Customer success in the digital age
Analyst & Investor Event
11 February 2015
Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors.

In particular, the forward-looking financial information provided by the company in this meeting represent the company’s estimates as of 11 February 2015. We anticipate that subsequent events and developments will cause the company’s estimates to change.

However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company’s estimates of its future financial performance as of any date subsequent to 11 February 2015.
## Today’s agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.00 to 10.45</td>
<td>Strategy and vision</td>
<td>David Arnott, CEO</td>
</tr>
<tr>
<td>10.45 to 11.15</td>
<td>A new era in banking</td>
<td>Juan Pedro Moreno, Accenture Global Senior Managing Director - Banking Industry</td>
</tr>
<tr>
<td>11.15 to 11.30</td>
<td>Coffee</td>
<td></td>
</tr>
<tr>
<td>11.30 to 12.00</td>
<td>Experience driven banking</td>
<td>Dharmesh Mistry, Product Director UXP</td>
</tr>
<tr>
<td>12.00 to 12.30</td>
<td>Driving growth in North America</td>
<td>David Arnott&lt;br&gt;Jay Mossman, Founder &amp; CEO, Akcelerant</td>
</tr>
<tr>
<td>12.30 to 12.50</td>
<td>Financials</td>
<td>Max Chuard, CFO</td>
</tr>
<tr>
<td>12.50 to 13.15</td>
<td>Q&amp;A</td>
<td>With the above speakers, and Mark Gunning (Director of Business Solutions) and Mike Davis (Client Director)</td>
</tr>
<tr>
<td>13.15 to 14.00</td>
<td>Lunch</td>
<td></td>
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Key takeaways

• The structural drivers for technology renewal are stronger than ever

• We are extremely well placed with the best products and record of customer success

• We are executing against a very clear strategy

• We are focussing on key strategic initiatives

• We expect strong software licensing growth with an increasing recurring revenue base

• Revenue growth and good cost control will drive earnings growth and cash generation
Structural drivers
The structural drivers for technology renewal are stronger than ever.

“Banks that are not prepared for new competitors like Amazon or Google face certain death.”

“Banks urgently need to digitize their businesses, and should invest in areas that meet the best payoff [...] like automation of back-office processes and in sales-side analytics.”

“A bank cannot be digital with a core system built for the last century.”

Banks are facing pressure to change legacy systems.
Digitize or die

Pressures coming from all sides

Changing competition
Changing technology
Changing regulation
Changing customer
Market drivers accelerating

North America
- Banks well capitalised, and underinvested in technology
- Digitalisation changes competitive landscape

Europe
- IT renovation as only solution to higher ROE and digitalisation increasingly gaining acceptance
- Northern Europe recovering fastest, south showing no signs of recovery.

Latin America
- Demographic, ageing cores, digitalisation key drivers across region.
- Mexico/Brazil key focus

MEA
- Banks well capitalised and looking for native Islamic offerings

APAC
- Growth economies (China, SE Asia) need cores to manage growth, emerging wealth opportunity, digitalisation
- Singapore, HK, Australia, Japan similar to Europe, with strong wealth demand

Growing traction across the world
Temenos well positioned to capture opportunity

North America
- Trinovus and live clients brings credibility, incumbents not strong
- Akcelerant expands our footprint

Latin America
- Key references in all countries except Brazil (2015 initiative)
- Winning all key deals in the region

MEA
- Market leader in Islamic, 40% market share
- Best reference clients in the market, strong local presence

Europe
- Technology and progressive renovation winning solution for all tiers and segments
- Best references/partner ecosystem

APAC
- Leading player in growth economies, packaged offerings a differentiator
- Best wealth references in the region

A differentiated proposition in every market
Temenos credentials
Temenos is extremely well placed

- State of the art architecture
- Best partner ecosystem
- Best track record of customer success
- Progressive renovation

The building blocks are all in place
The best capabilities for experience-driven banking

- Predictive Analytics
- User Experience Platform
- Real-time
- Single view of customer & data

Bringing together data and context
The best capabilities for experience-driven banking (2)

Channels

- 30 signings in 2014
- 147% revenue increase vs 2013
- 40 on-going implementations

Analytics

- 30 signings in 2014
- 24% revenue increase vs 2013
- 130+ Insight customers

Momentum in Channels and Analytics

Nordea  
Ahli  
Metro Bank  
OTB  
ABN-AMRO  
MCB  
ICBC  
Banesco  
Temenos
Highly rated by industry analysts

**Forrester®**
- “Leader” in Forrester Wave
- Sole vendor to top both pyramids for new and existing business

**Gartner®**
- “Leader” in Magic Quadrant
- 6th consecutive year

**Banking Technology Awards 2014**
“Most innovative use of technology”

**OVUM**
“Market Leader”

3rd party validation of leadership

- T24 ranked no. 1 for past two years
- Twice number of deals of nearest competitor
Track record of customer success

135
Number of go-lives in 2014

50%
Increase in number of implementations where partners were involved

42%
Higher return on equity – Temenos customers

Unrivalled levels of customer success
Case Study 1 – Why we win

Major bank in LatAm, win against international competitor

Key differentiators

- Value-based sales approach – detailed bottom up business case
- Country model bank approach reducing risk and implementation times
- Functional breadth – minimal gaps
- Progressive renovation
- Broad suite of products to meet pain points – T24, AML, TPS, Insight

Best value proposition with fastest time and lowest risk to value
Case study 2 – extending footprint with existing customers

1999
Core Banking, Bahamas & Singapore

2003
Core Banking, Channel Islands, Spain

2012
Front- and back-office renovation across full Asian business

2015
Front- office renovation across globe

More sites, more solutions as business case delivered

Tier 1
Global
Private Bank
Installed base opportunity

Customer numbers by product

- Insight: 131
- T24: 653
- Triple’A Plus, WM: 112
- TPS: 3
- Connect: 56
- US: c.1800
- ROW: c.800

*excludes customers from Viveo acquisition

Remains big opportunity to address existing customer needs
2015 and beyond
Key planks of strategy

1. Extending lead in core banking
2. Extending lead in private wealth
3. Penetrating the US market
4. Opening up new market with digital engagement platform
5. SaaS – taking 1st mover advantage
6. Industrialising sales & partner alignment

Strong licensing growth with an increasingly recurring revenue base
Extending our lead in core banking

- Continued industry leading R&D spend
- Further investment in state of the art technology
- Packaged, upgradable model banks will shorten deployments even further
- Strategic alliances (eg Accenture) target C-level in key accounts
- Continued investment in geographical sales coverage and sales specialisation

A disruptive product roadmap of packaged, componentized software
Extending lead in lead in private wealth

Tier 1 references
Multiple deployment options
Strategic partners
Convergence

200+ private wealth customers

Developing unrivalled product and go-to-market capabilities
Penetrating the US market

$20 billion
Largest core banking market in the world

2013
Acquisition of Trinovus

2014
First US Model Bank client live

2014
Additional T24 signings

2015
Acquisition of Akcelerant

2015
US market big-launch

US financial institutions can prosper only by replacing legacy software with modern, real-time core systems, to improve customer service, rapidly launch new products and significantly reduce operating expenses.

A credible platform and strategy for world’s largest market
Taking the lead on SaaS

New SaaS implementations underway: 5

Go-to-market launches in Q1: 6

4 new SaaS deals signed in 2014

2 SaaS go-lives in 2014

Temenos has taken its software, run it in the cloud and got banks in Africa to run with literally no IT staff

Satya Nadella, Microsoft CEO

Taking first mover advantage; increased investment as the market develops
Key planks of strategy

1. Extending lead in core banking
2. Extending lead in private wealth
3. Penetrating the US market
4. Opening up new market with digital engagement platform
5. SaaS – taking 1st mover advantage
6. Industrialising sales & partner alignment

Strong licensing growth with an increasingly recurring revenue base
A new era in Banking
February, 2015

High performance. Delivered.
Global financial crisis marks a turning point for the banking industry and financial system

Complex Drivers
- Deregulation
- The Great Moderation
- Global Imbalances
- Search for Yield
- Under-appreciated Risks
- Complex Interdependencies
- Mismatched Incentives
- Implicit Guarantees

Crisis Outcomes
- Loss of Trust
- Reconsider Role of Banks
- Re-regulation
- Level Playing Field
- Deleverage
- De-risk Business Models
- Digitalisation
- New Growth Agenda
“FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide
“FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide

The challenge: lower average ROE industry

Developed Market Banks ROE Projection Analysis – Business Model

ROE Evolution, Developed Market Bank – Business Model Change Analysis
Base Case for 15% ROE

- ROE FY13
- Regulatory & Capital Increase
- Run Rate Changes
- Asset Quality Normalization
- Strategic Cost Reduction
- Capital & Risk Management
- Customer Engagement & New Profit Pools
- ROE Target

- Non-Digital Change Drivers
- Digital Enabled Change
- Digital Change Levers
“FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide

The challenge: lower average ROE industry

The opportunity:
- Next level of efficiency
- Excellence in Capital & Risk Management
- Winning the customer battle
- Increasing revenue from adjacent businesses
"FS Challenges & Opportunities: Executing Strategic Transformation" in 1 slide

The challenge: lower average ROE industry

The opportunity:
- Next level of efficiency
- Excellence in Capital & Risk Management
- Winning the customer battle
- Increasing revenue from adjacent businesses

The Transformation journey: a mix of "legacy" concepts and Digital Technology.
The trends that are shaping the new era go far beyond the outcomes of the crisis.

**Macro Trends**
- Ageing & Millennials
- Global middle class
- Emerging Markets
- Mobile technology

**Regulation**
- New capital requirements
- Separation of activities
- Risk management requirements
- Consumer protections
- New taxes

**Competition**
- Excess Capacity
- Disintermediation
- New technology
- Talent war

**Legitimacy**
- Lack of trust
- Criticism about incentive & compensation
- Lower customer loyalty

**Need for a New Business Model in Banking**

Source: AfI, Analistas Financieros Internacionales, S.A.
A set of mega macro trends are reshaping the world banks operate in

The demographic agenda
From ageing to the millennial generation, demographics shapes who banking customers are and what they need.

Growth of the emerging market economies
Economic growth and the related growth in banking markets are rapidly changing where banks need to be.

The rise of the global middle class
Earnings and wealth will be much more distributed in the multi-polar world.

The technology revolution
The consumerisation of technology means we are rapidly approaching digital saturation.
Demographics shapes who banking customers are and what they need

World Population Forecast and Age Composition (bn)

% of world population aged >65

<table>
<thead>
<tr>
<th>Year</th>
<th>65+</th>
<th>29-64</th>
<th>50-64</th>
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<tr>
<td>1990</td>
<td>6.1%</td>
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<tr>
<td>2010</td>
<td>7.7%</td>
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<td>2030</td>
<td>11.6%</td>
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<tr>
<td>2050</td>
<td>15.6%</td>
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Shifting engines of growth are changing where banks need to be

Global GDP Forecast to 2019
GDP current prices ($tn)

<table>
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<tr>
<th></th>
<th>2010</th>
<th>2013</th>
<th>2019F</th>
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<tr>
<td>GDP</td>
<td>64.0</td>
<td>74.0</td>
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<td>CAGR</td>
<td>+4.9%</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2013</th>
<th>2019F</th>
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<tr>
<td>Asia-Pacific</td>
<td>18.7</td>
<td>22.9</td>
<td>33.6</td>
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<td>Middle East</td>
<td>19.2</td>
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<td></td>
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<tr>
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<tr>
<td>Asia-Pacific</td>
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<tr>
<td>CAGR damaging</td>
<td>+6.6%</td>
<td>+7.2%</td>
<td>+7.9%</td>
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</table>

HNWI Wealth Forecast to 2016 by Region
HNWI Investible Wealth ($tn)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2016F</th>
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<tr>
<td>GDP</td>
<td>52.6</td>
<td>64.3</td>
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<tr>
<td>CAGR</td>
<td>+6.9%</td>
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<tr>
<th>Region</th>
<th>2013</th>
<th>2016F</th>
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<tr>
<td>CAGR damaging</td>
<td>+9.8%</td>
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Earnings and wealth will be much more distributed in the multi-polar world

Source: Homi Kharas, The Emerging Middle Class in Developing Countries, OECD, 2010

Middle Class Population (m)

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2030</th>
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<tbody>
<tr>
<td>MENA</td>
<td>1,845</td>
<td>3,228</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>525</td>
<td>664</td>
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<tr>
<td>Asia Pacific</td>
<td>181</td>
<td>313</td>
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<tr>
<td>Central &amp; South America</td>
<td>664</td>
<td>680</td>
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<tr>
<td>North America</td>
<td>338</td>
<td>322</td>
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</table>

Middle Class Consumption ($tn)

<table>
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<tr>
<th>Region</th>
<th>2010</th>
<th>2030</th>
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</thead>
<tbody>
<tr>
<td>MENA</td>
<td>0.30</td>
<td>0.30</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>0.82</td>
<td>2.0</td>
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<tr>
<td>Asia Pacific</td>
<td>1.5</td>
<td>11.3</td>
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<tr>
<td>Central &amp; South America</td>
<td>4.9</td>
<td>8.1</td>
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<tr>
<td>Europe</td>
<td>0.8</td>
<td>5.6</td>
</tr>
<tr>
<td>North America</td>
<td>0.30</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source: Homi Kharas, The Emerging Middle Class in Developing Countries, OECD, 2010
Regulation: new rules for the game

A complete overhaul

• One of the most important outcomes of the financial crisis is a complete overhaul of banking regulation, but the question remains: “Is the system safer?”

- New capital requirements
- New risk management approaches
- Separation of activities
- New incentive controls
- Greater consumer protection
- New taxes on banking and financial activities
Regulated Outcomes: Navigating the new regulatory landscape

The regulatory change agenda requires a reappraisal of the bank’s role and strategic direction

**Economic Returns**
Adjust expectations to lower ROE but lower cost of capital & volatility

**Capital Allocation**
- Greater focus on economic return of capital allocation
- Exit low return business

**Consumer Protection**
Opportunity to differentiate through organization culture and conduct re-focused on customer

**Structural Reform**
Adapt organization structure and business model to “separation of activities”

**New regulatory paradigm will create opportunities to differentiate and rebuild reputations**
Competition in banking: a new role after the crisis

Changes in regulation, market structure and business models are changing the nature of competition across banking markets.

Internal Pressures
- Valuation & Returns
- Balance Sheet & Capital
- Capturing Growth
- Talent

External Pressures
- Financial Innovation
- Technology & New Entrants
- Customer Loyalty
Bank market composition – structural differences continue to dominate competitive agenda

The depth and market orientation of financial systems are among the key forces that define the banking system...

Structural differences in market depth and composition

![Chart showing Bank Assets Compared to Equity and Debt Markets](image)

FS Domestic Credit to GDP, 2013 (%)

- 202%
- 123%
- 67%
- 39%

Lending-Deposit Spread, 2013 (%)

- High Income: 10.7%
- Upper middle Income: 7.5%
- Lower middle income: 5.9%
- Low income: 3.8%

... financial development, financial access and deleveraging are changing these structures in addition to regulation

Legitimacy: What trust means for today’s customers?

Trust is the currency of banks and is, therefore, beyond a PR problem

The decline of legitimacy

Bank legitimacy has suffered on three fronts

- A decline in trust with all stakeholders
- Criticism of corporate governance and incentives
- Declining customer loyalty

Banks need to re-asses how they build legitimacy

- Trust goes beyond a PR problem Encompass corporate governance, stakeholder management and risk management
- Top management attention
- Short term technical and long term cultural change

Banking and FS are the least trusted industries

How much do you trust businesses in each of these industries to do what is right?

- Technology: 73%
- Automotive: 66%
- Telecommunications: 60%
- Consumer Goods: 60%
- Pharmaceuticals: 57%
- Energy: 57%
- Media: 50%
- Banks: 49%
- Financial Services: 46%

Source: Edelman Trustbarometer, 2013
Legitimacy: What trust means for today’s customers?

Trust is the currency of banks and is, therefore, beyond a PR problem.
Technology change

Will technology disrupt banking as it has done to other industries?

Two driving forces

Increasing flexibility for customers to switch
- Low levels of trust and satisfaction with the banking industry
- Little differentiation and engagement with young population
- Regulatory initiatives to facilitate switching
- New entrants to industry facilitated by technology

Increasing importance of ‘hard’ information
- Bank models, direct channels and automation privileging “hard” data over “soft” relationship data
- Increased availability and access to customer data

Percentage of Customers “likely” or “very likely” to bank with the following brands

Source: Accenture, The Digital Disruption in Banking, 2014
Recovering client satisfaction will require a digital transformation

Banks can now satisfy a broad range of customer life-cycle needs

**BANK AS VALUE AGGREGATOR**

Assembly components (financial and non-financial, own and third parties) to create an integrated solution for "real world" customer needs

**BANK AS ADVICE PROVIDER**

Provide specific buying suggestions, based on deep customer knowledge and purchasing algorithms

**BANK AS ACCESS FACILITATOR**

Support the customer in "everyday/everywhere" buying processes (shopping, access to daily services)

Source: Accenture, The Everyday Bank, 2013

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Transformation means responding to big questions

- How segmentation shall respond to the macro trends impacts: brand, products and services, relationship models?
- How to deal with talent and rewards needs in banking?
- What's the right size and shape of Bank portfolio of businesses and geographies for the new era?
- How to rebuild trust and confidence in the new competitive landscape?
- How to compete in the digital era integrating banks in the new ecosystems?
- How to compete in the digital era integrating banks in the new ecosystems?
Execution: mixing new technology enablers and business application

Technology enablers
- Big data
- Analytics tools & models
- As a service
- Customer Interaction
- Mobility

Business themes
- Capital management
- Risk management
- Efficient enterprise : CtI
- Digital Customer

Solutions Opportunity
British Banker Association reports:

2.3m over 70 use Internet Banking

20% of the population over 80 use internet banking

450,000 over 60’s use mobile for banking
One Lap Top Per Child

2006 Goal to produce laptop <$100
One Lap Top Per Child

2006 Goal to produce laptop <$100

Gates Foundation

“Our goal is to help the people in the world’s poorest regions improve their lives and build sustainable futures by connecting them with digitally-based financial services”
A top priority...

The top priority for CIOs is delivering customer-centric banking services, allowing them access to accounts at any time, in any place, and on any device," says Kieran Hines, practice leader, financial services technology, Ovum.

Global spend on channels in 2015

$22bn

Banks surveyed plan to increase spend on channels

89%
...with real-world examples

Over £1bn being spent on digital transformation
7% increase in online transactions versus a drop in all other channels

16% of branches closed in last 5 years
90% all transactions completed outside of branch

Early adopters of digital transformation are realising gains already
A storm is brewing with mobile development
A storm is brewing with mobile development

- Vertical: X 1
- Customer Segment: X 1
- Channel: X 1
- User: X 1
- Devices: X 3
- Platforms: X 8
- Apps: X MULTIPLE

Desktop: Windows, Mac OS
Mobile: Windows Phone, iOS, Android
Tablet: Windows, iOS, Android

Apps: Mobile Banking, Mobile PFM, Quick Pay
A storm is brewing with mobile development.

“Without a different approach, in 5 years 80% of our budget today will be spent on maintenance” ... CIO Bank in APAC
A single UX Platform across all verticals, channels and devices...

Devices
- Desktop
- Tablet
- Mobile
- Emerging

Channels
- Branch
- Digital
- Contact Centre

Model Bank
- Retail
- Corporate
- Private Wealth

T24/TAP Banking Applications
- Temenos Connect

User Experience Platform
- edgeConnect
A single UX Platform across all verticals, channels and devices...

<table>
<thead>
<tr>
<th>Devices</th>
<th>Channels</th>
<th>Model Bank</th>
<th>T24/TAP Banking Applications</th>
<th>User Experience Platform</th>
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<tr>
<td>DESKTOP</td>
<td>BRANCH</td>
<td>RETAIL</td>
<td>Temenos Connect</td>
<td>edgeConnect</td>
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<td>DIGITAL</td>
<td>CORPORATE</td>
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<td>MOBILE</td>
<td>CONTACT CENTRE</td>
<td>PRIVATE WEALTH</td>
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<tr>
<td>EMERGING</td>
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</table>

An industry first in core banking!
Componetised solutions

Faster time to market, lower maintenance cost
Componetised solutions

Vertical Solution

Models
- Retail
  - Internet
  - Mobile
- Corporate
  - Internet
  - Mobile
- Wealth
  - Internet
  - Mobile

Components
- Account Summary
  - Screen
  - Integration
- Transaction History
  - Screen
  - Integration
- Make Payment
  - Screen
  - Integration
- Upcoming Payments
  - Screen
  - Integration
- Standing Orders
  - Screen
  - Integration
- Direct Debits
  - Screen
  - Integration
- Cheques
  - Screen
  - Integration
- Alerts
  - Screen
  - Integration
- Loan Details
  - Screen
  - Integration
- Contact Details
  - Screen
  - Integration
- Secure Messages
  - Screens
  - Integration
- New Account
  - Screen
  - Integration
- New Deposit
  - Screen
  - Integration
- Payments
  - Screen
  - Integration
- Registration
  - Screen
  - Integration
- Manage Payees
  - Screen
  - Integration
- Bulk Payments
  - Screen
  - Integration
- Document & Conditions
  - Screen
  - Integration
- Letters of Credit
  - Screen
  - Integration
- Collections
  - Screen
  - Integration
- Login
  - Screen
  - Integration
- Sweep
  - Screen
  - Integration
- Portfolio
  - Screen
  - Integration
- Investments
  - Screen
  - Integration
- Trade Orders
  - Screen
  - Integration
- Chart Analysis
  - Screen
  - Integration
- Valuations
  - Screen
  - Integration

edgeConnect User Experience Platform
- Performance
- Scalability
- Security
- Multi-Platform
- Open

Faster time to market, lower maintenance cost
Independently validated

“Real world case studies reflect these savings”.... Ovum
Independently validated

“Real world case studies reflect these savings”.... Ovum
Independently validated

Temenos edgeConnect

Reducing development and maintenance costs of web and mobile applications

edgeConnect can yield 60% development cost savings in first project rising to 95% on subsequent projects.

Speed to market can be accelerated by up to 4x than traditional development approaches.

“Real world case studies reflect these savings”.... Ovum
Independently validated

edgeConnect can yield 60% development cost savings in first project rising to 95% on subsequent projects.

Speed to market can be accelerated by up to 4x than traditional development approaches.

The more edgeConnect is used, the greater the savings.

"Real world case studies reflect these savings"…. Ovum
Temenos Connect Mobile: A SmartHybrid solution

- Configurable
- High fidelity / pixel perfect layout
- Dynamic
- Screens & content
- Native
- Shells & skins for iOS, Android & Windows
- High Performance
- Intelligent caching mechanism
- Device access
- Access phone functionality: Camera, GPS, Phone Book...
- Ease of Distribution
- Dynamic updates, without loading new apps on store

The best of native and web apps in one solution
Experience driven banking...

- User Experience
- Convenience
- Omnipresence
- Customer Intimacy
- Contextual and Relevant

Experience Driven Banking

Banking for the segment of 1
Summary

• Invested
• Exploited
• Innovated
• Expanding
• Leading

Experience driven banking
Driving growth in North America
David Arnott, CEO, Temenos
Jay Mossman, Founder & CEO, Akcelerant
The North American opportunity

The market backdrop

- The largest financial services market in the world
- Dominated by a few large vendors with little choice
- Rationalisation will result in fall out
- Legacy technology – batch processing, not real-time, inflexible, difficult to launch new products

Temenos has a platform for significant growth

- Existing presence and expertise in US market and Canadian credit union market
- TriNovus provided scale and expertise in community banking
- US Model Bank now available
- Live reference customers for T24 and BI
- Strong pipeline for both on-premise and SaaS solutions

The foundations are in place for an acceleration of growth in North America
Acquisition rationale

✓ The US is a highly strategic market for Temenos
✓ Akcelerant is a market leading provider of collections software to US credit unions
✓ Client base of c.600 financial institutions including 18 of the top 25 US credit unions
✓ Leverages existing Canadian credit union experience and Temenos’ US model bank providing a quick route to market
✓ Revenue synergies from selling the T24 credit union model bank together with full Temenos product suite
✓ Adds scale and accelerates our route to achieving critical mass in North America
✓ Impressive management team with deep experience of the US credit union market

A strategic fit for Temenos
Overview of Akcelerant

- A privately owned US provider of debt collection, loan/account origination, servicing, and profitability analysis software

- Founded in 2000 and headquartered Malvern, PA (outside of Philadelphia) with c.130 employees.

- Almost 600 financial institution customers with c.400 credit unions and c.130 banks
  - 60% penetration into credit unions over USD1 billion in assets
  - 18 of the top 25

- Strong financials
  - expected revenues of c.USD 15m in 2015
  - 75% recurring, subscription model
  - expected reach group margins by the end of 2017
What Akcelerant brings to Temenos

A leader in Credit Union software

- Established brand in US CU market
- Opportunity to introduce Temenos at the “C” level in CUs and sell Temenos products
- Experienced and impressive management team

Complementary product portfolio

- Strong Collections product
- Already have interfaces / reports required for Collections and Consumer Lending
- Building product to enter the significant Origination market

Strong organic growth

- Strong organic and inorganic growth since incorporation
- Significant revenue CAGR forecast between 2014 and 2017 driven by new targets and cross-selling

High level of recurring revenues

- 75% of recurring revenues
- Minimal historic attrition

Opportunities for synergies

- Opportunity for revenue synergies through cross selling T24 and other products to existing customers
- Some cost synergies in G&A

Ticking all of the boxes
Akcelerant’s value proposition

Technology to improve relationships across an account’s life cycle
Product overview

akcelerant FRAMEWORK

akcelerant elements

akcelerant PROFITWISE

akcelerant Spotlight
Akcelerant’s products: Framework

c.500 customers

Market focus on credit unions with USD 250million in assets or greater

Direct sales staff plus alliances

Solution focused
• collections
• recovery
• consumer loan origination
• new account origination
• Service (ticketing)
• marketing - future
Akcelerant’s products: Elements

- c.100 customers

Market focus on
- credit unions with less than USD 250 million in assets
- community and regional banks
- collections / recovery only

Sales through partnerships
- SWBC – White label called AutoPilot
- Allied – referral
Akcelerant’s products: Profitwise

c.20 customers

Market focus on
• credit unions with USD 250million in assets or greater
• community and regional banks

Direct sales staff plus alliances

Solution focused
• costing
• profitability
• consulting
Akcelerant’s products: Spotlight

Will be the data warehouse and analytics for all of Akcelerant’s products

Benchmarking based on Akcelerant’s product data
Akcelerant’s customer base

Presence across the US
Akcelerant’s growth strategy

- Akcelerant has an large installed client base for its collections product, particularly amongst the larger credit unions (18 of the top 25)

- Its key growth drivers are:
  - expand collections to medium sized Credit Unions and Banks
  - develop new products to sell into the installed base and other Credit Unions

- The new products are also considered a natural hedge
  - in economic downturns, delinquency increases and financial firms invest in collection solutions
  - in times of growth they want to acquire customers and invest in lending and account origination products

Clear growth plans
Go-to-market strategy

- Increase client awareness around differentiators (real-time core, rich channels, state of the art product set)

- Launch branding campaign in the US following 2 acquisitions, live references and establishment of a strong management team

- Target installed base of US competitors in community banking and credit union markets using live T24 US references

- Cross-sell our other products into the installed bases of Trinovus and Akcelerant

- Offer both SaaS and on-premise deployment solutions to maximise addressable market

- Leverage strong partnerships in SIs and complementary solutions providers to increase sales bandwidth and campaign coverage

- Increase sales for Trinovus’ and Akcelerant’s existing products to increase cross-sale opportunity
Summary

- The US is a highly strategic market for Temenos
- Leverages existing Canadian credit union experience and Temenos’ US model bank
- Revenue synergies coming from building and selling the T24 credit union model bank together with full Temenos product suite
- Adds scale and accelerates our route to achieving critical mass in North America
- Impressive management team
- Adds additional annual recurring revenue

A natural fit for Temenos
A recap of FY 2014 financial highlights

- LFL total software licensing growth of 3%
- LFL maintenance growth of 6%
- 9% pts improvement in non-IFRS services margin taking margin to 5%
- Non-IFRS EBIT up 13% with margin of 27.3%
- Cashflows of USD 190.3m, up 12%
- Cash conversion of 113% with DSOs down 18 days in the year
- Strength of profit growth and cashflows supported 2014 buyback of USD 120m and supports 14% increase in dividend to CHF 0.40 (2013: CHF 0.35)
2015 guidance

**Total software licensing growth of 15% to 20%** (implying total software licensing revenue of USD 164m to USD 172m)

- includes **software licensing growth of 10%+** (implying software licensing revenue of at least 149m )

**Non-IFRS revenue growth of 8% to 13%** (implying revenue of USD 482m to USD 504m)

**Non-IFRS EBIT margin of 28.5%** (implying non-IFRS EBIT of USD 137m to USD 144m)*

**100%+ conversion** of EBITDA into operating cashflow

**Tax rate of 17% to 18%**

- Growth at constant currency
- Includes impact of Akcelerant acquisition

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**Strong growth in 2015**
Updated medium term targets

Non-IFRS revenue growth of 5% to 10% pa (was 5%+) with
- total software licensing growth of 15%+
- services contributing c.20% of group revenue (was 20% to 25%)

Non-IFRS EBIT margin improvement of 100 to 150bps on average pa

Cash conversion over 100% pa

DSOs reducing by 10 to 15 days pa

Tax rate of 17% to 18%
# Growth in 2015 and beyond

## By geography
- All regions in growth
- Europe performing solidly
- Strong growth from MEA driven by leadership in Islamic
- APAC and Americas biggest contributors to growth (with APAC benefitting in 2015 from Q4 2014 slippage)

## By product
- All products in growth
- Core banking continuing to grow solidly
- Strong growth in BI and Wealth
- Very strong growth in Channels
- Increasing contribution from Payments

## By new deals / add-ons to installed base
- New deals / add-ons to contribute broadly equally to growth
- New deals expected to be strong in improving markets
- Add-ons driven by focussed account management and relicensing opportunity

## Relicensing
- Provides opportunity to engage
- Hard to distinguish between relicensing and new sales so will not separately disclose
- Increasing contribution from relicensing each year
A view on costs

Cost breakdown

- Cost of services falling as % of revenue: focus on “premium” services and leveraging fixed costs
- R&D falling as % of revenue (although increasing in actual amounts)
- G&A falling as % of revenue: leveraging fixed costs of running an already global business
- S&M rising as % of revenue: significant investment drives licencing growth

Cost base moving towards target model
Year-on-year margin expansion

100-150bps of margin expansion on average per annum in the medium term

Medium term margin improvement to be driven by
• economies of scale – leveraging R&D and G&A
• improving services margin

Licence growth funds investment; incremental maintenance delivers growth in profit
High quality earnings

100%+ conversion of EBITDA into operating cashflow

10 to 15 days reduction in DSOs per annum driven by
• reducing implementation time
• continued expansion of partner programme

Significant growth in operating cash, coupled with an efficient tax and financing structure, to drive free cashflow

DSOs expected to reach 130 in medium term

* 2015 DSOs based on reduction of 12.5 days, at the midpoint of guidance
Financial flexibility

Use of funds

Temenos is highly cash generative with a strong balance sheet which enables investment in the business as well significant cash return to shareholders.

Preference for M&A over returning additional capital to shareholders, providing suitable acquisition opportunities exist.

Leverage

Temenos has significant flexibility:
- currently c.1.0x leveraged following the acquisition of Akcelerant
- 1.0x to 1.5x optimal but would increase for acquisitions if clear path to deleveraging
- leverage is constantly reviewed to ensure efficiency

Significant financial flexibility to achieve corporate objectives
A three-pronged approach to M&A

- Increased scale
- Accelerated growth in key markets and segments
- Complementary products

M&A criteria and pipeline

Strong financial metrics
• EPS accretive within 12 months
• IRR of at least 13%

Most attractive and synergistic areas are
• Core banking
• Payments
• Wealth management / asset management
• SaaS / Cloud

Good pipeline of opportunities
• Broad geographic and market spread
• Range of values, with “sweet spot” of c.USD 100m of revenues but would do larger deals of strategic importance

A disciplined and selective approach to M&A
Key takeaways

• The structural drivers for technology renewal are stronger than ever

• We are extremely well placed with the best products and record of customer success

• We are executing against a very clear strategy

• We are focusing on key strategic initiatives

• We expect strong software licensing growth with an increasing recurring revenue base

• Revenue growth and good cost control will drive earnings growth and cash generation
Thank you
www.temenos.com