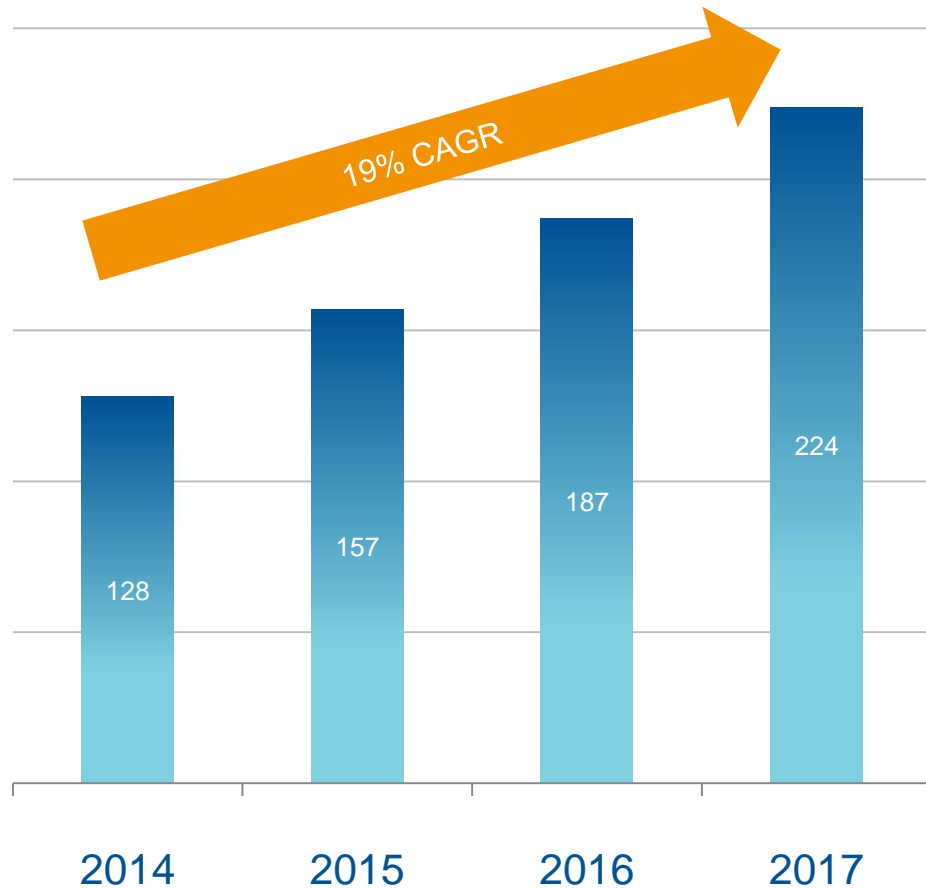
Recurring revenue growth driving predictability

Non-IFRS EBIT margin

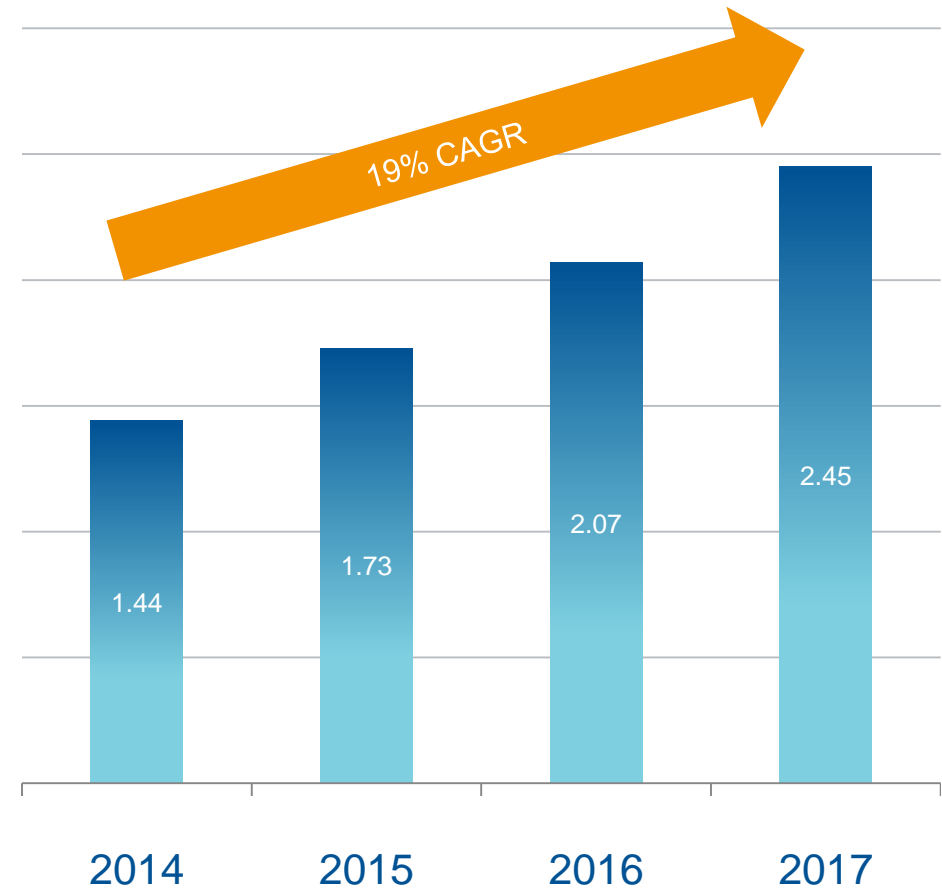


Medium term target of 100-150bps EBIT margin expansion p.a.

Non-IFRS EBIT

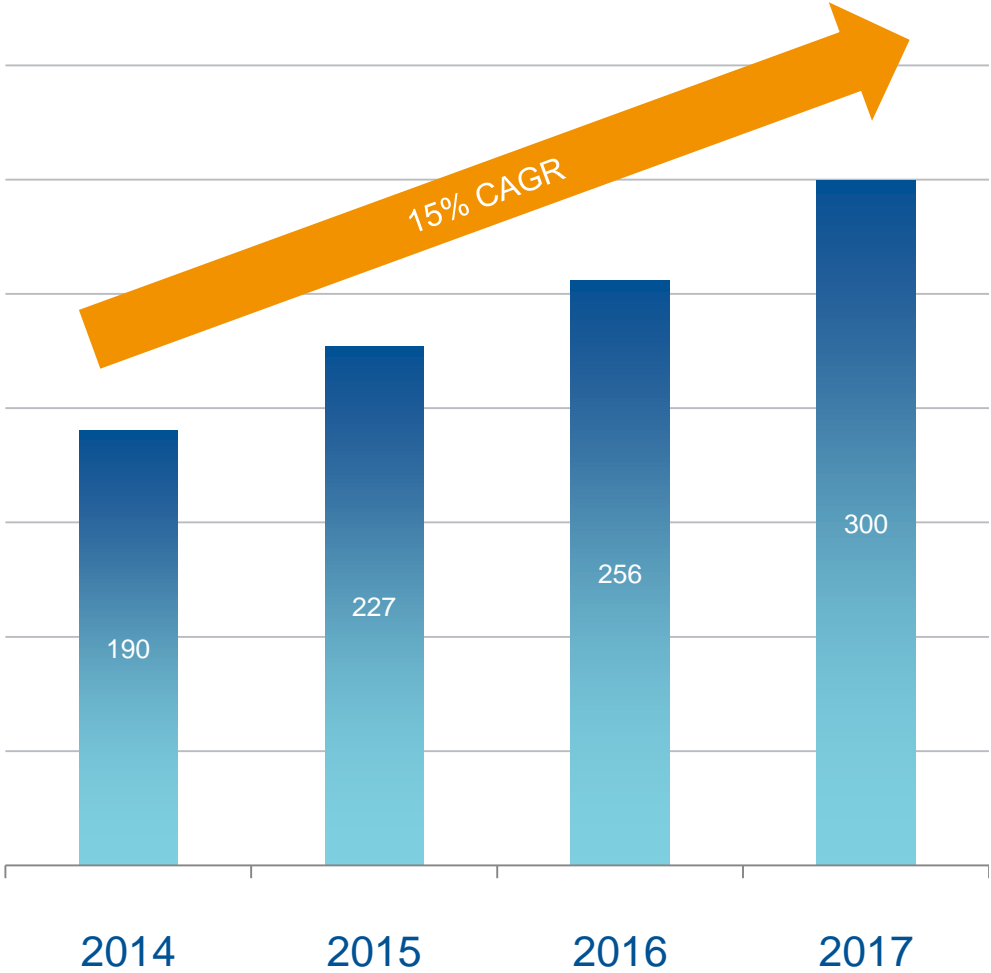


Non-IFRS EPS



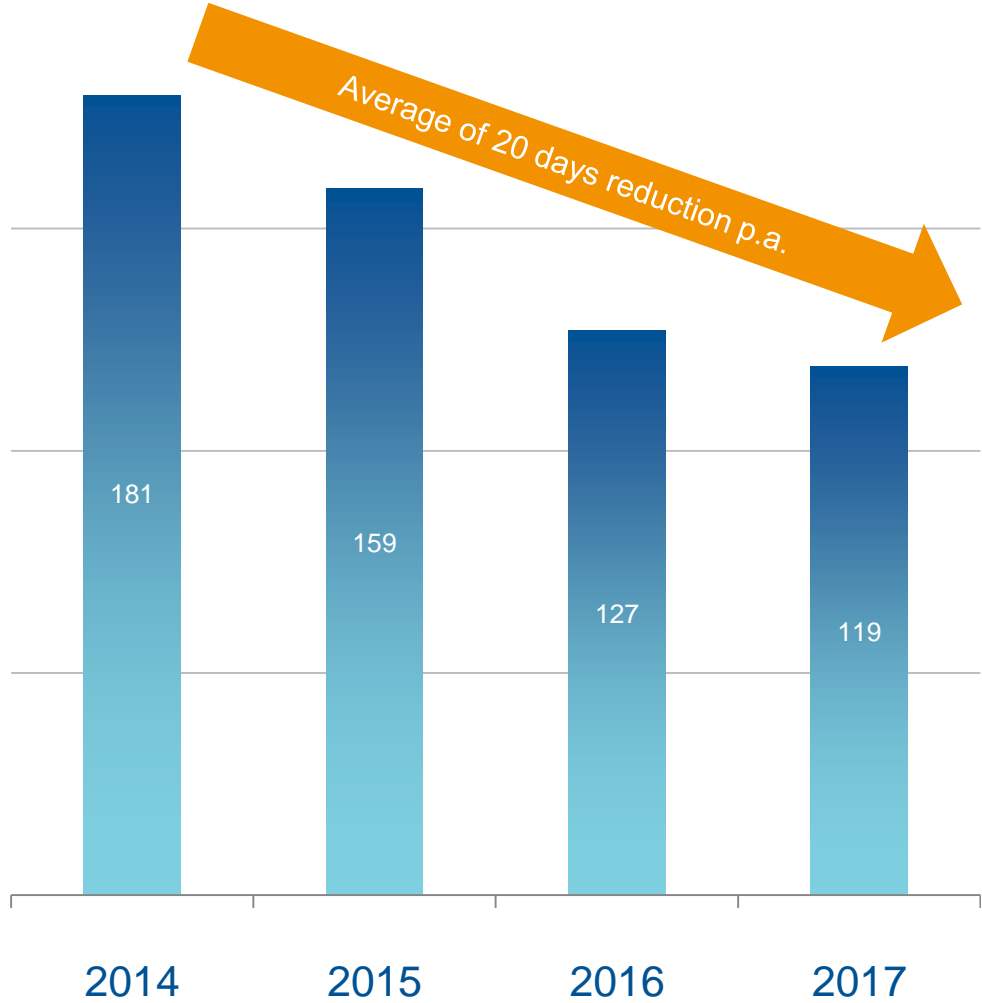
Medium term target of at least 15% EPS CAGR

Operating Cash Flow



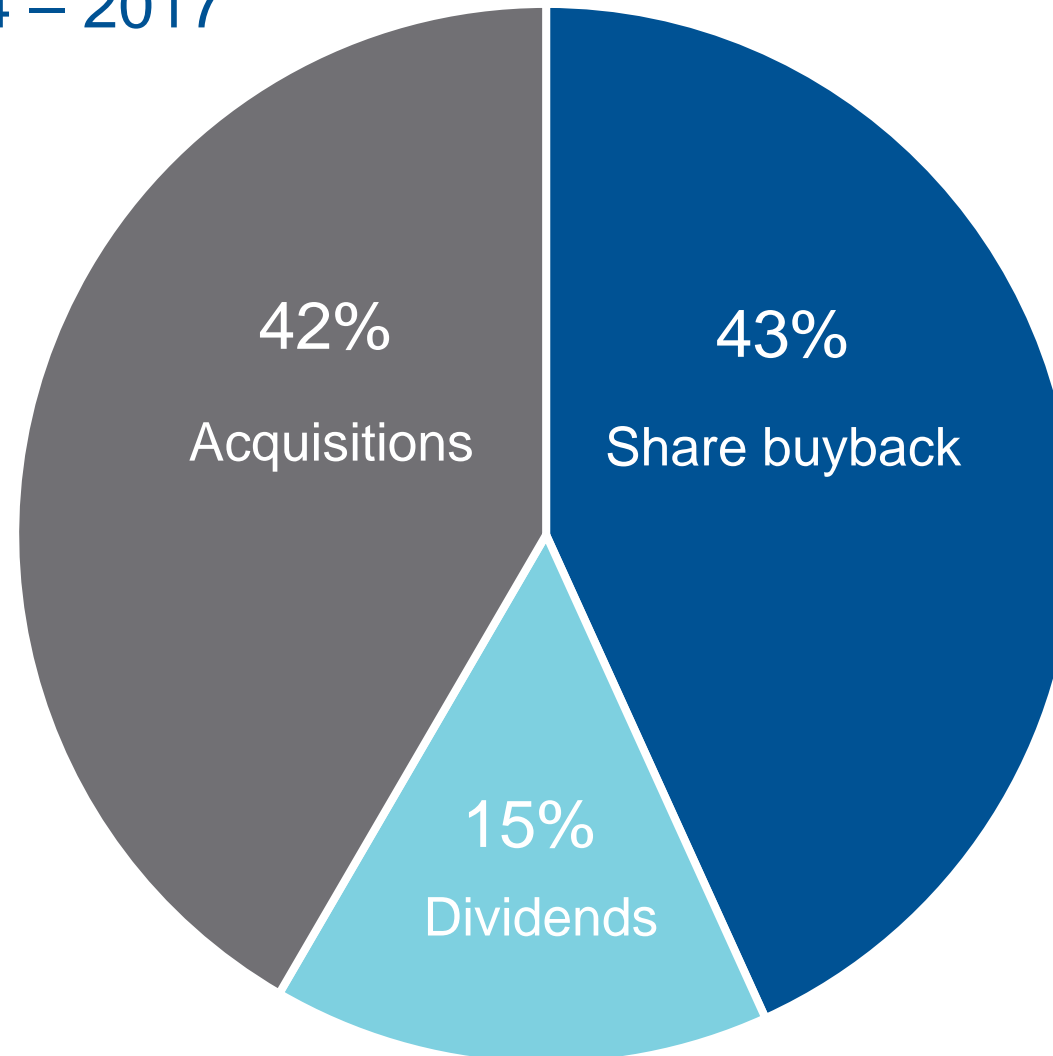
Medium term target of 100%+ EBITDA converted into operating cash p.a.

DSOs



Medium term target DSO reduction of 5-10 days p.a.

Capital allocation 2014 – 2017



	2013	2017
Total available financing	USD 350m	USD 925m
Weighted average interest rate	5.0%	3.0%
Weighted average maturity	4 years	4.5 years
Leverage ratio	0.6x	1.0x

Low-cost debt structure with significant flexibility

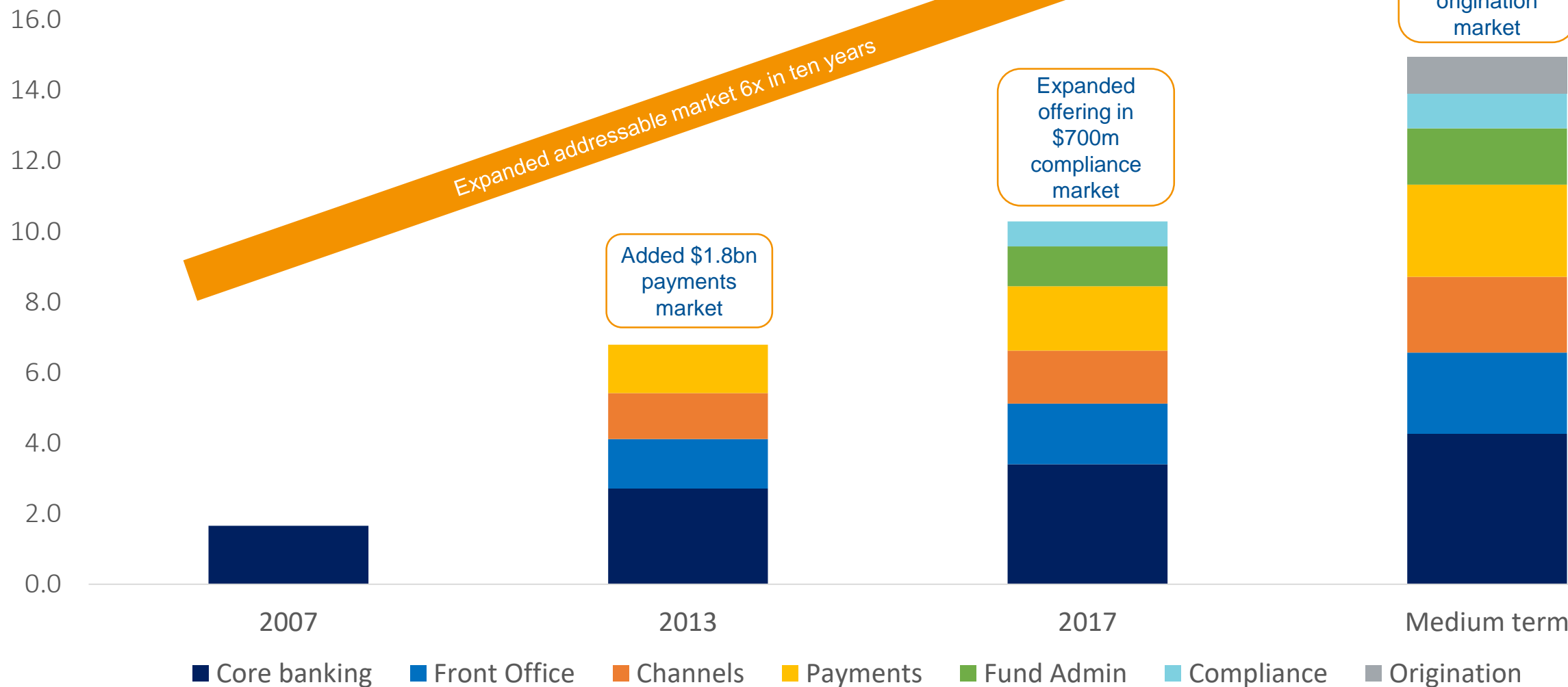
Total shareholder return (USD, 31/12/17)	1 year	3 years	10 years	Since IPO on 25/6/01 at CHF 23 per share
Temenos	85%	267%	444%	936%
Swiss Market Index	23%	17%	42%	262%
Stoxx Euro 600	27%	25%	(1)%	188%
Nasdaq	30%	51%	126%	300%
Peer group average	30%	65%	157%	380%

Outstanding shareholder value creation

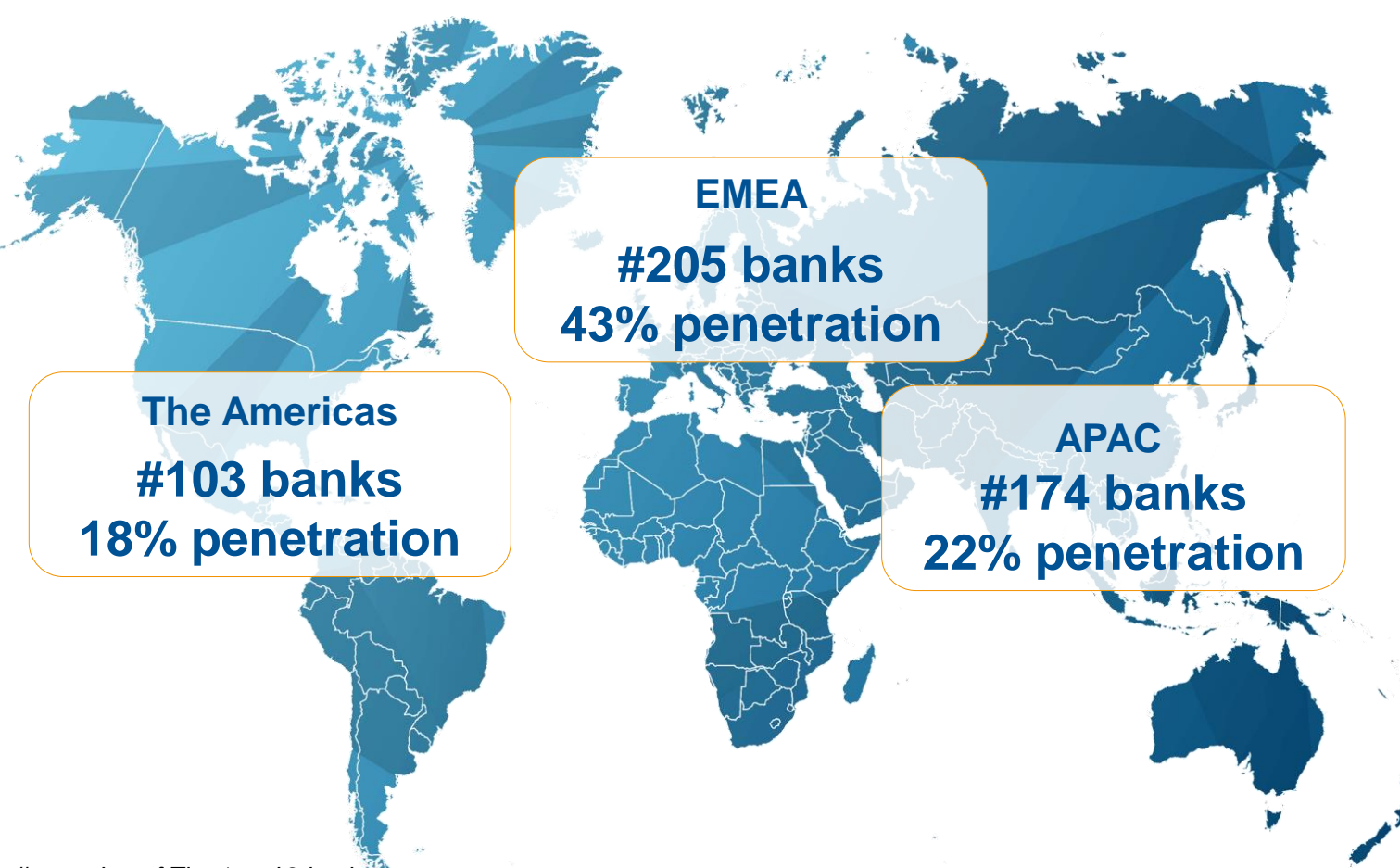
Drivers of growth




Addressable market (USD billions)








*Includes licence and maintenance spend
Gartner, IDC, Celent, Ovum, Oliver Whyman, Temenos estimates*







- number of Tier 1 and 2 banks
% - Temenos account penetration

2014 

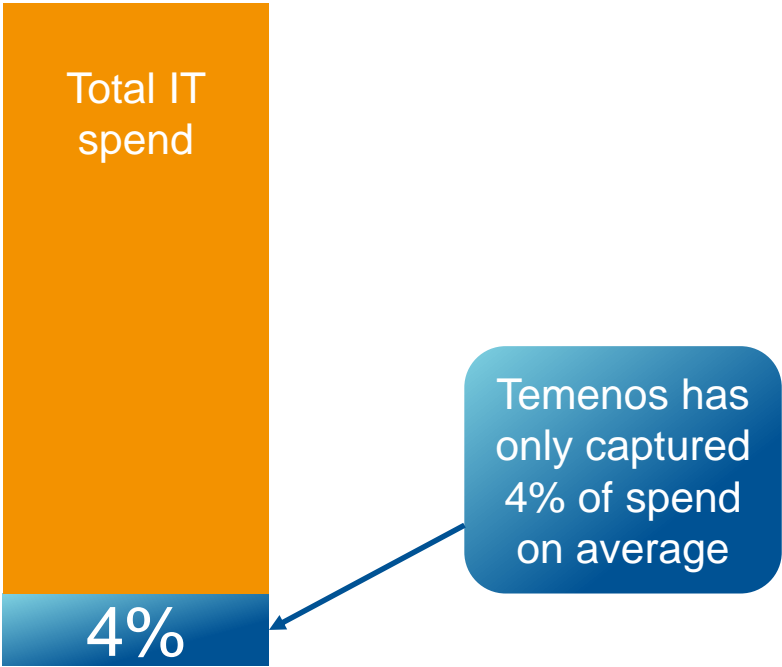
2015  

2016  


2017  
 

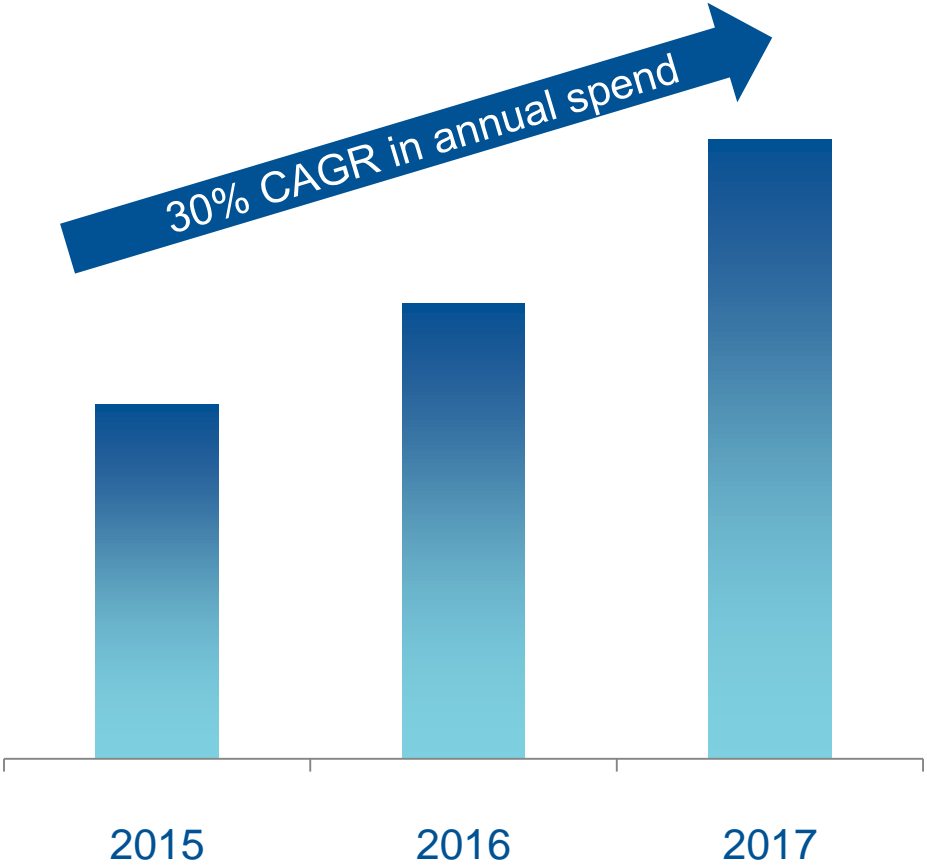
Massive opportunity to expand into new tier 1 and 2 banks

Temenos' average share of wallet in tier 1 and 2 banks



** Based on Temenos estimates of average addressable transformational software spend by tier 1/2 banks*

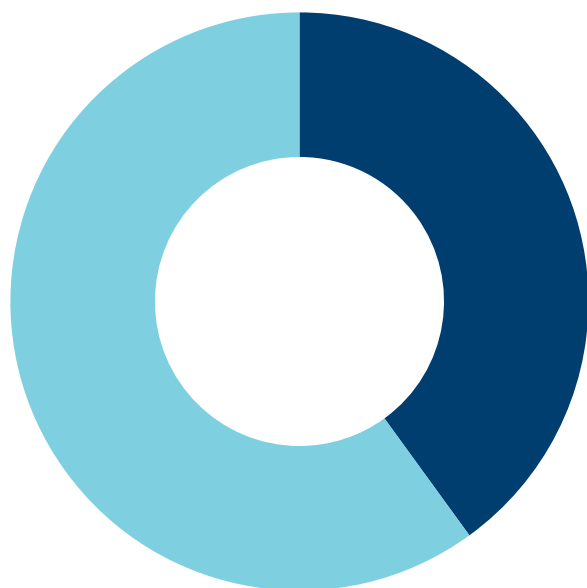
Average annual spend from tier 1 and 2 banks undergoing progressive renovation



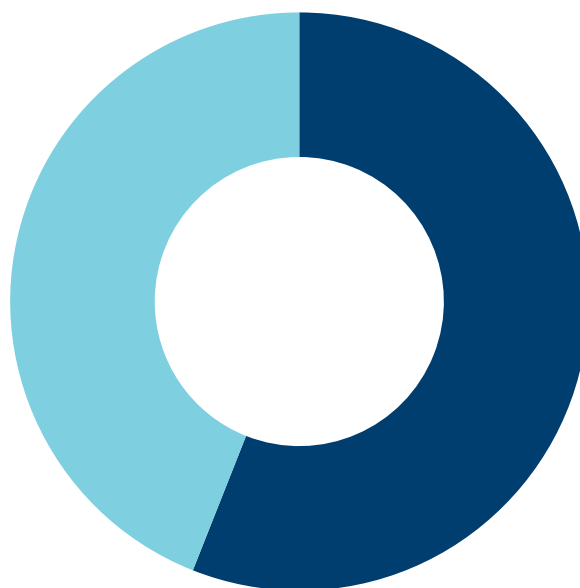
Growing our share of wallet in tier 1 and 2 banks

Non-IFRS total software licensing revenues by client tier

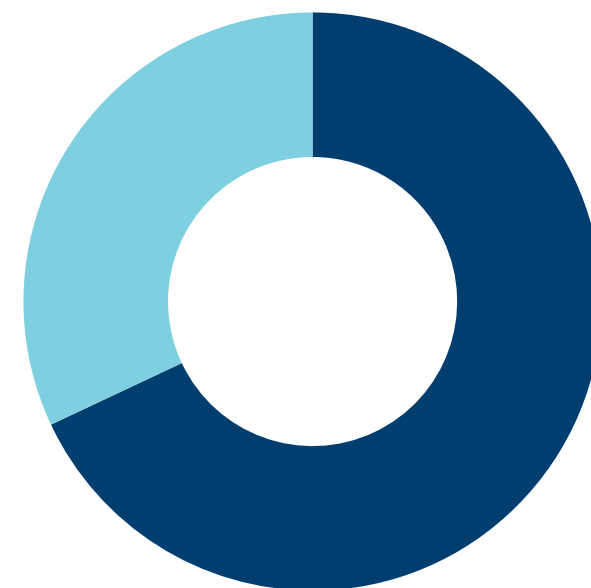
■ Tier 1 & 2 ■ Tier 3, 4 & 5



2014



2017



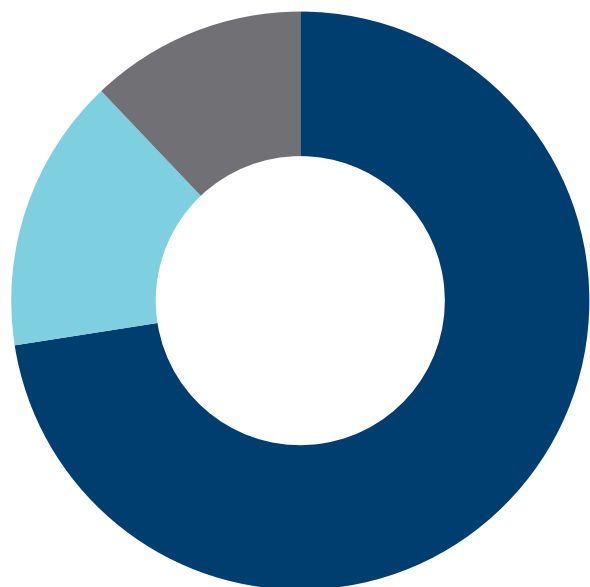
Medium term

Vendor of choice for tier 1 and 2 banks

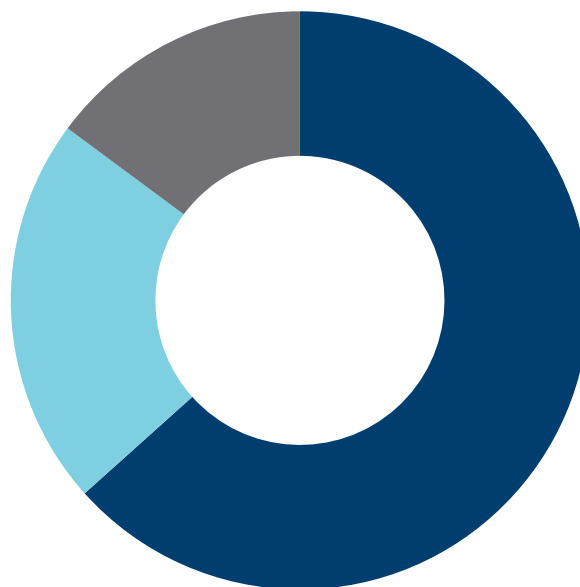
Installed base will continue to represent 60%+ of non-IFRS total software licensing going forward

Breakdown of the installed base

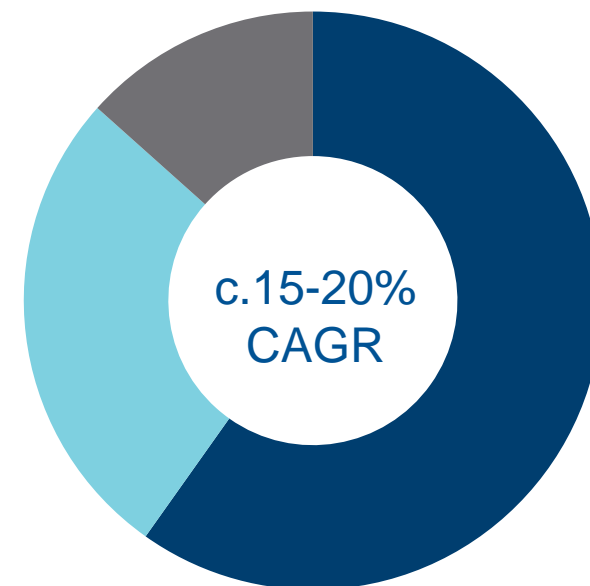
■ Cross Selling ■ Tier 1+2 progressive renovation ■ Relicensing



2014



2017

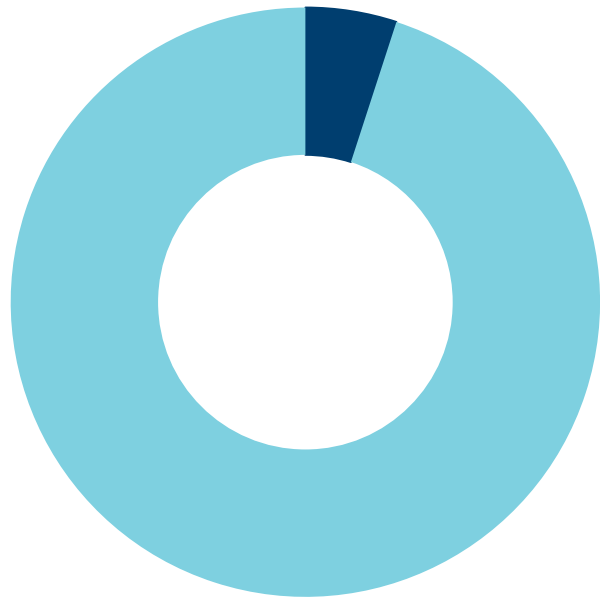


Medium term

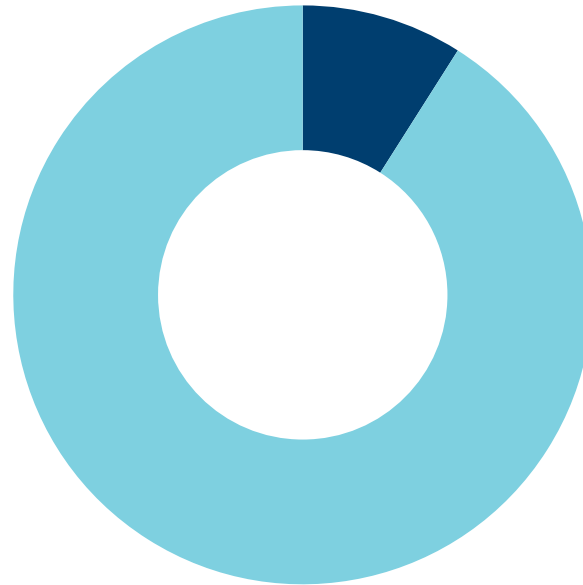
Relicensing, progressive renovation and cross-selling increase license predictability

Non-IFRS Software licensing vs. SaaS revenues

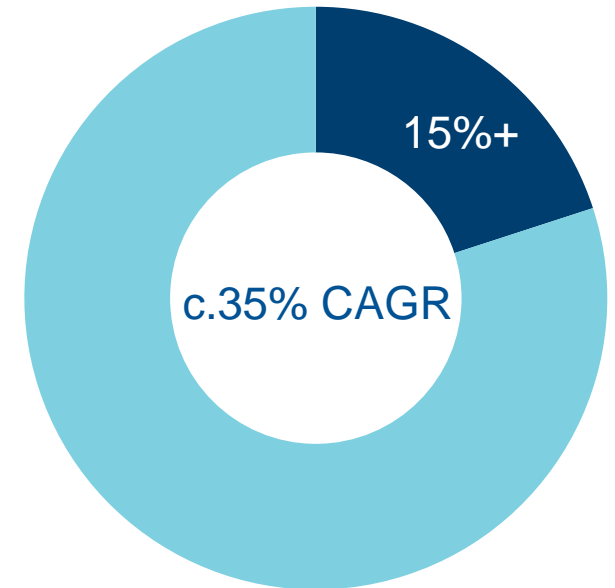
■ SaaS ■ Software licensing



2014



2017

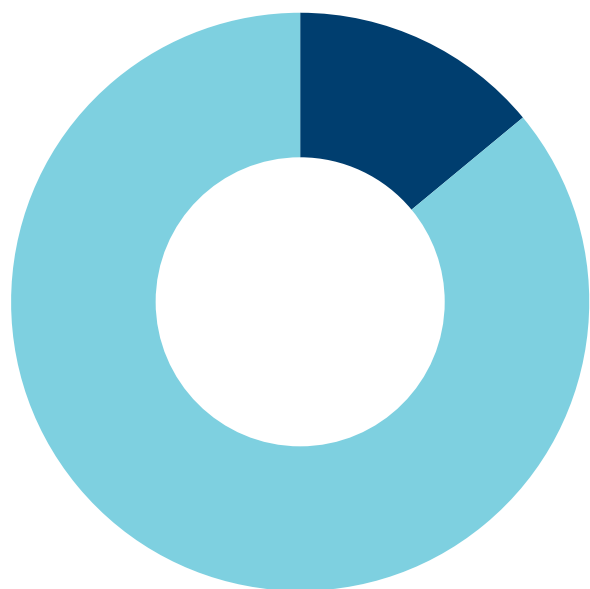


Medium term

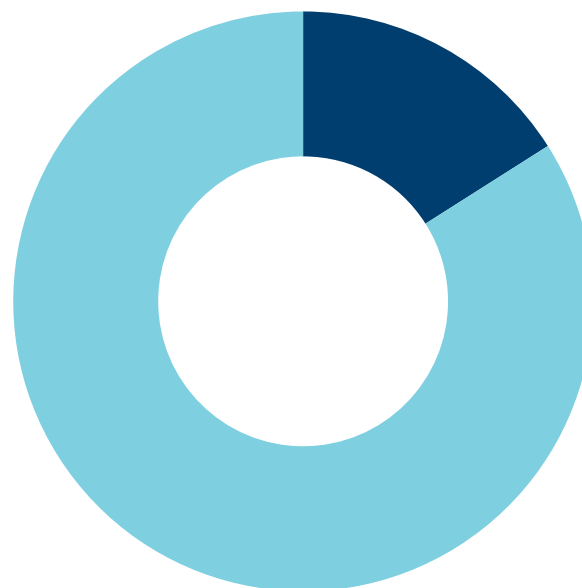
Rapid growth in SaaS revenues

Non-IFRS total software licensing, North America vs. Rest of World

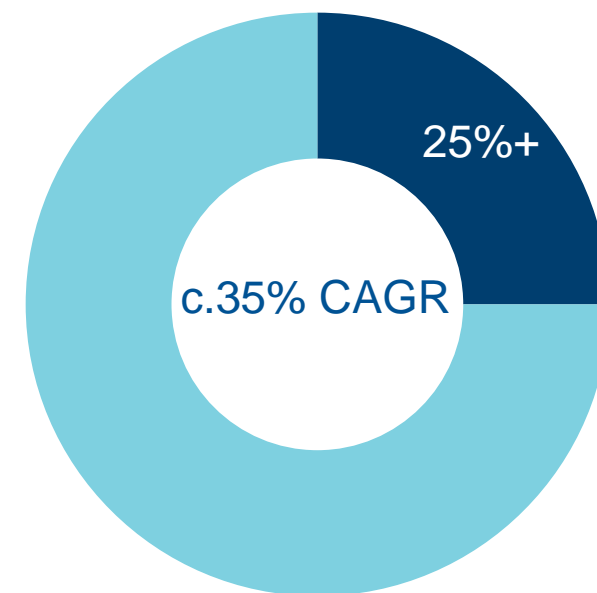
■ North America ■ Rest of World



2014

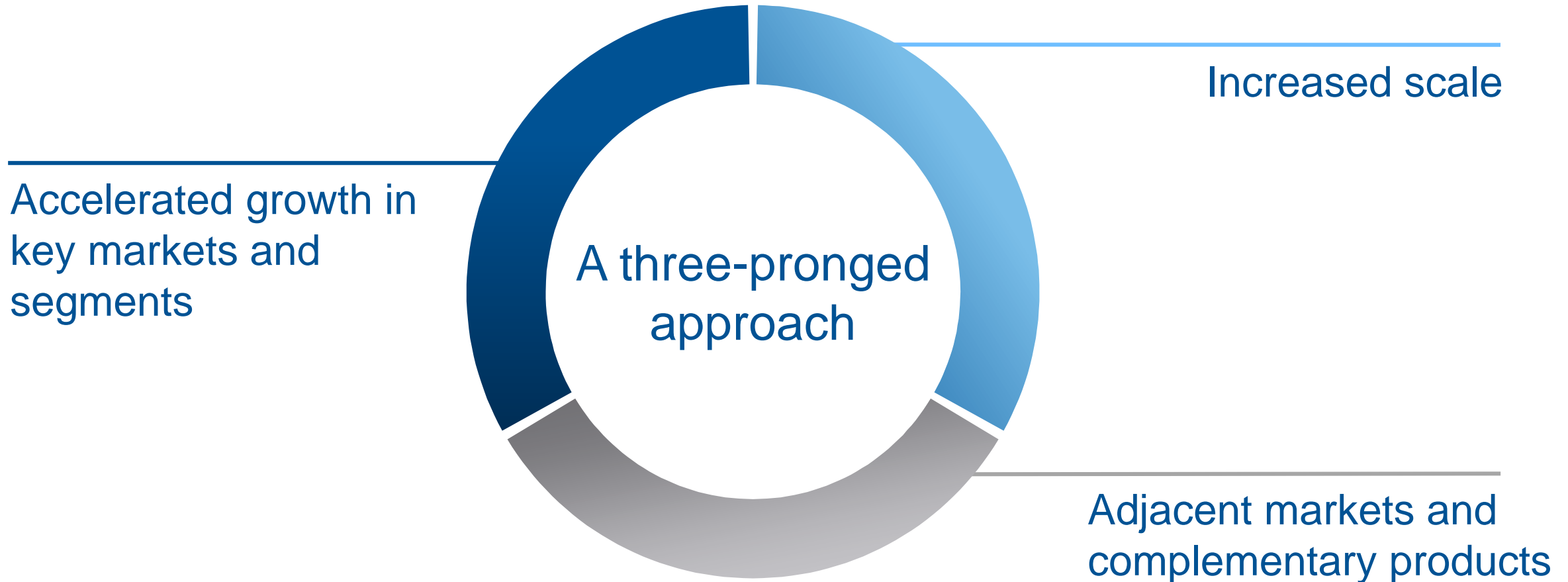


2017



Medium term

Building traction with large North American banks



Medium term targets

Metric (Non-IFRS)	Medium term targets
Total software licensing	At least 15% CAGR
Total revenue	10-15% CAGR
EBIT	100-150 bps p.a.
EPS	At least 15% CAGR
DSO reduction	5-10 days reduction p.a.
Cash conversion	100%+ of EBITDA
Tax rate	17-18%

Share price
CAGR of 42%
since 2003

Winner takes it
all - vendor of
choice for tier 1
and 2 banks.

Increasing
addressable
market and
taking market
share

We continue to
create significant
shareholder
value

We benefit
from multiple
structural
growth drivers



TEMENOS

The banking software company