Capital Markets Day

14 February 2018
<table>
<thead>
<tr>
<th>Time</th>
<th>Agenda Item</th>
<th>Speaker/Role</th>
</tr>
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<tbody>
<tr>
<td>10.00 – 10.45</td>
<td>Strategy and vision</td>
<td>David Arnott, CEO</td>
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<td>10.45 – 11.30</td>
<td>Building Enterprise Architecture around Temenos</td>
<td>Willem Hueting, Senior General Manager International Markets, KBC</td>
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<tr>
<td>11.30 – 11.45</td>
<td>Coffee</td>
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<td>11.45 – 12.30</td>
<td>Product leadership</td>
<td>Mark Winterburn, Group Product Director</td>
</tr>
<tr>
<td>12.30 – 13.00</td>
<td>Creating shareholder value</td>
<td>Max Chuard, CFO, COO</td>
</tr>
<tr>
<td>13.00 – 13.15</td>
<td>Q&amp;A</td>
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<tr>
<td>13.15 – 14.00</td>
<td>Lunch</td>
<td></td>
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</tbody>
</table>
Strategy and Vision

David Arnott, CEO
14 February 2018
Key messages

- 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
A look back at 2017

Total revenue: $737m
EBIT: $224m
Cash Conversion: 114%
R&D Spend: $150m+

#1 Digital Banking

Our 25th year was another landmark for Temenos

Source: IBS sales league table for digital banking & channel systems 2017
<table>
<thead>
<tr>
<th>Area</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| 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
Taking a new customer live every 3.5 days

Delivering unparalleled customer success
Structural drivers

BANKS

Demanding Customers
- Reliability & Trust
- Responsiveness
- Convenience – anytime anywhere
- Relevance – personalized offerings

Rise of New Competitors
- Start-ups
- Neobanks
- Technology giants
- Retailers, telcos

Regulatory Burden
- IFRS, SOX, Dodd Frank
- Basel II, III and IV
- Ring-fencing, KYC
- PSD2

Tough Market Conditions
- Debt crisis
- Market volatility
- Economic slowdown and low profitability
Open banking is inevitable

Payment Services Directive (PSD2)
Banks must digitize

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

Bank RoE – historical and projected

Source: BCG, McKinsey

1980-2007 average: 15.0%
Financial crisis: 5.9%
Digital disruption: 4.1%
2025e do nothing: 5.2%
Boost from digitization: 2.5%
Ecosystem Platform Banking: 6.3%
2025 Successful Ecosystem Strategy: 14.0%

Source: BCG, McKinsey
Offering the best customer experience with highest level of fulfilment
10 attributes of digital banking

- Customer centric
- Personalised
- Fast time to market
- Cost efficient, low operational risk
- Automated where possible, human where needed
- Anytime, anywhere, any device
- Open
- Cloud enabled
- Embedded analytics
- Product Factory

We are the only vendor to offer this complete digital platform
The vendor of choice of largest transformation projects

- Standard Chartered
- Nordea
- Commerce Bank
- Deloitte
- Openbank
- Cognizant
- Bank of Ireland
- Capgemini

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
The benefits of running Temenos software

Banks running Temenos software enjoy a higher return on equity

Banks running Temenos software free up more budget for innovation

The most profitable banks run Temenos

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

Source: Celent report 'IT Spending in Banking'
Looking forward
Our market opportunity continues to grow

Spend on banking software: total vs. third party

USD 48bn

Total Addressable Spend

Third-party spend today

USD 10.3bn *

Medium term third-party spend

USD 14bn *

CAGR
- Core banking: 6%
- Front Office: 8%
- Channels: 10%
- Payments: 10%
- Fund Admin: 9%
- Compliance: 9%

* Licenses and maintenance
Source: Gartner, IDC, Celent, Ovum, Oliver Wyman, Temenos estimates
A layered set of initiatives to deliver sustained growth

1. Enhance award winning Suites
2. Product development to open up new markets
3. Market development to capture faster growth
Enhance award winning Suites

- **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
Product development to open up new markets

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

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%)

Addressable market is third party spend that is theoretically addressable and includes licence and maintenance
Market development to capture faster growth

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
Continued investment in Sales and Marketing to capture the market
Scaling knowledge acquisition for rapidly growing ecosystem
Scaling services even faster with even better customer success
Leverage cloud for faster, more cost-effective implementation & deployment
We maintain our M&A discipline to overlay on top of organic growth.
Key messages

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
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

<table>
<thead>
<tr>
<th>Market cap</th>
<th>Net result</th>
<th>Total assets</th>
<th>Total equity</th>
<th>CET1 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 bn EUR</td>
<td>2,176 m EUR</td>
<td>297 bn EUR</td>
<td>18 bn EUR</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

### KBC Bank

- **Net result**: 1,850 m EUR
- **Total assets**: 261 bn EUR
- **Total equity**: 16 bn EUR
- **CET1 ratio**: 14.0%
- **C/I ratio**: 53%
- **Credit Cost Ratio**: -0.05%

### KBC Insurance

- **Net result**: 360 m EUR
- **Total assets**: 39 bn EUR
- **Total equity**: 3,1 bn EUR
- **Solvency II ratio**: 221%
- **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:

- **Ireland**
  - 0.3 million clients
  - 11b EUR in Loans
  - 5b EUR Deposits

- **Belgium**
  - 3.5 million clients
  - 93b EUR in Loans
  - 130b EUR Deposits

- **Czech Republic**
  - 1.9 million clients
  - 4b EUR in Loans
  - 7b EUR Deposits

- **Slovenia**
  - 0.6 million clients
  - 6b EUR in Loans
  - 6b EUR Deposits

- **Hungary**
  - 1.5 million clients
  - 3b EUR in Loans
  - 4b EUR Deposits

- **Bulgaria**
  - 0.3 million clients
  - 11b EUR in Loans
  - 5b EUR Deposits

*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

Changing client behaviour and expectations

Financial industry and regulation

Macroeconomic environment

Digitalisation is unavoidable

Technology as catalyst

Increasing competition
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

Simplicity

Co-creation

Invest wisely:
Min costs/max speed

Digitalize the front
and back end

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 ...

Cashflow 2017-2020 = 1.5bn EUR

Operating Expenses 2017-2020 = 1bn EUR

Regulatory driven developments (IFRS 9, CRS(*), MIFID, etc...)

Strategic Transformation 44%
Strategic Grow 36%
Organic growth or operational efficiencies

Omni-channel and core-banking system

Regulatory 20%

(*) 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)

**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, …)

---

**Why?**

T24 as the backbone of our digital strategy and catalyst to transform the business
Dedicated programs led by country managers. Local lead - business lead. Supported, overseen, and coordinated by the center of competence

- Project Arrow
  - Wim Verbraeken

- Center of Competence
  - Daniel Kollar

- BE@T
  - David Moucheron

- UBB
  - 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

Architectural alignment
- Temenos participation in Architecture Governance processes
- Ensuring proper usage of Temenos products

Solution and execution quality
- Formal reviews of project plans and solution designs
- Providing best practice experiences, over time, from other Tier 1 implementations
- Alignment to updated Agile Temenos Implementation Methodology

Temenos product solutions
- Temenos responses to regulatory and technology change
- Insight into Temenos product roadmaps

Making the project a success for all parties involved
We established a strong partnership with Temenos, based on clear roles & principles.
Building a sustainable future!

- Speed
- Omnichannel presence
- 24/7 Access
- Digital product offering
- Anticipation of needs
- Personalized approach
Product Leadership

Mark Winterburn, Group Product Director
Kanika Hope, Strategic Business Development Director
Prema Varadhan, Chief Architect, Product
14 February 2018
Introduction
The highest R&D in the industry

$1.58b Cumulative R&D investment 1990-2016**

Normalized cash R&D – adjusted for difference between capitalization and amortization and any one-off restructuring charges

Temenos average spend of sales on R&D

Our peers
Peer group average: SAP, Misys, Oracle Financial Services, TCS*, Infosys*

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.
Temenos approach to product development

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.
Unparalleled value proposition

Customer centric

Personalised

Fast time to market

Cost efficient, low operational risk

Automated where possible, human where needed

Anytime, anywhere, any device

Open

Cloud enabled

Embedded analytics

Product Factory

We are the only vendor to offer this complete digital platform
The benefits of running Temenos software

“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
Open Banking: Arising from the Disintermediation of the Banking Value Chain

Distribution

Sales & Marketing  Servicing  Product Management  Operations

Manufacturing

Where is the value in the chain?
What is the value?
What is the risk of creating that value?

Sales & Marketing  Servicing  Product Management  Operations

Where is the opportunity cost of obtaining the value?
Is someone else better placed to gain that value?

Core Business  Collaborate  Outsource  Insourse

Divergence of Manufacturing and Distribution
How do you view open banking?

- **2015**
  - It is more of an opportunity than a threat: 52%
  - We are happy to distribute 3rd party products through our platform: 29%
  - Building an open banking platform is a high priority for us: 30%

- **2016**
  - It is more of an opportunity than a threat: 69%
  - We are happy to distribute 3rd party products through our platform: 38%
  - Building an open banking platform is a high priority for us: 51%

- **2017**
  - It is more of an opportunity than a threat: 79%
  - We are happy to distribute 3rd party products through our platform: 62%
  - Building an open banking platform is a high priority for us: 59%
What are your top IT investment priorities?

<table>
<thead>
<tr>
<th>IT Investment priorities, 2017</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core banking system</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Channels-Mobile/Internet</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>Business Intelligence/Big data/Analytics</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Risk/Compliance/Financial Crime</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Customer Relationship/Engagement Solution</td>
<td>9%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Temenos Perspectives on Open Banking
The Banking Value Chain is Transforming

Unbundling of a Bank
Open Banking – APIs as the de-facto standard for collaboration

Financial services providers have been publishing open APIs for many years.
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.

"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
The Revised Payments Directive (PSD2) – A catalyst for Open Banking

- **Regulatory requirement for Open API** & Access to Account Data (XS2A)
- **Authentication** mandatory in all channels
- **Transparency** of charges, FX, dates, and execution time provided *a priori*
- **One leg** in and out and any currency (without FX)
- **Consumer protection, liability & complaints**

Driving innovation, competition and transparency

*Industry consensus though not part of guidelines*
Rise of new business models engendered by Open Banking

Traditional full-service bank

Distributor (B2C)

Platform (B2B)
Banks and new entrants alike adopt the new business models

Manufacturer

- Bank of Ireland (UK ONLY)
- ClearBank
- solarisBank
- wirecard bank

Platform (B2B)

- Mbanq
- Railsbank
- BASIS
- The Glue

Distribution

- N26
- fidor

Distributor (B2C)

- monese
- Coconut
- pariti
- bud

Product Creation

- Openbank
- Santander
- Atom
- Starling Bank

- HSBC
- RBS
- Lloyds Bank

Third party

- Aldermore
- FRACTAL LABS
- Niche players

Own

- Barclays
- Santander

Third party

- Monzo
- Atom
Platforms – the new battleground

- Distribution
  - Own
  - Third party
- Product Creation
  - Own
  - Third party
- Manufacturer
- Platform (B2B)
- Traditional bank
- Distributor (B2C)
- Niche players
- Manufacturer
- Traditional bank
- Distributor (B2C)

Examples:
- Bank of Ireland (UK ONLY)
- ClearBank
- solarisBank
- wirecard bank
- monese
- aldermore
- pariti
- Tink
- BARCLAYS
- Openbank
- Santander
- LLOYDS BANK
- HSBC
- RBS
- ERSTE
- YOLT
- STARLING BANK
- George
- bud
- numbrs
- Google
- Amazon
- Alibaba.com
- Apple
- Facebook
- Rakuten
- ACQUARIE
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

Will the digital eco-systems of tomorrow spell the end of banks as we know them?
Competitive advantage of banks against new entrants

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

30% Would trust a third party as much as a bank
70% Would not trust a third party as much as a bank

Source: Accenture PSD2 UKI Banking Customer Survey

The 3 C’s

Source: EIU Report on Retail Banking 2017

Trust
Compliance
Customers
Capital
Platform Plays for Banks – A virtuous circle yielding tangible benefits

Network effect

Return on equity – average bank*

3-6%

11-14%

8%

Post digital disruption & digital automation

Upside from successful eco-system strategy

Technical Implications of Open Banking and PSD2

- Open APIs
- Scalability
- Security
- Real-time data and analytics
Temenos has an API-based architecture that enables Open Banking.
The Temenos Stack with Architecture Frameworks is fully API enabled.

Front Office
- Marketing
- Sales
- Services

Back Office
- Core Banking
- Payments

Channels
- User Experience API’s
- External API’s

Interaction Framework
- Mobile
- Internet
- Call Centre
- Branch
- Agent
- API
- ATM

Integration Framework
- Integration API’s

Design Framework
- Analytics
- Customisation API’s

Data Framework
- Platform Framework

Interaction Framework and Compliance
- Risk and Compliance

Integration Framework
- Integration API’s

Data Framework
- Platform Framework

Design Framework
- Analytics
- Customisation API’s

Interaction Framework
- Mobile
- Internet
- Call Centre
- Branch
- Agent
- API
- ATM

Design Framework
- Analytics
- Customisation API’s
Temenos Marketplace – Extending Temenos Stack to support Open Banking

**Payments and Mobile Money**
- bibitel
- KERV

**Digital Engagement**
- aurionpro
- finn.ai
- avenir

**Security & Fraud**
- NetGuardians
- callsign
- EZCOM
- FacePhi
- BehavioSec
- inphero

**Compliance and Risk**
- EDGE Lab
- Neuroprofiler
- ROUTE
- ClearSight
- GIEOM

**User Experience**
- MOROKU
- efs technology

**API Layer**
- Digital Channels
- TPPs
- API Gateway

**API Layer**
- Front Office Aggregation

**API Layer**
- Core Banking

**Transaction Processing**
- EDGE LAB
- Thomson Reuters
- DocuVital
- bluzelle
- currency cloud

**Infrastructure and Ops**
- OPEN BANK PROJECT
- Valdata
- apigeed
- Automic

**(Democratised) Wealth Management**
- EDGELAB
- THOMSON REUTERS
- DOCUVITAL

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**Infrastructure and Ops**
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**(Democratised) Wealth Management**
- EDGELAB
- THOMSON REUTERS
- DOCUVITAL
Temenos Architecture supports all Business Models

An API-driven, flexible, scalable architecture is required for all 4 models.
1. Full Service Bank - Temenos Integrated Front-to-Back stack

Channels:
- Mobile
- Internet
- Call Centre
- Branch
- Agent
- RM
- Chat-Bot
- ATM
- API

Omni-Channel UXP

Front Office:
- Customer & Single View
- Digital Decision Engine
- Marketing
- Product Builder
- Operations
- Embedded Analytics
- Workflow
- Sales
- Service
- Marketing
- Portfolio Management

Back Office:
- Core Banking
- Funds & Securities
- Payments
- Workflow
- Operations
- Product Builder
- Marketing
- Portfolio Management
- Service
- Sales

Risk and Compliance

Analytics

Open Banking Marketplace
2. B2C Aggregator - Temenos Front Office Aggregation

Channels

- Omni-Channel UXP
- Mobile
- Internet
- Call Centre
- Branch
- Agent
- RM
- Chat-Bot
- ATM
- API

Front Office

- Customer & Single View
- Digital Decision Engine
- Marketing
- Product Builder
- Operations
- Order Management & Service Request
- Real Time Marketing Origination

Integration Framework

Risk and Compliance

Temenos Core Banking

- Embedded Analytics
- Workflow

Open Banking Marketplace

Analytics

Third-party Manufacturers

Third-party Manufacturers

Third-party Manufacturers

Third-party Manufacturers
3. Manufacturer - Temenos Core Banking

- Bank's own & Third Party Channels
  - Mobile
  - Internet
  - Call Centre
  - Branch
  - Agent
  - RM
  - Chat-Bot
  - ATM
  - API

- Omni-Channel
- API Designer and Interaction Framework

- Open Banking Marketplace
- Analytics
  - Marketing
  - Product Builder
  - Operations
  - Embedded Analytics
  - Workflow

- Core Banking
  - Funds & Securities
  - Payments Execution
- Risk and Compliance
- Back Office
4. B2B Platform

Neo-banks + Fin-techs without a license + Telcos/Retailers + Banks

“Banking-as-a-Service” Platform (or a B2B Digital Marketplace)

Manufacturing

Banks (own products) + Neo-banks, fin-techs with banking products + 3rd party banks

Distribution

Platform Capability

- Customer & Single View
- Digital Decision Engine
- Marketing (Product Builder, Operations)
- Embedded Analytics
- Workflow
- Product Builder
- Customer Arrangements
- Real Time Marketing
- Order Management
- Product Bundling
- Advanced Analytics
- Payments Execution

API Designer and Interaction Framework

Integration Framework

Design Framework

Open Banking Marketplace

Data Framework
Artificial Intelligence at Temenos
Artificial Intelligence in Banking

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)
Temenos AI capability across the stack – current and roadmap

Front office
- RoboAdvisors
- Real-time contextual advice
- Automated Rebalancing
- Fully automated Portfolio Management
- Investment Intelligence (Marketplace)
- Chatbots (Marketplace)
- Voice-based Conversational Banking (Marketplace)

Risk and Compliance
- Customer Fraud Detection
- Internal Fraud Detection

Payments
- Payments Exception Handling (pattern recognition and automated correction)

Digital Engagement
- Customer Lifecycle Analytics (Prospect/Customer/Loyalty/Advocacy/Retention)
- Automated Product Switching

Temenos Analytics AI Banking Models
- Customer Profiling - Microsegmentation
- Transaction Classification
- Customer Attrition
- Outlier Classification
- Lifetime Value
- Next Best Product
- Customer Savings Patterns

Interaction Framework
- Mobile
- Internet
- Call Centre
- Branch
- Agent
- ATM
- API

UXP Platform

Integration Framework

Data Framework

Analytics
- Open Banking Marketplace
- Outlier Classification
- Lifetime Value
- Next Best Product
- Customer Savings Patterns

Roadmap
<table>
<thead>
<tr>
<th>AI algorithms</th>
<th>Temenos AI Banking Models</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Machine Learning</strong></td>
<td><strong>Proactive</strong></td>
</tr>
<tr>
<td>Supervised – Linear regression model</td>
<td>Funds Flow</td>
</tr>
<tr>
<td>Supervised – Logistical regression model</td>
<td>Customer attrition; Customer outlier analysis</td>
</tr>
<tr>
<td>Unsupervised – Clustering and association</td>
<td>Customer micro-segmentation</td>
</tr>
<tr>
<td><strong>Robotic Process Automation</strong></td>
<td>Payments exception handling</td>
</tr>
<tr>
<td><strong>Natural Language processing</strong></td>
<td>Chatbots</td>
</tr>
<tr>
<td><strong>Voice recognition</strong></td>
<td>Conversational Banking (with voice assistants)</td>
</tr>
</tbody>
</table>
Creating shareholder value

Max Chuard, CFO, COO
14 February 2018
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

Share price CAGR of 42% since 2003
Consistent double digit license revenue growth

Non-IFRS total software license revenue

Medium term target of at least 15% CAGR
Substantial recurring revenue growth

Non-IFRS SaaS and subscription and maintenance revenue

Recurring revenue growth driving predictability
Business model drives consistent margin expansion

Non-IFRS EBIT margin

2014: 27.3%
2015: 28.1%
2016: 29.4%
2017: 30.3%

Medium term target of 100-150bps EBIT margin expansion p.a.
Outstanding consistent double-digit earnings growth

Non-IFRS EBIT

Non-IFRS EPS

Medium term target of at least 15% EPS CAGR
Exceptional consistent cash flow generation

Operating Cash Flow

DSOs

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

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

Capital allocation 2014 – 2017

- 42% Acquisitions
- 15% Dividends
- 43% Share buyback
## Balance sheet strength

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total available financing</td>
<td>USD 350m</td>
<td>USD 925m</td>
</tr>
<tr>
<td>Weighted average interest rate</td>
<td>5.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Weighted average maturity</td>
<td>4 years</td>
<td>4.5 years</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>0.6x</td>
<td>1.0x</td>
</tr>
</tbody>
</table>

Low-cost debt structure with significant flexibility
## Shareholder value creation

**Total shareholder return (USD, 31/12/17)**

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>3 years</th>
<th>10 years</th>
<th>Since IPO on 25/6/01 at CHF 23 per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temenos</td>
<td>85%</td>
<td>267%</td>
<td>444%</td>
<td>936%</td>
</tr>
<tr>
<td>Swiss Market Index</td>
<td>23%</td>
<td>17%</td>
<td>42%</td>
<td>262%</td>
</tr>
<tr>
<td>Stoxx Euro 600</td>
<td>27%</td>
<td>25%</td>
<td>(1)%</td>
<td>188%</td>
</tr>
<tr>
<td>Nasdaq</td>
<td>30%</td>
<td>51%</td>
<td>126%</td>
<td>300%</td>
</tr>
<tr>
<td>Peer group average</td>
<td>30%</td>
<td>65%</td>
<td>157%</td>
<td>380%</td>
</tr>
</tbody>
</table>

Outstanding shareholder value creation
Drivers of growth
Addressable market (USD billions)

- **2007:** Core banking
- **2013:** Core banking, Front Office, Channels, Payments, Fund Admin, Compliance, Origination
- **2017:** Added $1.8bn payments market
- **Medium term:** Expanded offering in $700m compliance market

*Includes licence and maintenance spend*

Gartner, IDC, Celent, Ovum, Oliver Whyman, Temenos estimates
Winner takes all – a virtuous circle

The Americas

#103 banks
18% penetration

EMEA

#205 banks
43% penetration

APAC

#174 banks
22% penetration

Massive opportunity to expand into new tier 1 and 2 banks

Source: FT Banker Database; Temenos
Increasing share of wallet in tier 1 and 2 banks

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

- Total IT spend
- Temenos has only captured 4% of spend on average

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

- 30% CAGR in annual spend

Growing our share of wallet in tier 1 and 2 banks

* Based on Temenos estimates of average addressable transformational software spend by tier 1/2 banks
Consistently increasing tier 1 and 2 client mix

Non-IFRS total software licensing revenues by client tier

Vendor of choice for tier 1 and 2 banks
Maximising the installed base

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

Breakdown of the installed base

Relicensing, progressive renovation and cross-selling increase license predictability
SaaS revenues are growing rapidly

Non-IFRS Software licensing vs. SaaS revenues

Rapid growth in SaaS revenues
We are delivering on our North American strategy

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

Building traction with large North American banks
A three-pronged approach to M&A

Accelerated growth in key markets and segments

Increased scale

Adjacent markets and complementary products
Medium term targets
<table>
<thead>
<tr>
<th>Metric (Non-IFRS)</th>
<th>Medium term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total software licensing</td>
<td>At least 15% CAGR</td>
</tr>
<tr>
<td>Total revenue</td>
<td>10-15% CAGR</td>
</tr>
<tr>
<td>EBIT</td>
<td>100-150 bps p.a.</td>
</tr>
<tr>
<td>EPS</td>
<td>At least 15% CAGR</td>
</tr>
<tr>
<td>DSO reduction</td>
<td>5-10 days reduction p.a.</td>
</tr>
<tr>
<td>Cash conversion</td>
<td>100%+ of EBITDA</td>
</tr>
<tr>
<td>Tax rate</td>
<td>17-18%</td>
</tr>
</tbody>
</table>
Share price CAGR of 42% since 2003

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

We continue to create significant shareholder value

We benefit from multiple structural growth drivers

Increasing addressable market and taking market share