



TEMENOS

The software specialist for banking and finance

Analyst and Investor Day

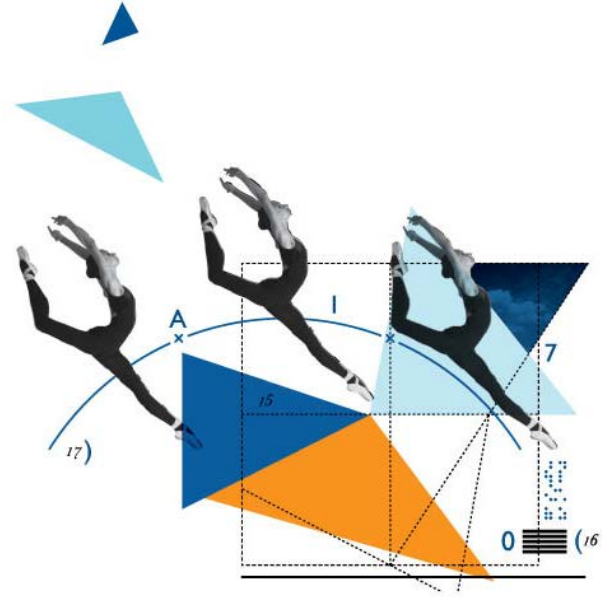
12 February 2016

Agenda

10.00 – 10.45	Strategy and vision	David Arnott, CEO
10.45 – 11.30	Digitizing the bank	Joseph Edwin, Head of Core Banking Programme, Nordea
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
12 February 2016



2015 was a landmark year.

We are delivering on our strategic initiatives.

We extended our lead over the competition.

We have a significant market opportunity.

Our growth is underpinned by multiple drivers.

Signed all largest deals in market – in all segments

Extended product leadership

Delivered unrivalled customer success

Crossed USD 500M in revenues

Expanded margins and increased profitability





- ✓ Core → Signed Nordea, largest core deal ever, made significant technology investments
- ✓ Wealth → Win ratio of nearly 100% in 2015 including Julius Baer
- ✓ US → Increased scale and distribution capabilities, signed top 25 bank, built qualified pipeline of more than US\$20m in last 6 months
- ✓ Digital → Significant progress made in front office, real time campaigns and embedded analytics
- ✓ SaaS → Signed first regulated bank on Azure
- ✓ Sales/Partners → Gaining traction through integrated marketing and sales, partner engagement model moving to next level

- ◆ Multifonds rebranded as FundSuite
- ◆ Provides exposure to the growing fund services and asset management segments
- ◆ Leveraging Temenos' global footprint
- ◆ Significant new and installed base opportunities
- ◆ Partners showing strong interest

J.P.Morgan

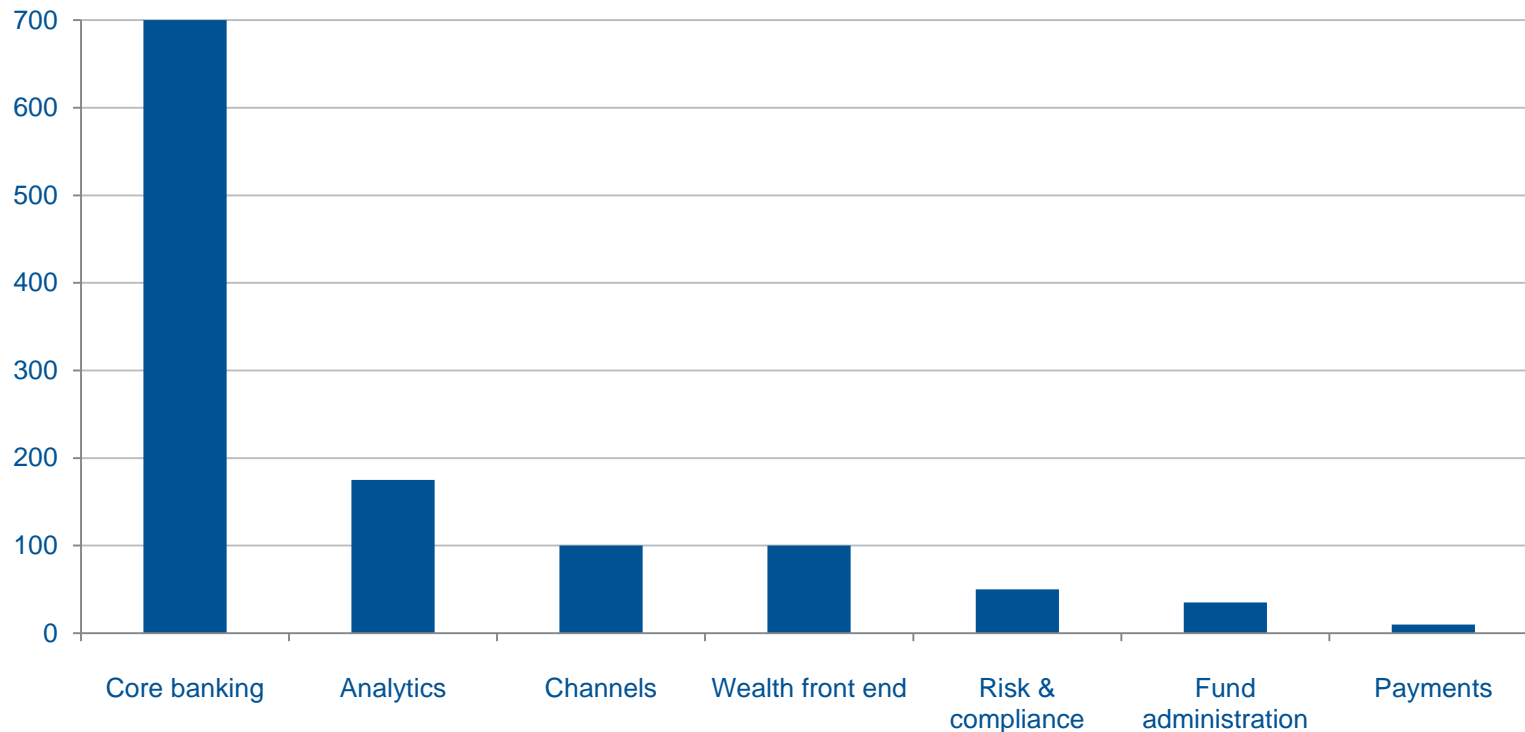
GAM

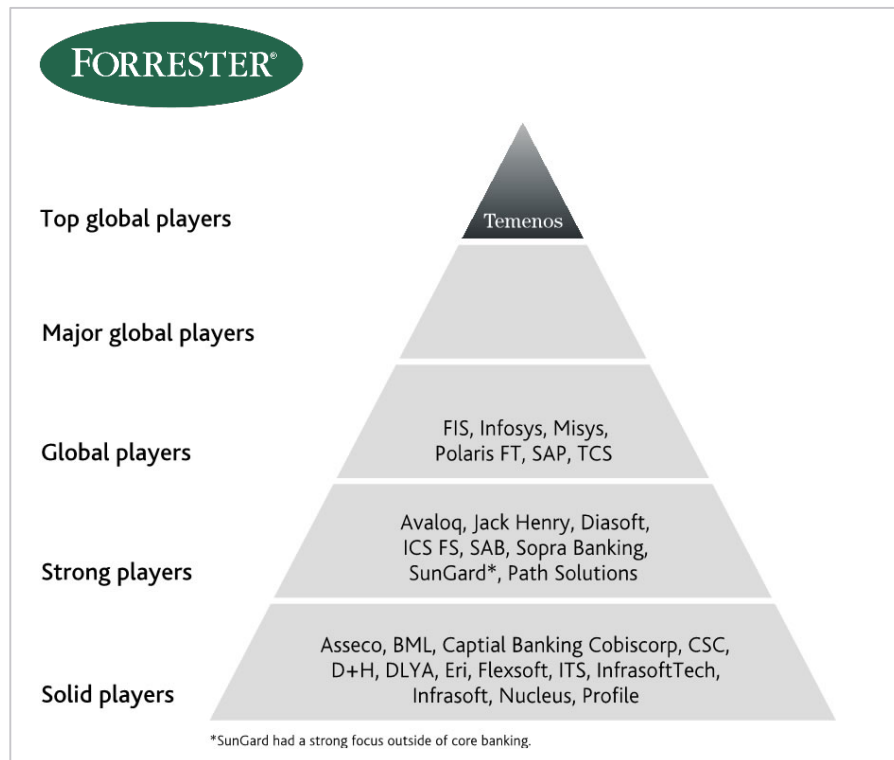
THE
Great-West Life
ASSURANCE  COMPANY



No. of clients

Installed base by product





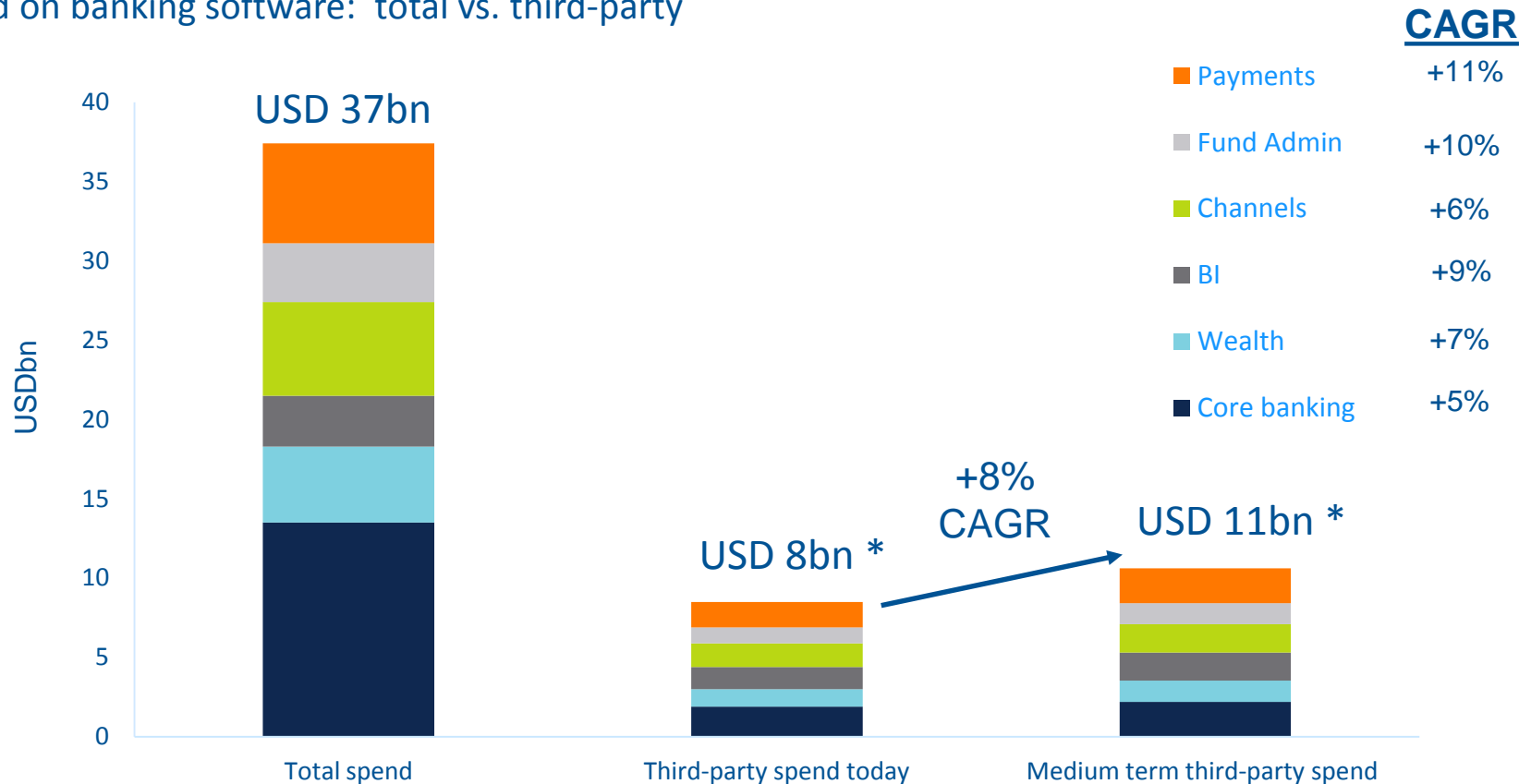
1st position again –
15th time in 16 years

137

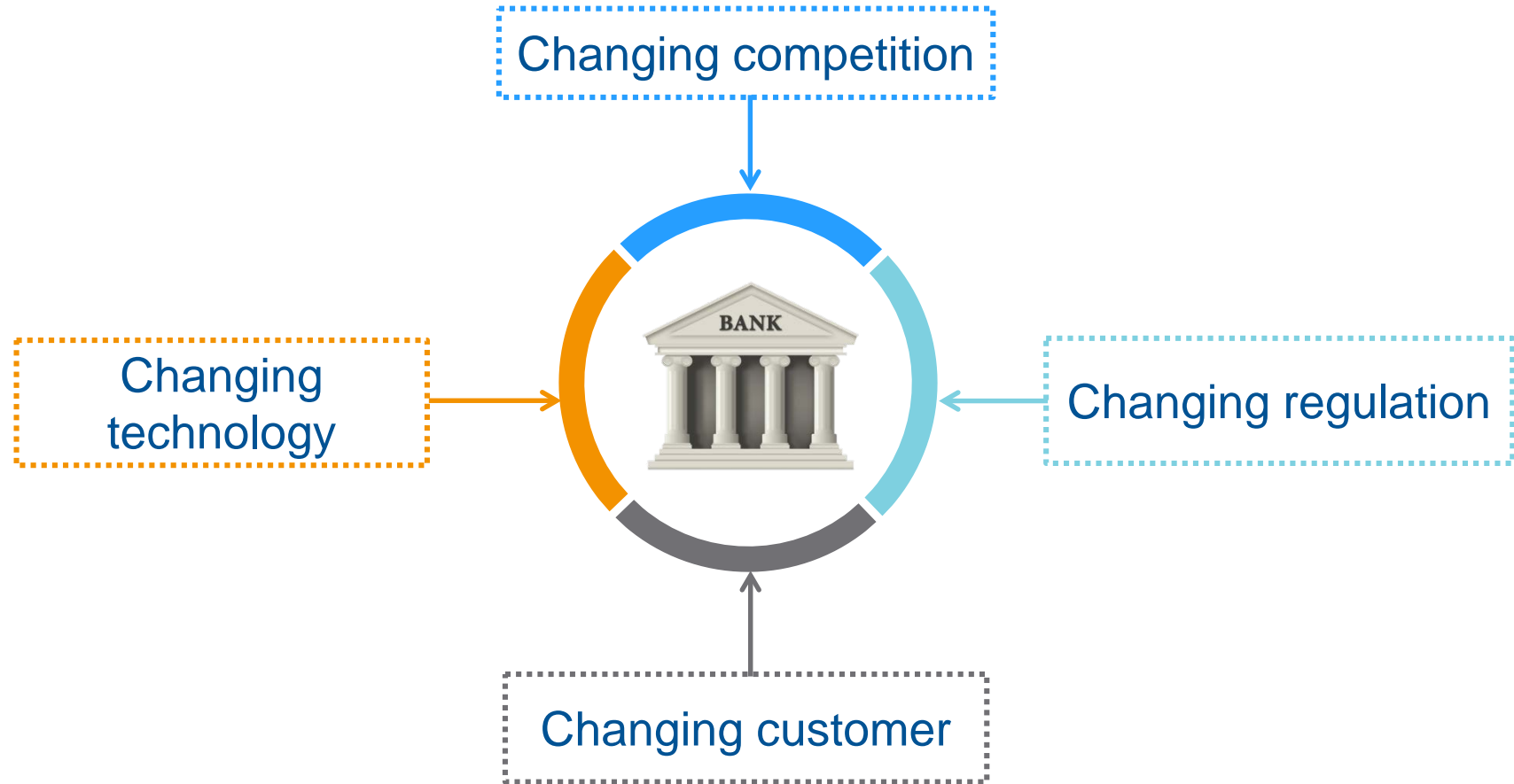
Number of go-lives in 2015

“On its way to become the category killer in the banking software vertical”

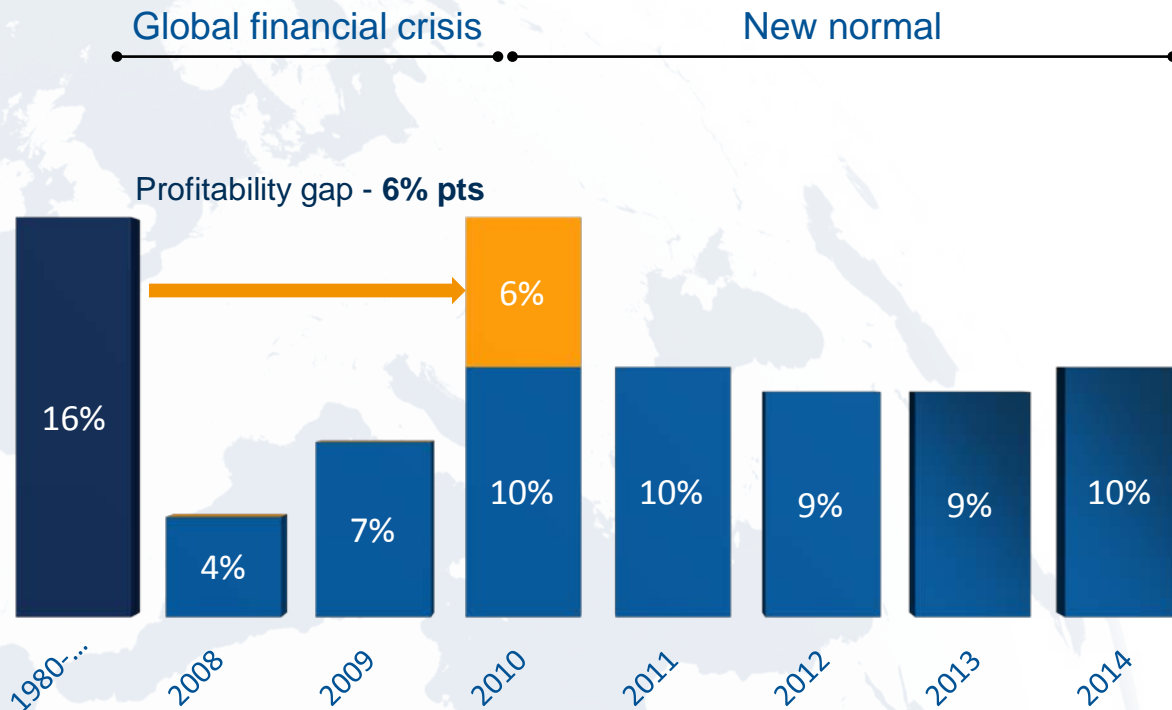
Spend on banking software: total vs. third-party



*Licences and maintenance
Source: Gartner, IDC, Celent, Temenos estimates

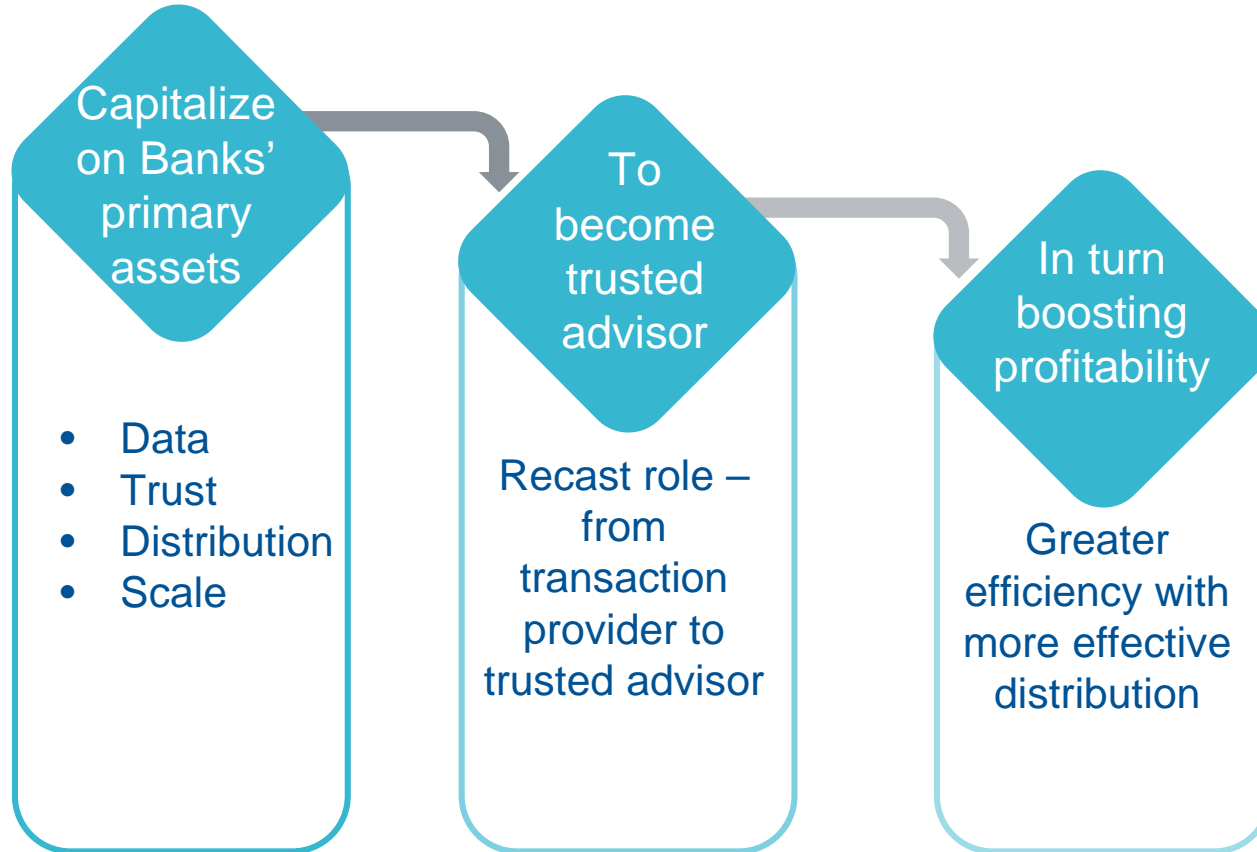


Banks RoE
levels globally



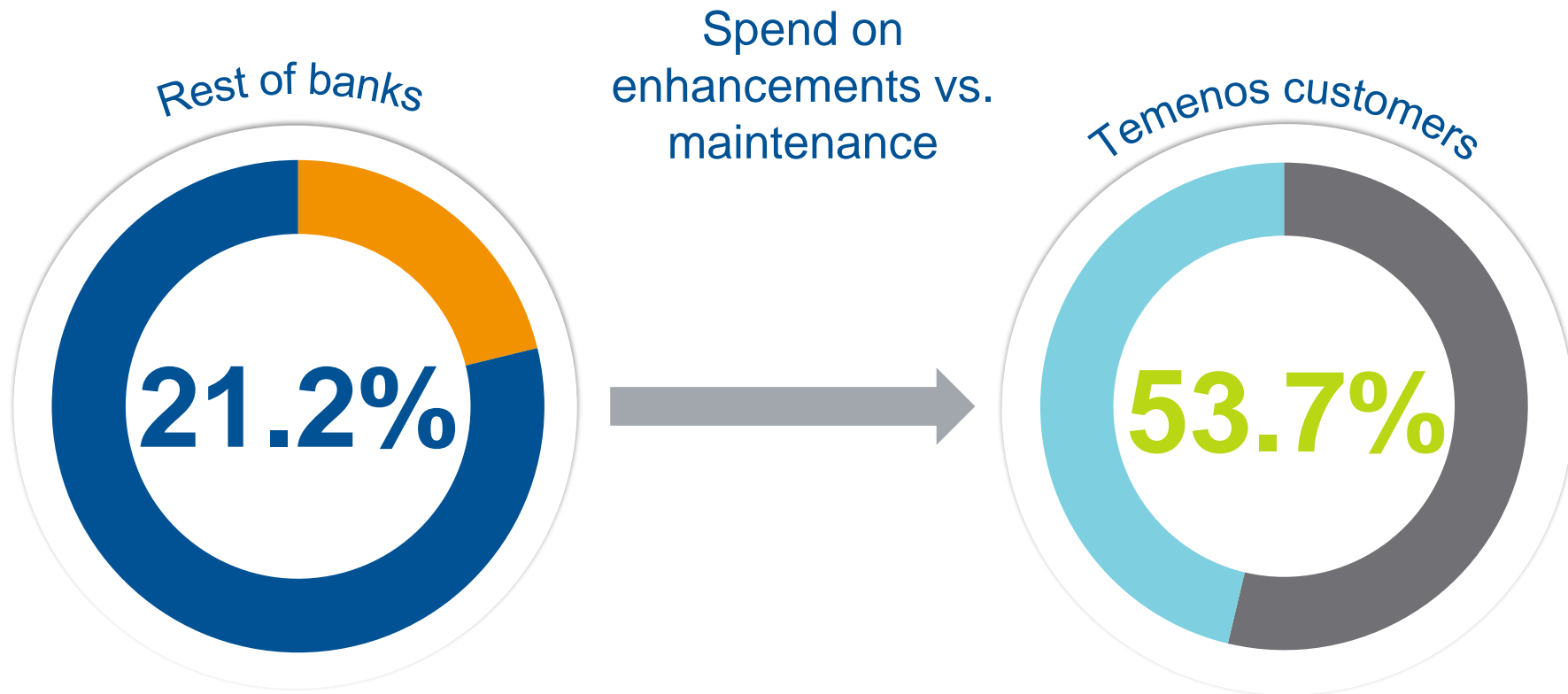
Source: BCG, Thomson Reuters

Industry's profits remain significantly below pre-crisis levels





Integrated products and technology for a connected world



Celent, IT Spending in Banking:
A Global Perspective, 2015*

Source: Temenos

*Adjusted to remove Temenos customers

Data



- Single customer view
- Embedded analytics
- Real-time campaigns

Scale



- Cloud deployable
- 99% STP
- No batch

Trust & Distribution



- Fast time to market
- Personalization - market of one
- Rewards & loyalty

Allowing banks to reinforce existing competitive advantages



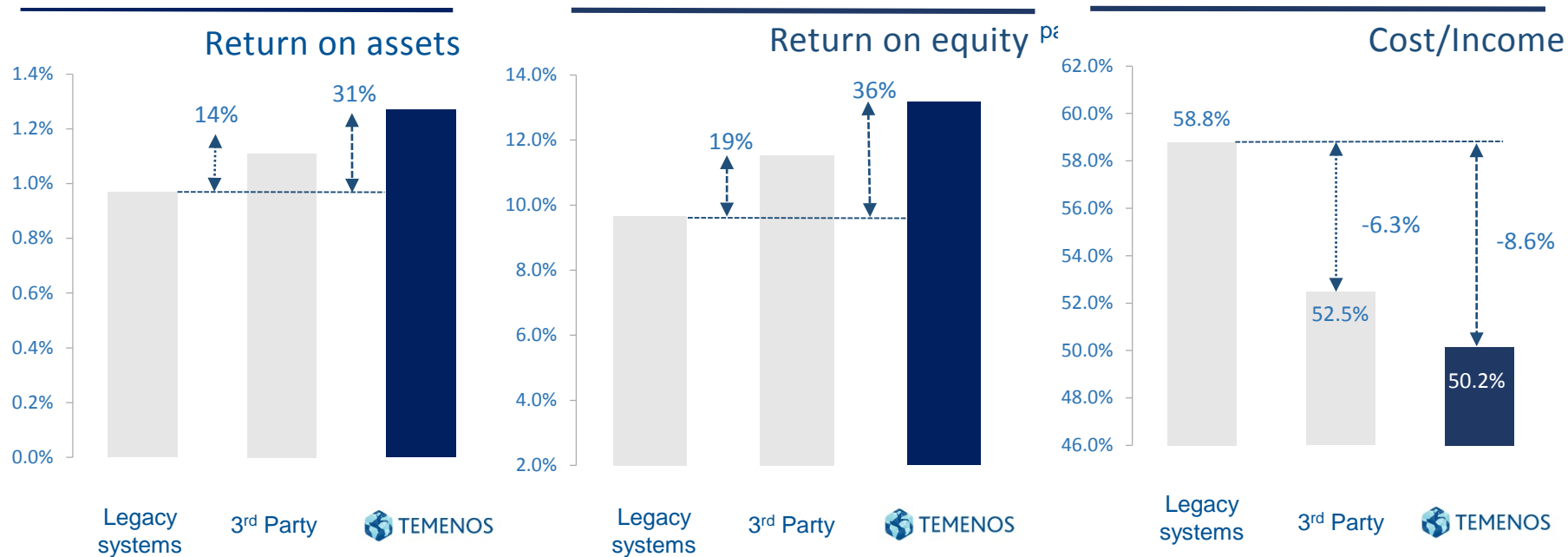
- 10x to 100x rise in customer interactions
- Architecture & technology to handle this change
- Intelligence to turn interactions into opportunities



- Leveraging partner & developer ecosystem
- More innovation
- Broader range of products and services – including non-financial

Opening up new opportunities





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

Significantly improving returns

Looking forward



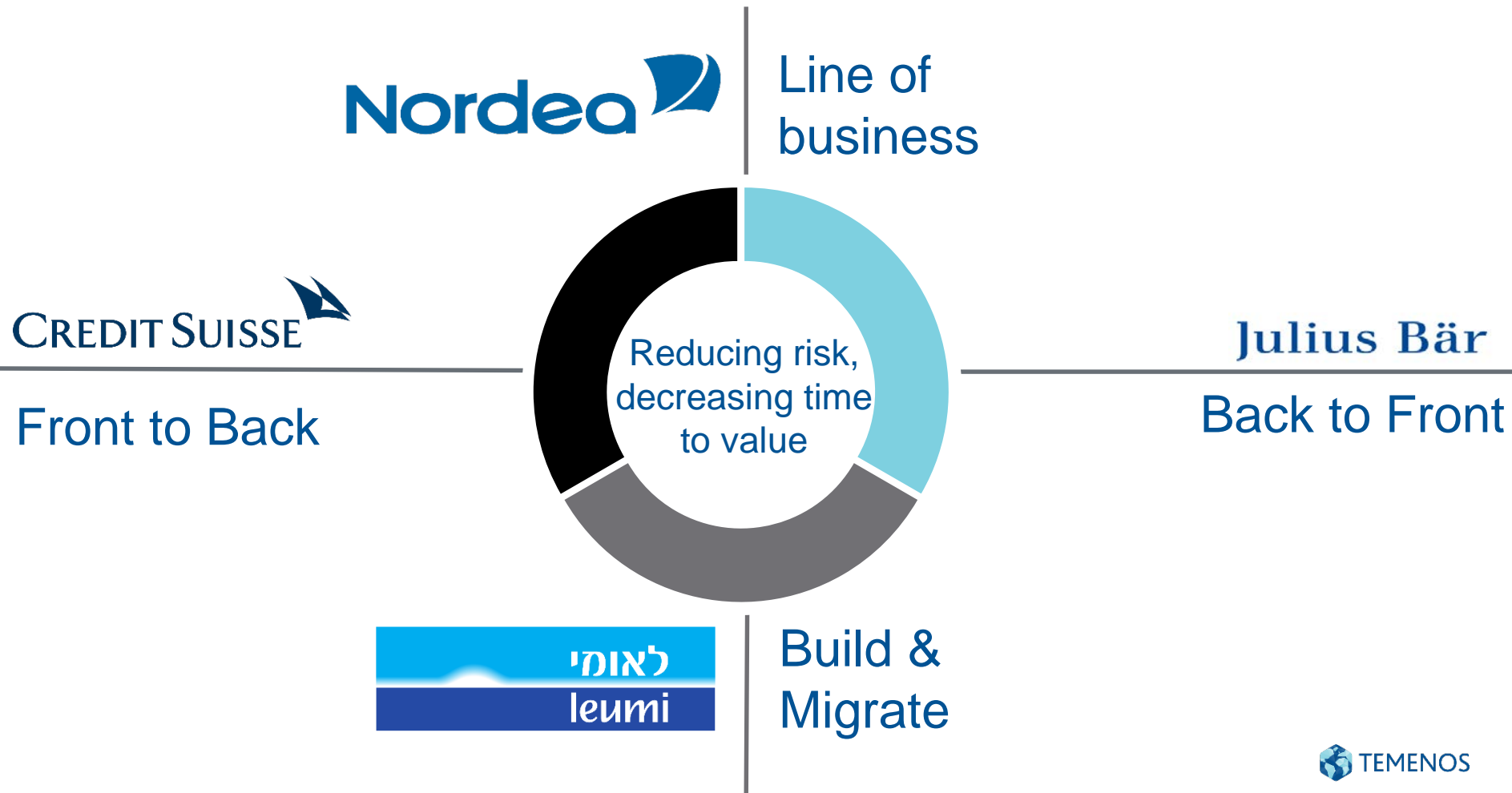
Core



- ◆ Building great references
- ◆ Strong partner relationships, proven delivery and go-to-market models
- ◆ Disruptive technology roadmap
- ◆ Proven scalability
- ◆ Open and integrated solutions

Wealth





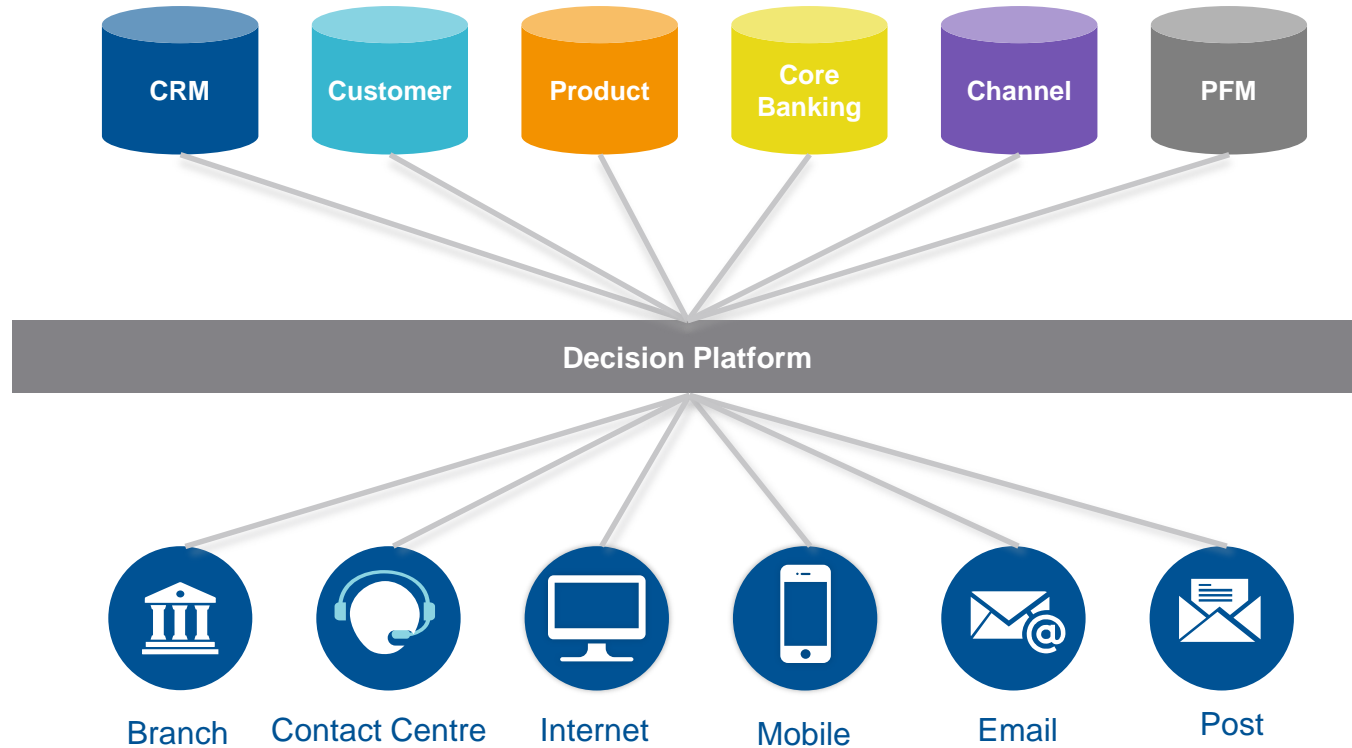
- Achieved critical mass and scale with strong distribution
- Built strong pipeline, more than US\$20m in last six months
- Won top 25 U.S. bank, starting line of business renovation
- Differentiated product value proposition – real time, upgradable, modular architecture
- Partnerships in place

\$20 billion Largest core banking market in the world



- A single platform for managing customer interaction across all touchpoints
- Integrates multiple datasets – transactional, locational, contextual
- Draws real-time insights and uses this to offer the right service (product, content, offers) at the right time and over the right channel (“Experience-driven banking”)
- True, seamless multi-channel experience
- Integrates third-party products and works across different verticals

A packaged solution for the front office



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Digitizing The Bank

Joseph Edwin, 12 February 2016

Making it possible

Background

- Head of Core Banking Programme at Nordea Bank AB
- Prior roles
 - Chief Information Officer, CommSec – a fully owned subsidiary of Commonwealth Bank of Australia (CBA)
 - Overall Head of Delivery on the multi-year CBA Core Banking Modernisation programme
 - Various positions with Silicon Valley startups and consulting firms
- Based in Copenhagen, Denmark

Nordea is the largest financial services group in the Nordics

Nordea = Nordic ideas



11 million customers

- Approx. 10 million personal customers
- 590 000 corporate customers, incl. Nordic Top 500

Distribution power

- Approx. 650 branch office locations

Financial strength

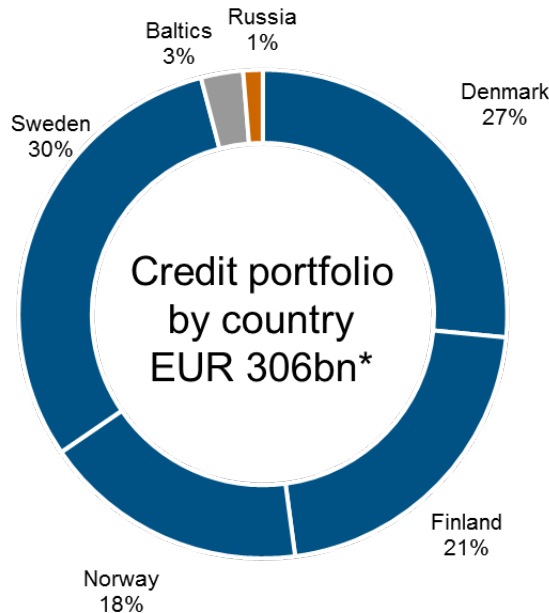
- EUR 10.1bn in full year income (2015)
- EUR 679.9bn of assets (Q3 2015)
- EUR 30.0bn in equity capital (Q3 2015)
- AA credit rating
- Common equity tier 1 capital ratio of 16.3% (Q3 2015)

EUR ~40bn in market cap

- One of the largest Nordic corporations
- A top-10 European retail bank

Nordea is the most diversified bank in the Nordics...

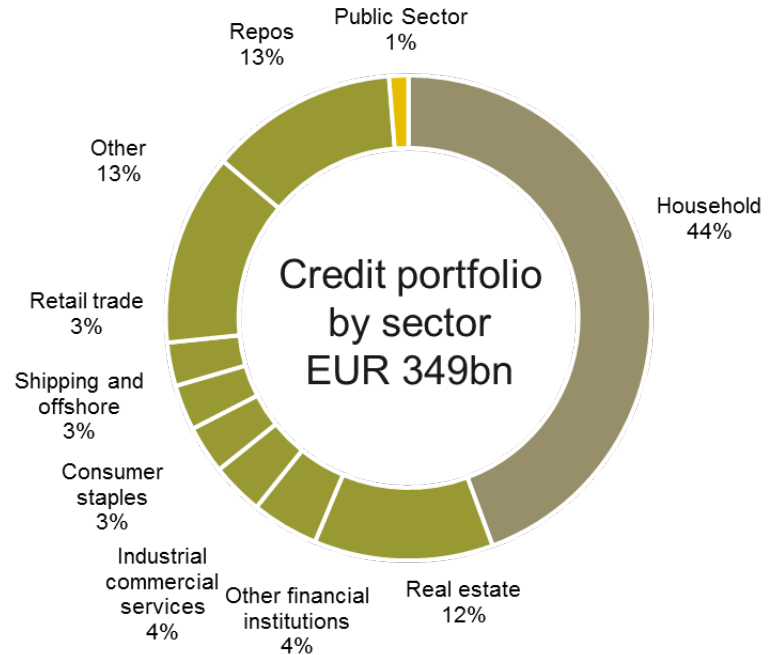
A Nordic centric portfolio (97 %)



* Excluding repos

Lending: 55% Corporate and
44% Household

Q3 2015



1. **An industry in transition**
2. A need to act
3. The Prize
4. Getting there

An industry in transition

Mobile – distribution
separated from
manufacturing

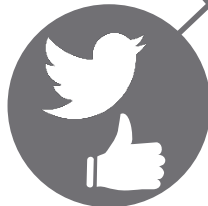


Big Data – deep
personalization of
banking services



A digital
revolution

Social Media – new
banking media



Cloud – profitability at a
lower scale, unbundling
of banking



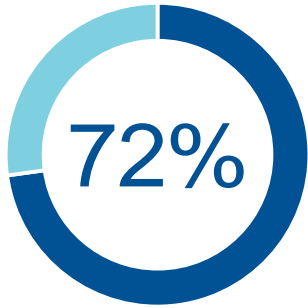
A changing relationship between banks and their customers



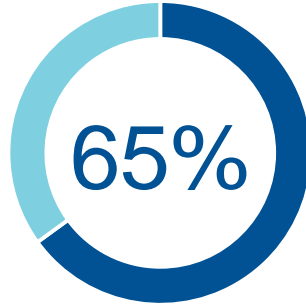
Customer
switching was as
low as 2% as
recently as 2003

Customers want a different kind of relationship

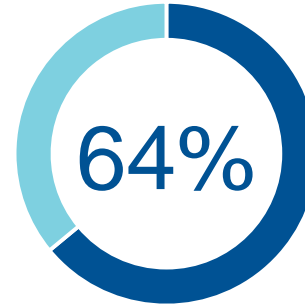
% of customers who would expand relationship with a bank which



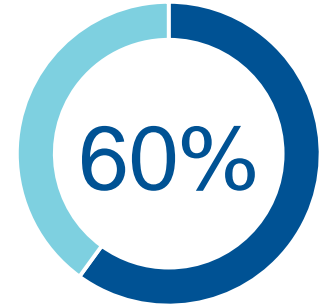
Helps them to meet
financial goals



Rewards
loyalty



Helps them to
save money



Recommends
products they really
need

Source: EY

An industry in transition

3pp

Estimated adverse impact of Basel III
on global bank RoE

Source: McKinsey

“ ...greater
resilience against
future financial
crises and removing
risks from banks to
the public
finances...”

Vicker's Report on
Future of Banking

Exploiting regulatory arbitrage, high costs, high friction

Lending

 LendingClub

OnDeck>

 Funding Circle

Automated
financial
management

 wealthfront

nutmeg

 Betterment

FX


the currency cloud

 TransferWise

Corporate
banking

 ethereum

 rippleLabs

traxpay

Neobanks

 fidor
BANK

 NUMBER26

Payments

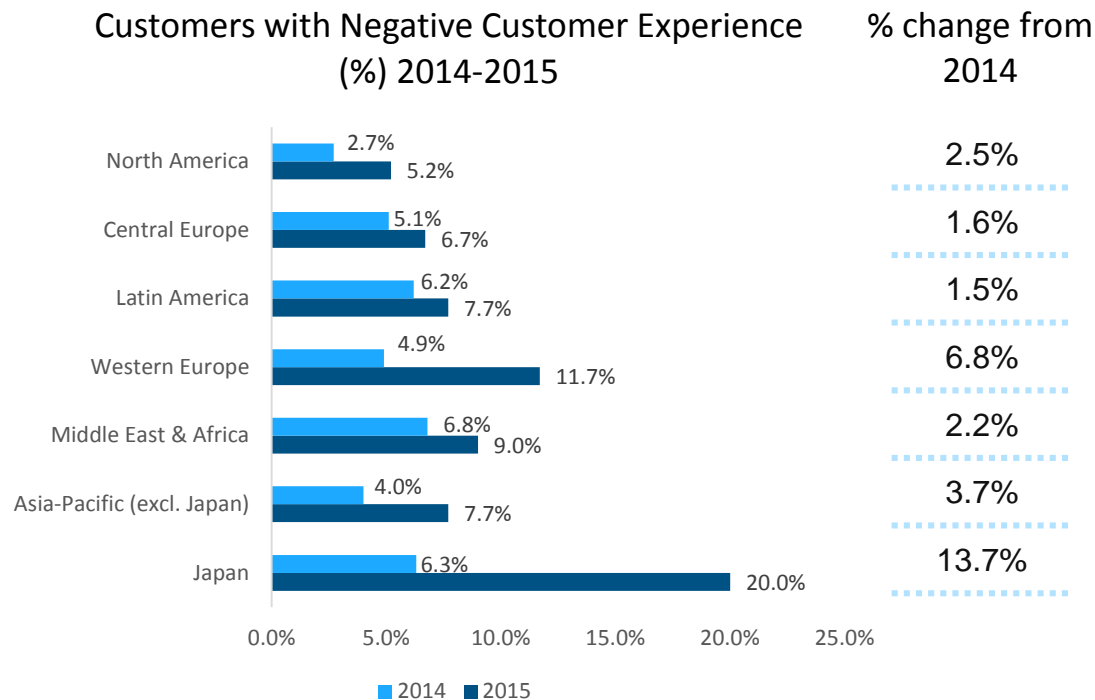
 Square

 Pay

venmo

1. An industry in transition
2. **A need to act**
3. The Prize
4. Getting there

A need to act

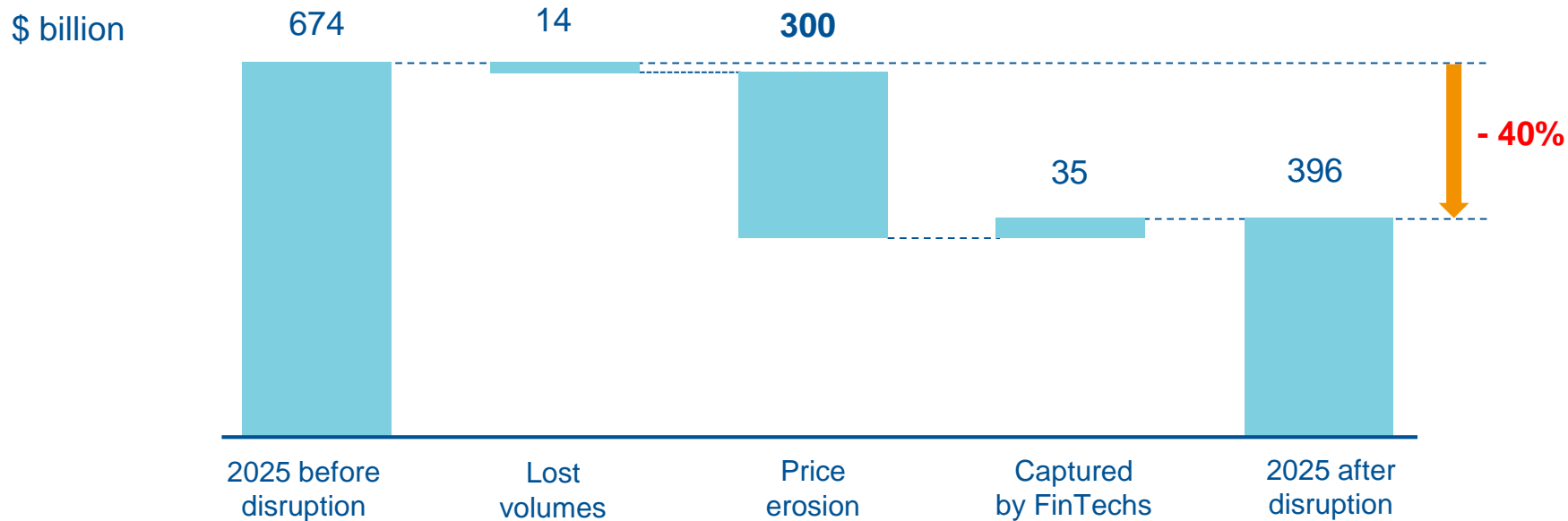


Source: Capgemini

Only 47% of Gen Y customers in North America are likely to stay with their bank over next 6 months

New competition

Estimated impact of FinTech disruption on consumer finance



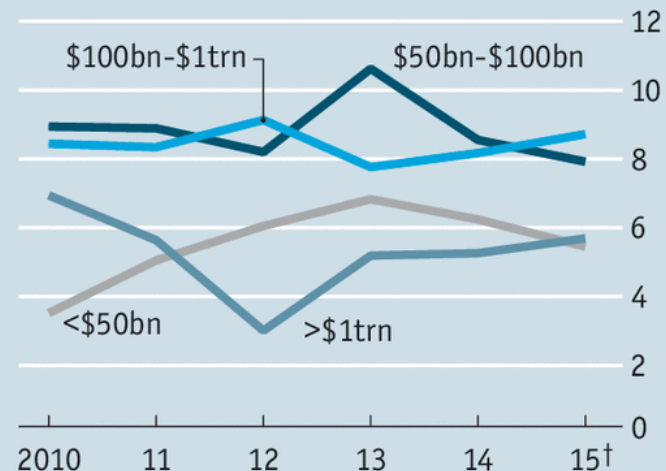
Source: McKinsey

A need to act

Banking
profitability has not
recovered since
the financial crisis

1 Middling is beautiful

Global banks' average return on equity*
By asset size†, %



Source: Bloomberg

*Excl. Chinese banks

†Q3 2015

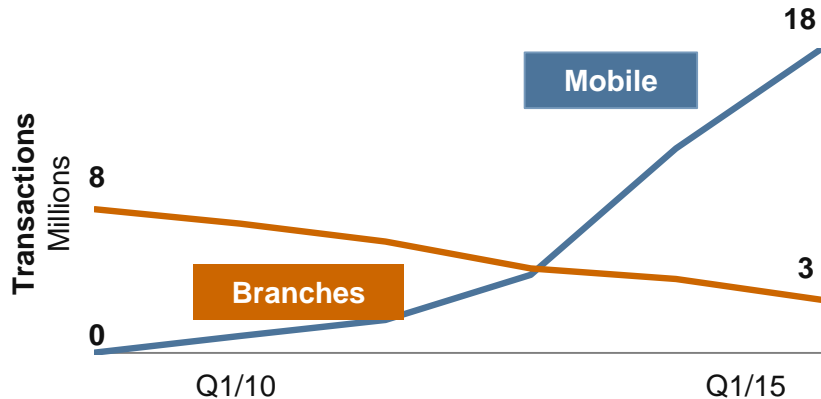
Source: *The Economist*

1. An industry in transition
2. A need to act
3. **The Prize**
4. Getting there

Capitalizing on technology and changing customer behaviour

Turn interactions into opportunities

Relationship banking is turning digital fast



Creating an eco-system

OPEN INNOVATION



OBSERVATION / CO-CREATION



ACCELERATORS



PARTNERS



The Bank of Things & The Customer Definable Bank



if  then  

When I reach my savings goal, post on Facebook "Dream car coming soon!"

if  then  

When I go overdrawn, transfer money from my savings account to clear overdraft

Benefits of experience-driven banking



What this really means



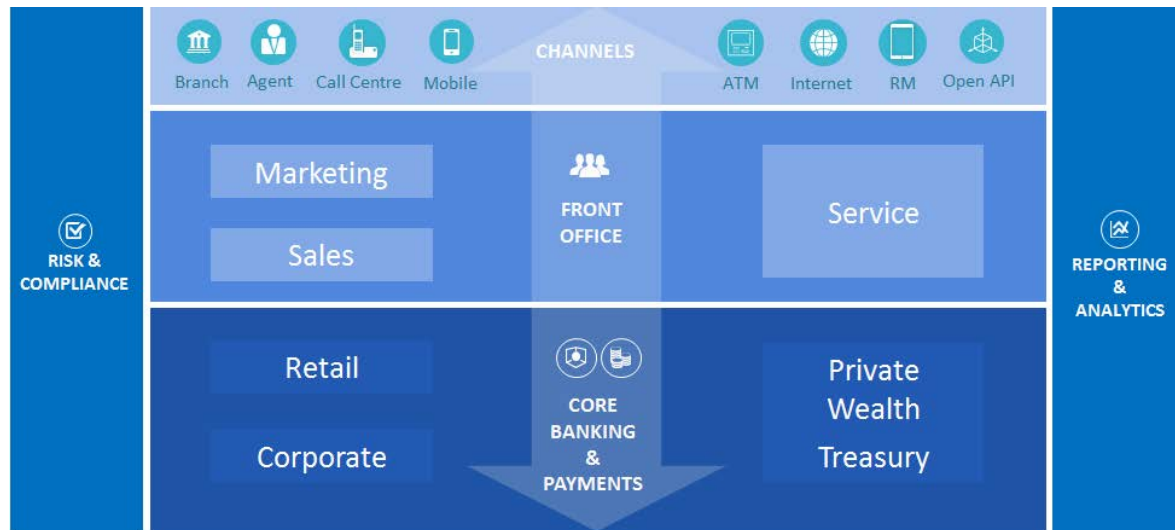
1. An industry in transition
2. A need to act
3. The Prize
4. **Getting there**

The journey

Ditching the legacy



Source: BCG



Complex, risky, expensive - prevents compelling customer experience

Realizing experience-driven banking



Best practices to realize experience-driven banking



Simplify First

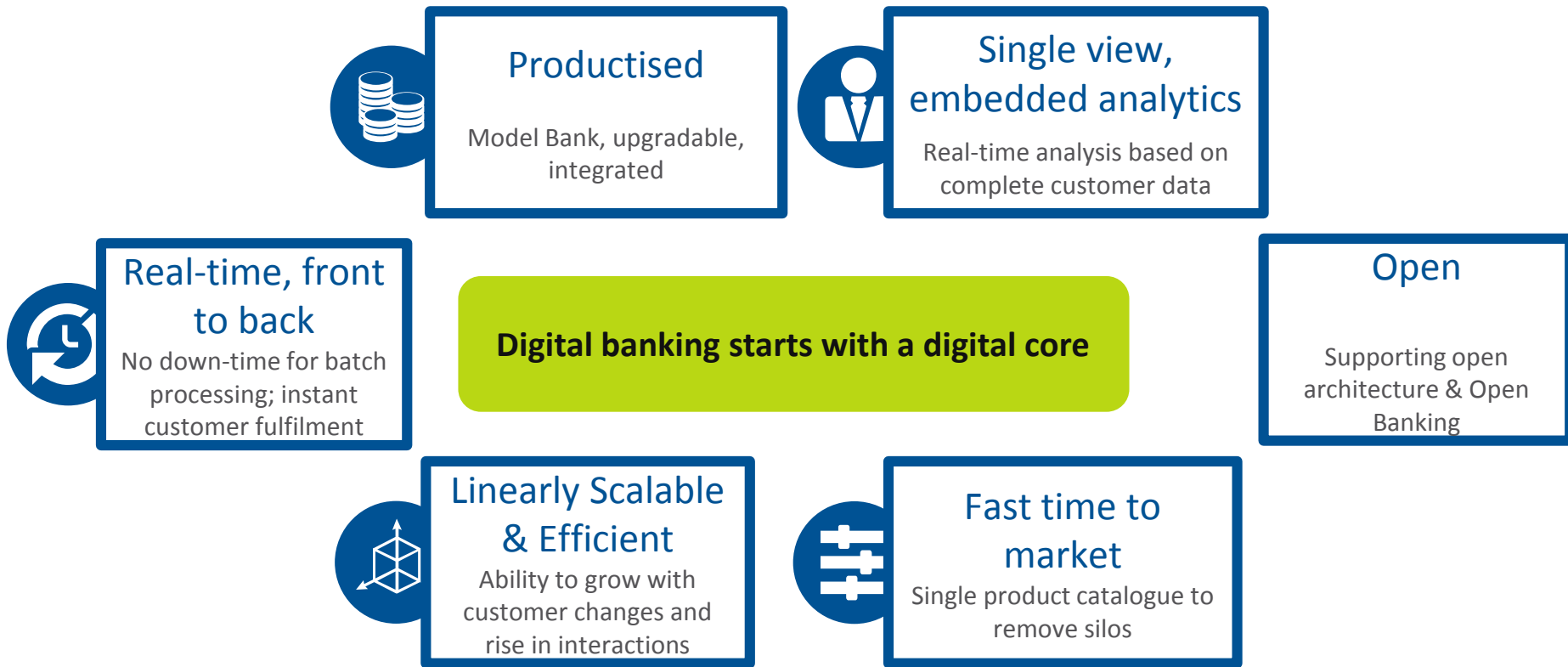


Buy a package



Renovate progressively

Benefits of core banking renewal



Nordea investor day

**You are invited to join us for a presentation and Q&A
An update on the Nordea Core Banking Programme**

Joseph Edwin, Head of Core Banking, Nordea

Wednesday 2nd March

13:00 - 14:00: Presentation and Q&A

Lunch will be served from 12:00

The event will be held at Goldman Sachs International

Peterborough Court

133 Fleet Street

London EC4A 2BB

The presentation will be webcasted at Nordea.com

Please register your attendance with

Helen Vogel by Friday 26th February

E:mail helen.wogel@gs.com



Thank you!

Joseph Edwin

joseph.edwin@nordea.com

Making it possible

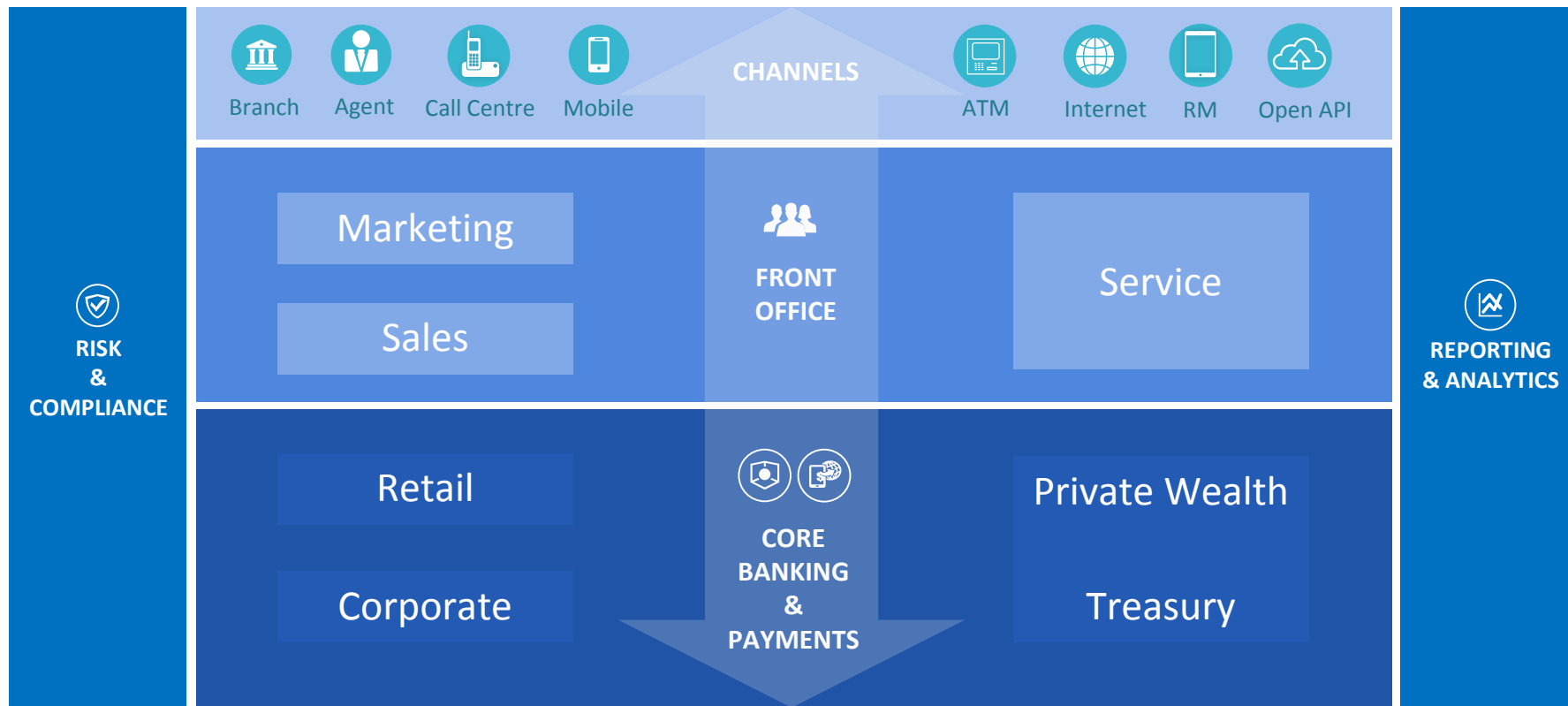


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Product

Mark Winterburn, Group Product Director
12 February 2016





RetailSuite



WealthSuite



CorporateSuite



MicroBankingSuite



UniversalSuite



IslamicSuite



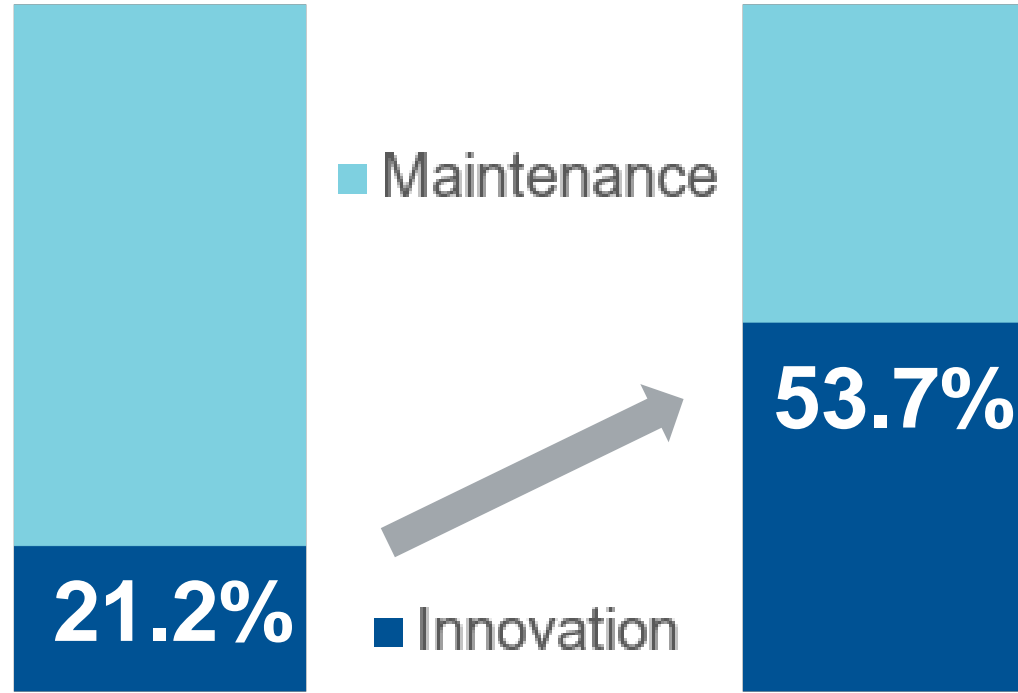
FundSuite



Lifecycle
ManagementSuite

Rest of Banks*

Temenos Clients



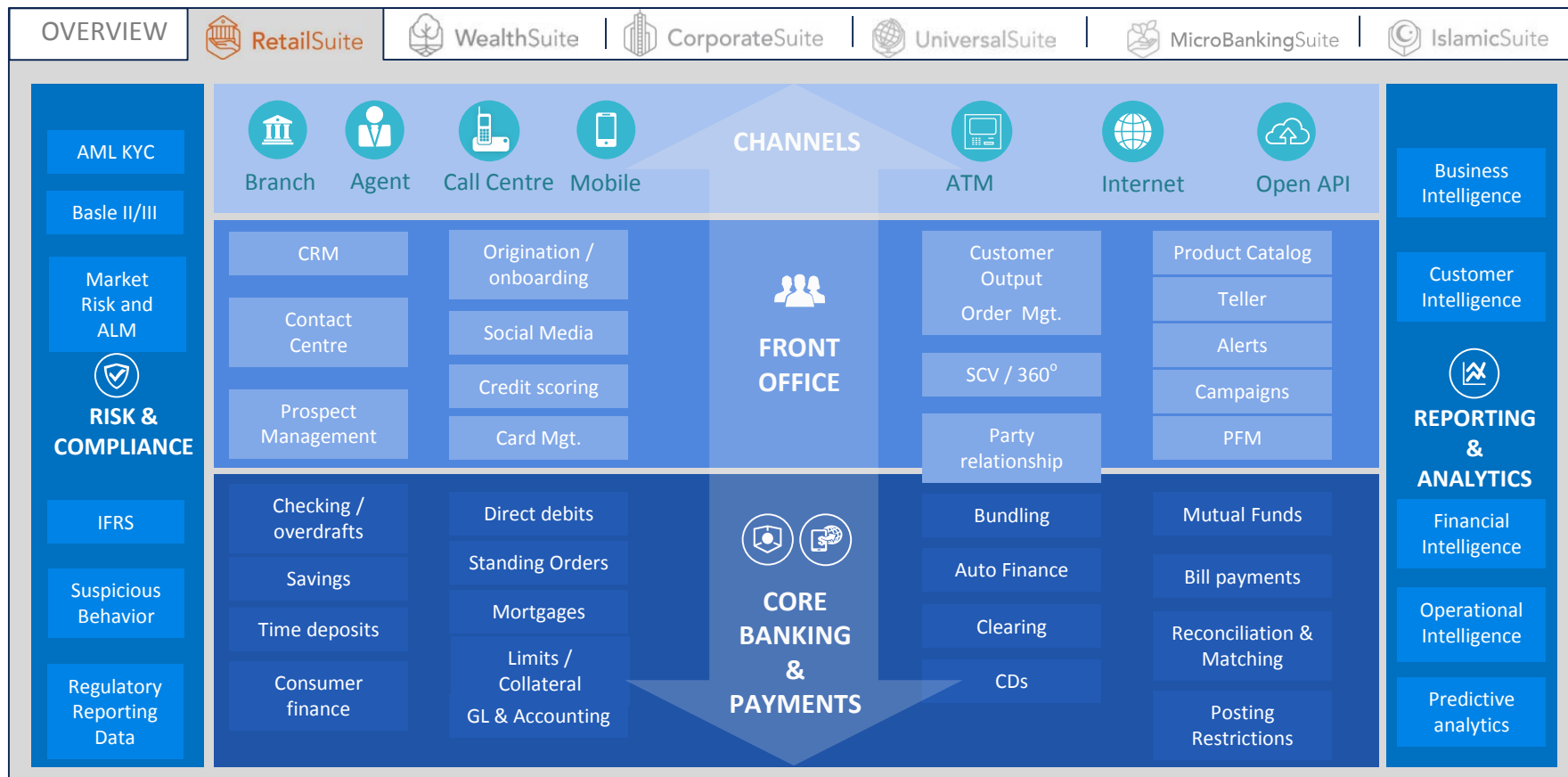


RetailSuite



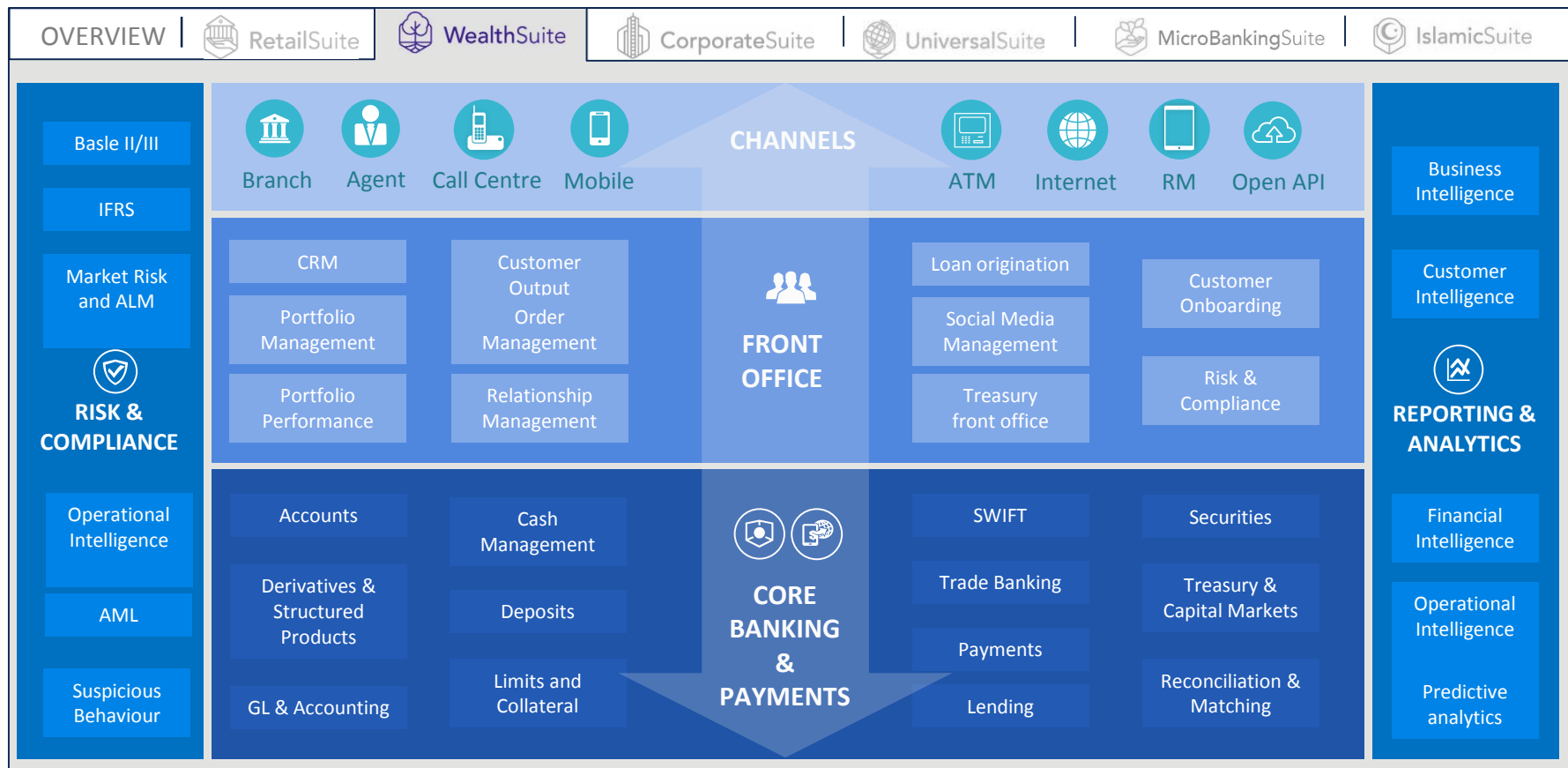
WealthSuite

Strength in depth - RetailSuite



- The Biggest banks now want packaged software
- Modern Core a prerequisite for Digital
- Our Frameworks deliver the right architecture
- Lower risk implementations via progressive renovation
- The right Partners for Tier 1
- Massive and linear scalability on commodity hardware and cloud

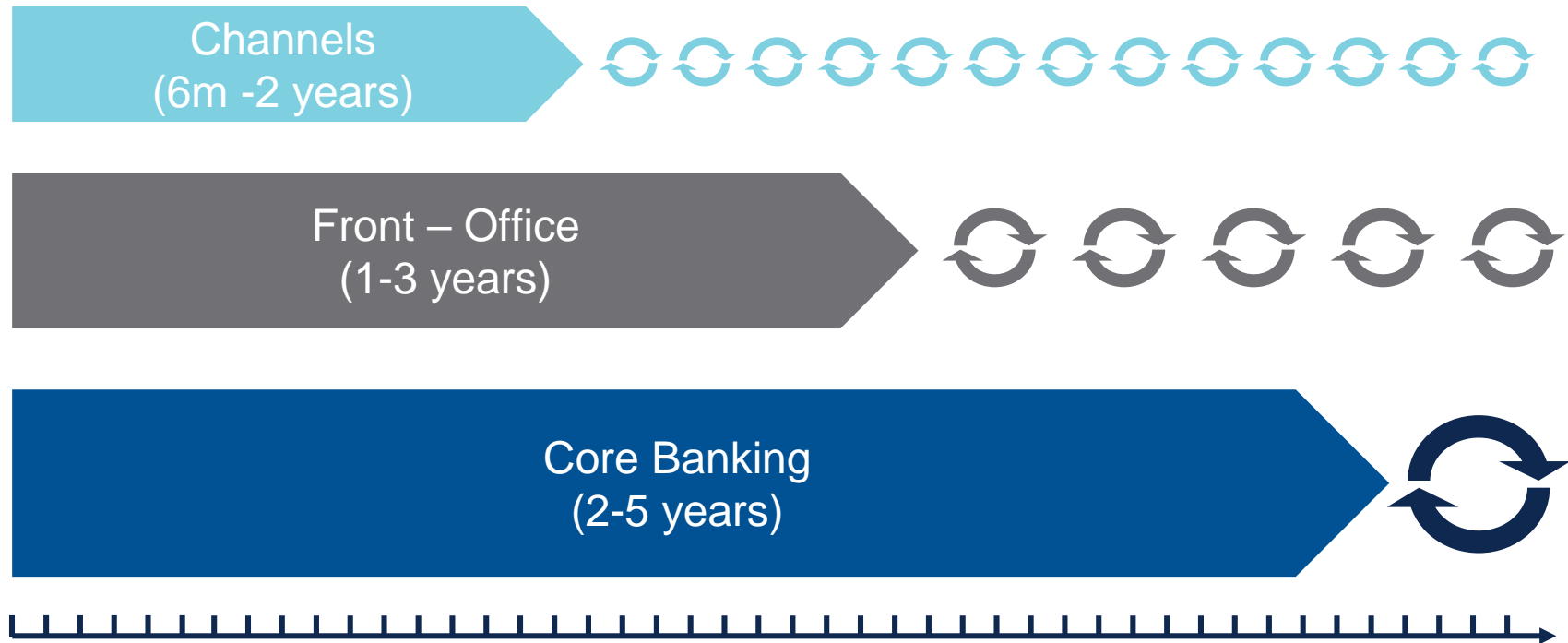
Strength in depth – WealthSuite



Why we win the biggest Private Banks

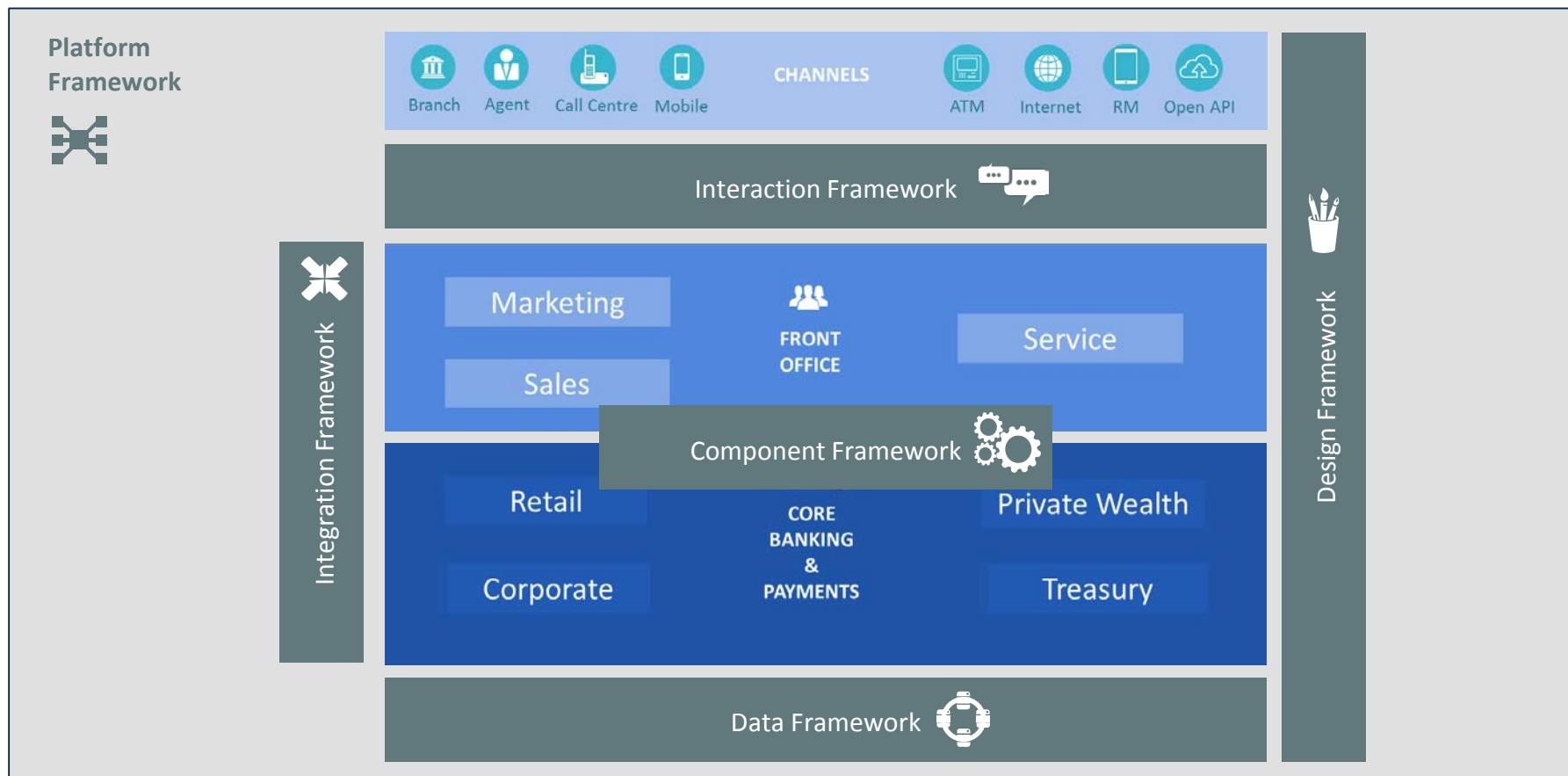
- ◆ Integrated best of breed components
- ◆ Quick value from progressive renovation
- ◆ 90% plus out of the box
- ◆ Features and investment no-one else can match
- ◆ Strong digital offer
- ◆ Global and proven in more than 30 countries
- ◆ Seamless support for Retail > Mass Affluent > Private

How we upgrade client software – decoupled innovation cycle

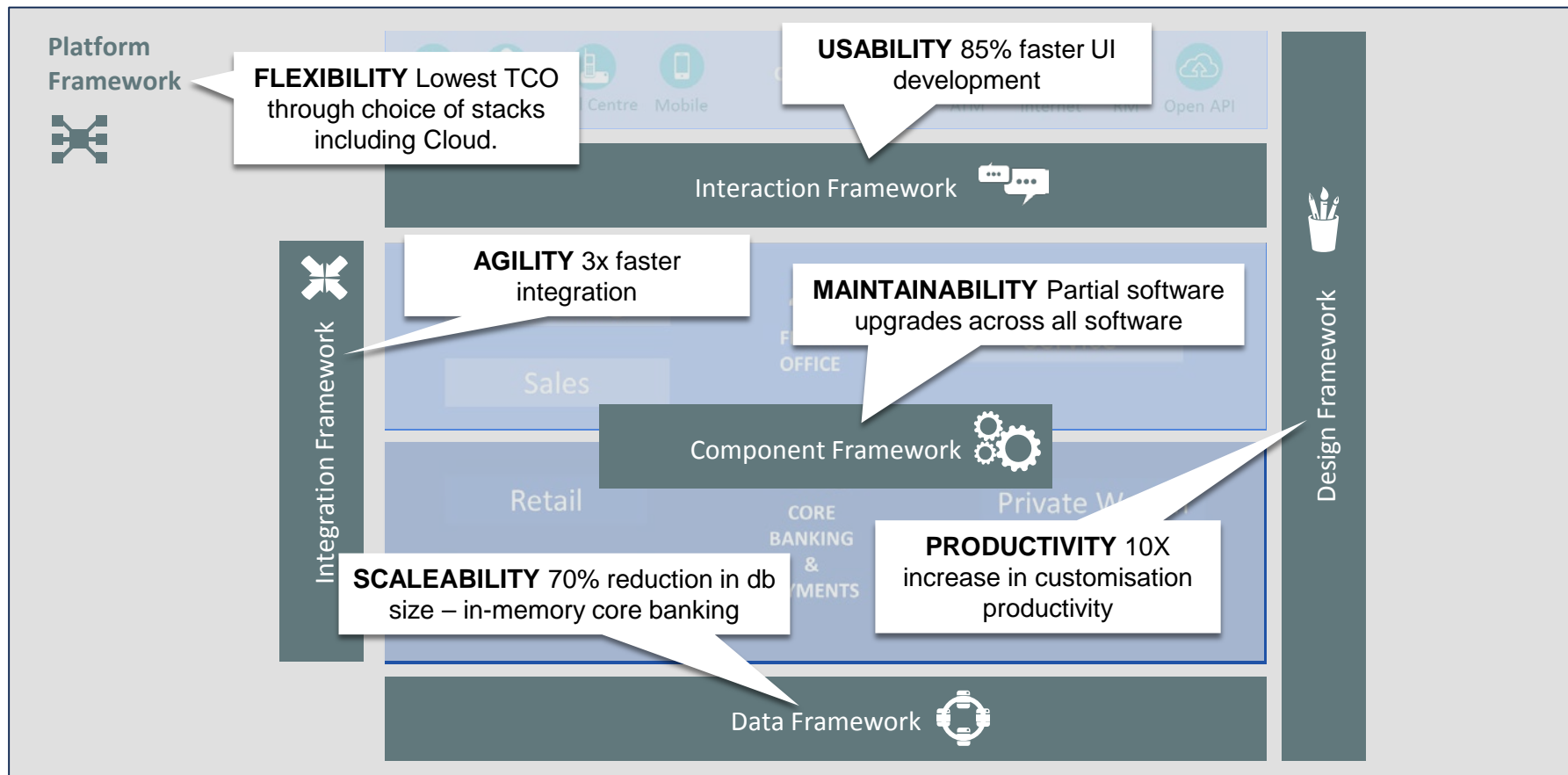


Upgrading product family independently reducing risk and decreasing Time To Market

The architectural perspective



The architectural perspective



Track record of innovation...

1993

2015

Windows
GUI

SO
A

XML

Open
Database

Multie
ntity

24/7

Process
Workflow

Model
Banks

Cloud

SmartHybrid™

Reporting
database

Technology

Constantly expanding
functionality;
constantly evolving
technology

Retail banking, Corporate banking, Treasury, Lending, Securities

Trade finance

Internet banking

Product builder

Financial Crime

Mobile banking

Risk & Compliance

Analytics & Reporting

Relationship-pricing, loyalty & rewards

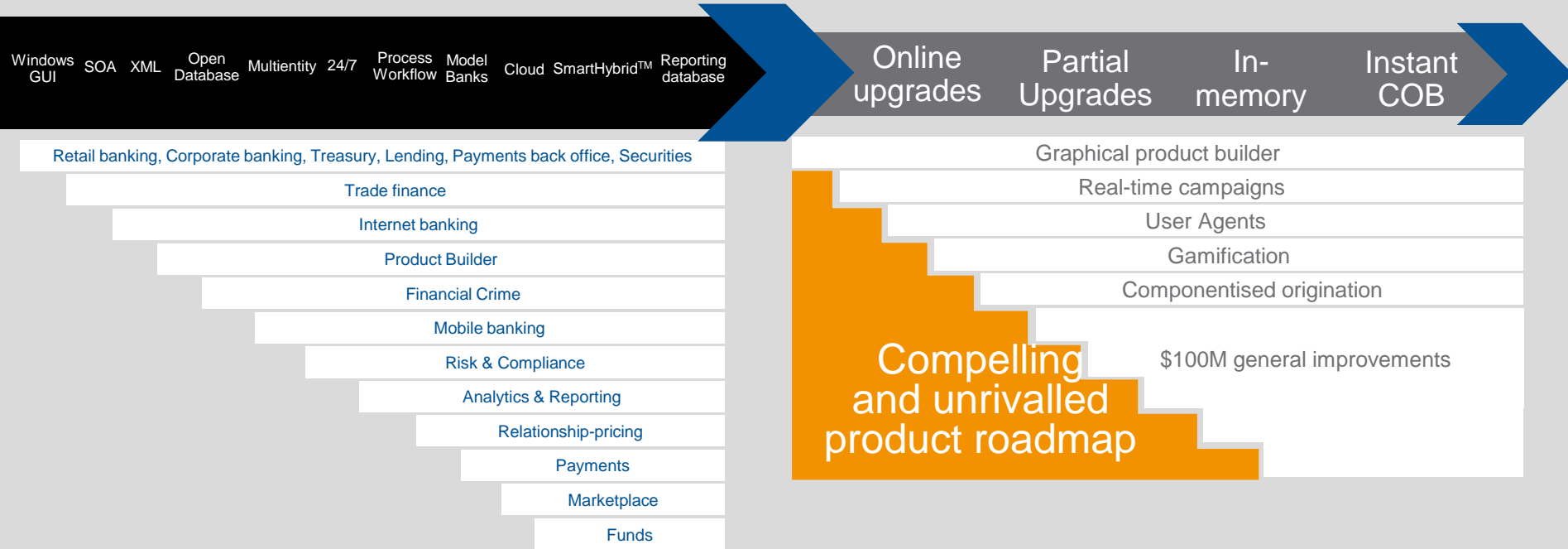
Payments

Marketplace

Funds

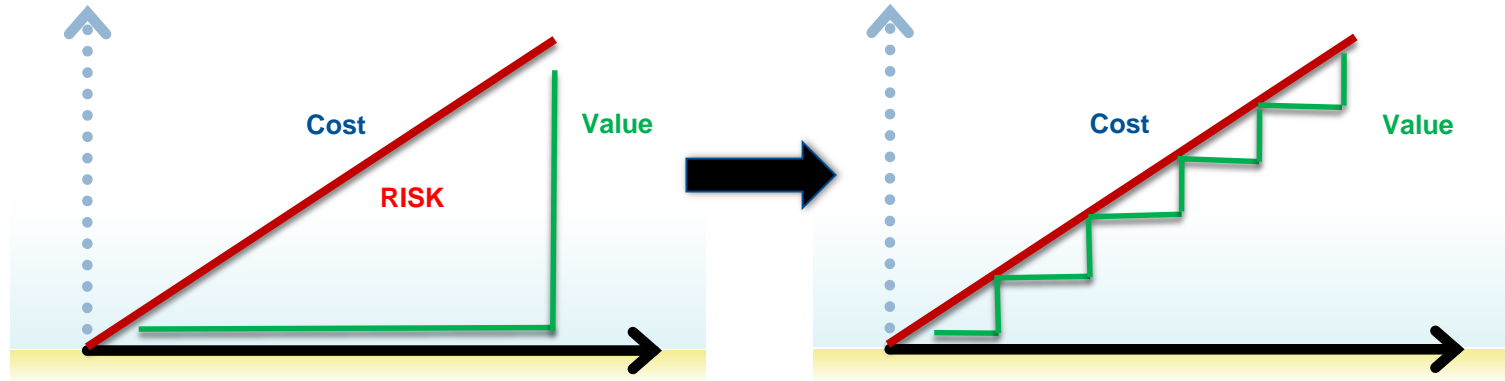
Functionality

...extending into the future



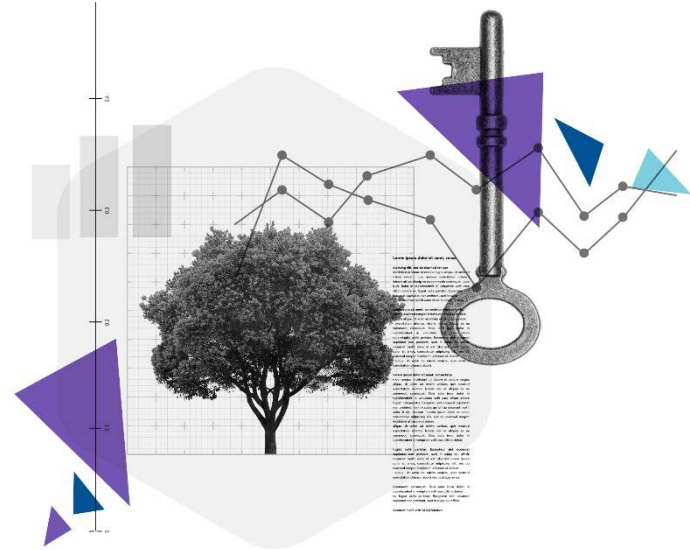
How we build software – Agile Development

Agile is a **discipline** that delivers software **frequently** with **continuous learning** through **iteration**. It ensures we deliver software **faster**, with **better quality**, **minimal risk** that meets our client's requirements.



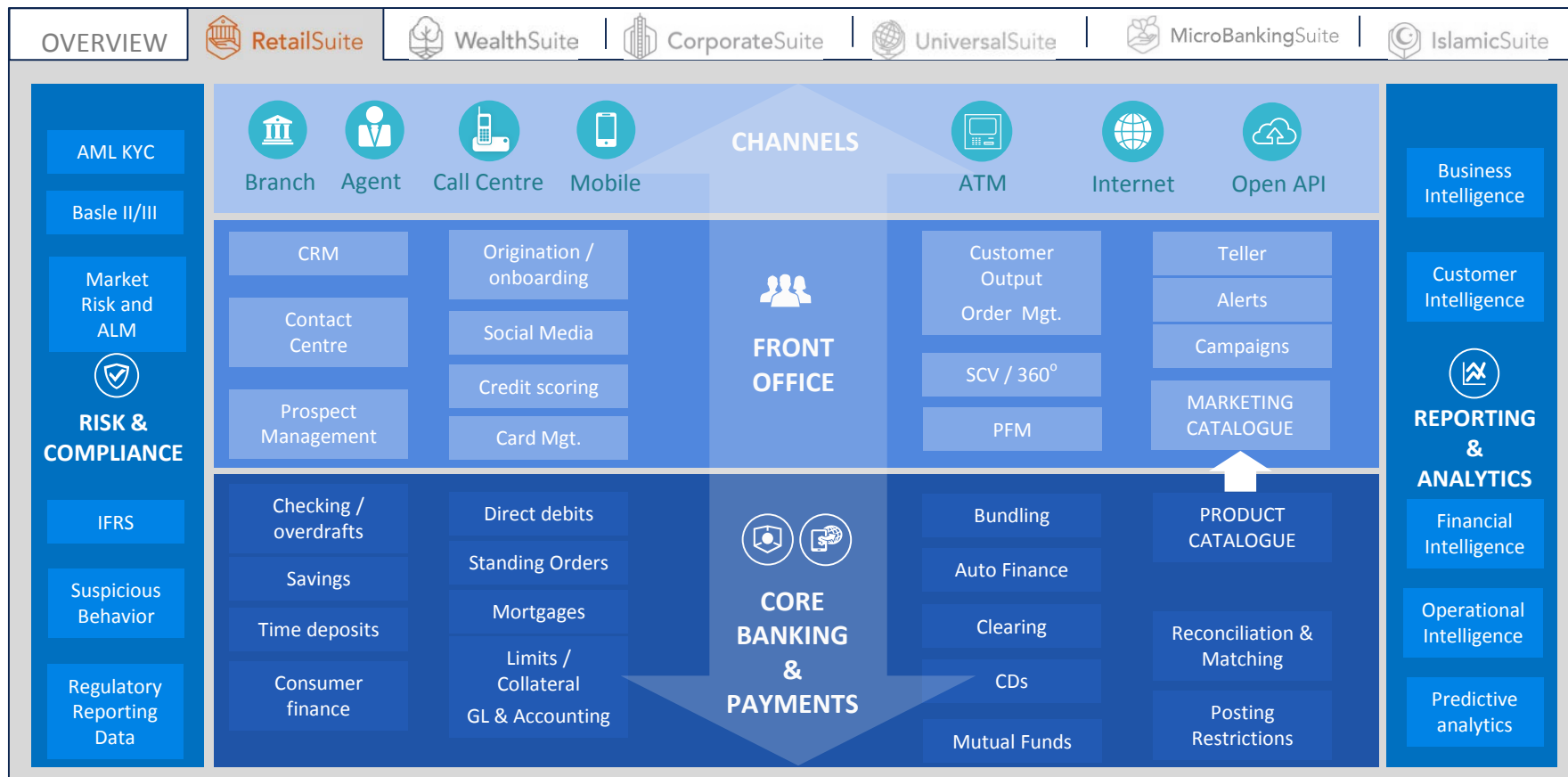
Temenos Software in action





- The Biggest banks now want packaged software
- Modern Core a prerequisite for Digital
- Our Frameworks deliver the right architecture
- Lower risk implementations via progressive renovation
- The right Partners for Tier 1
- Massive and linear scalability on commodity hardware and cloud

Business Perspective – RetailSuite



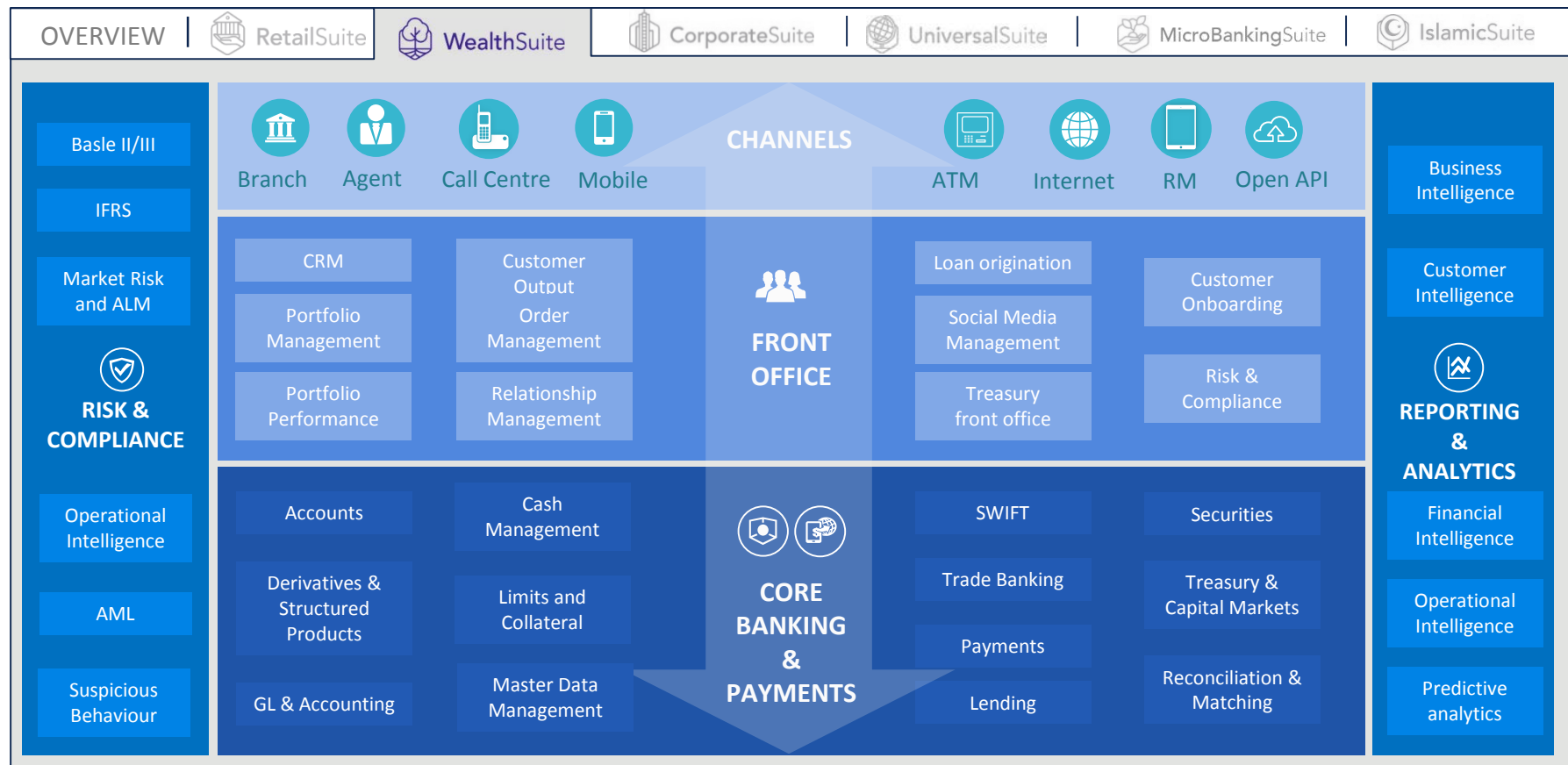
Business Perspective – RetailSuite



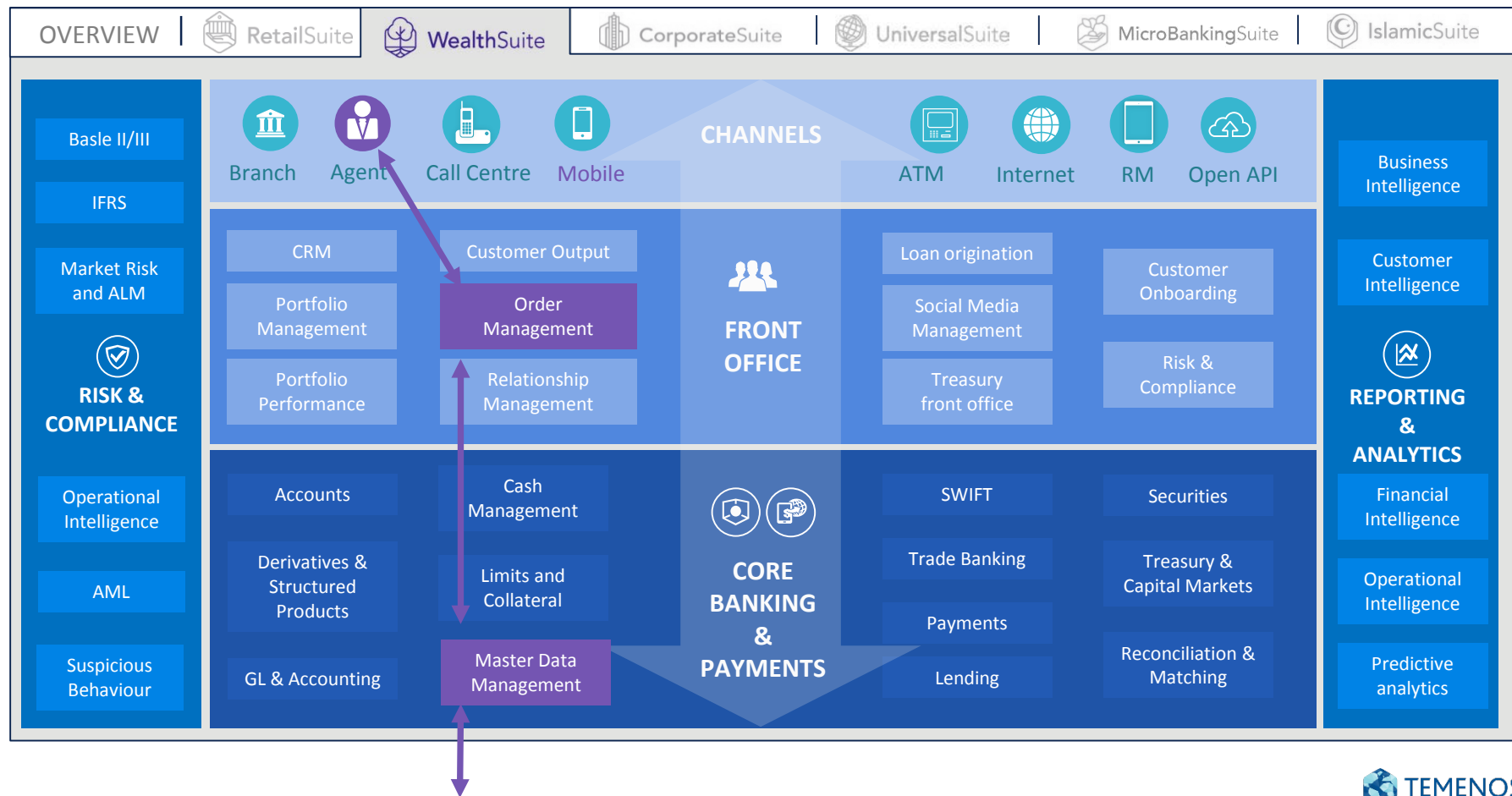
Why we win the biggest Private Banks

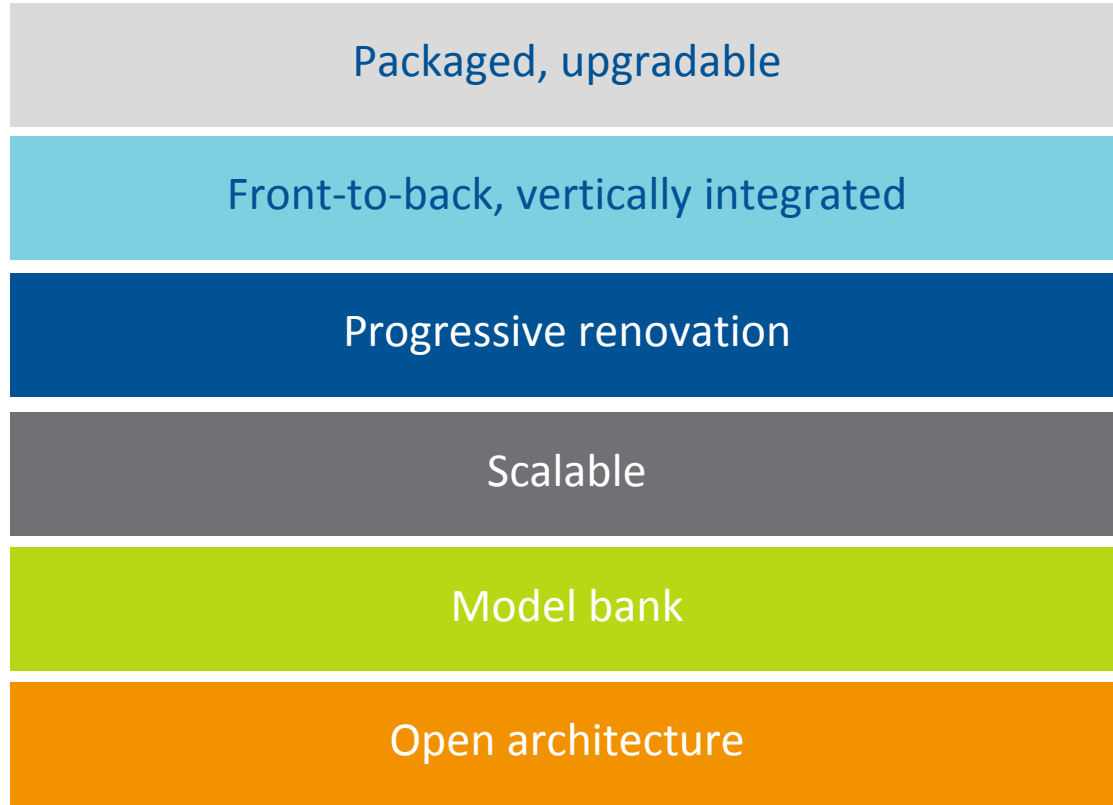
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Business Perspective – WealthSuite



Business Perspective – WealthSuite







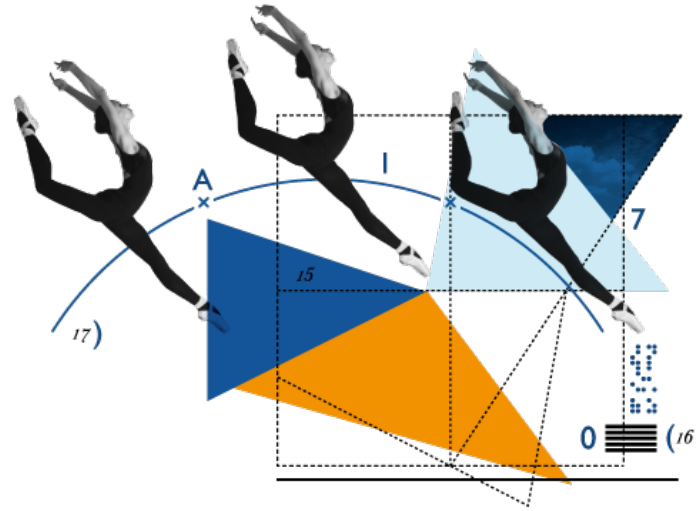
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Creating shareholder value

Max Chuard, CFO, COO

1. Creating shareholder value
2. Growth strategy
3. Medium term targets

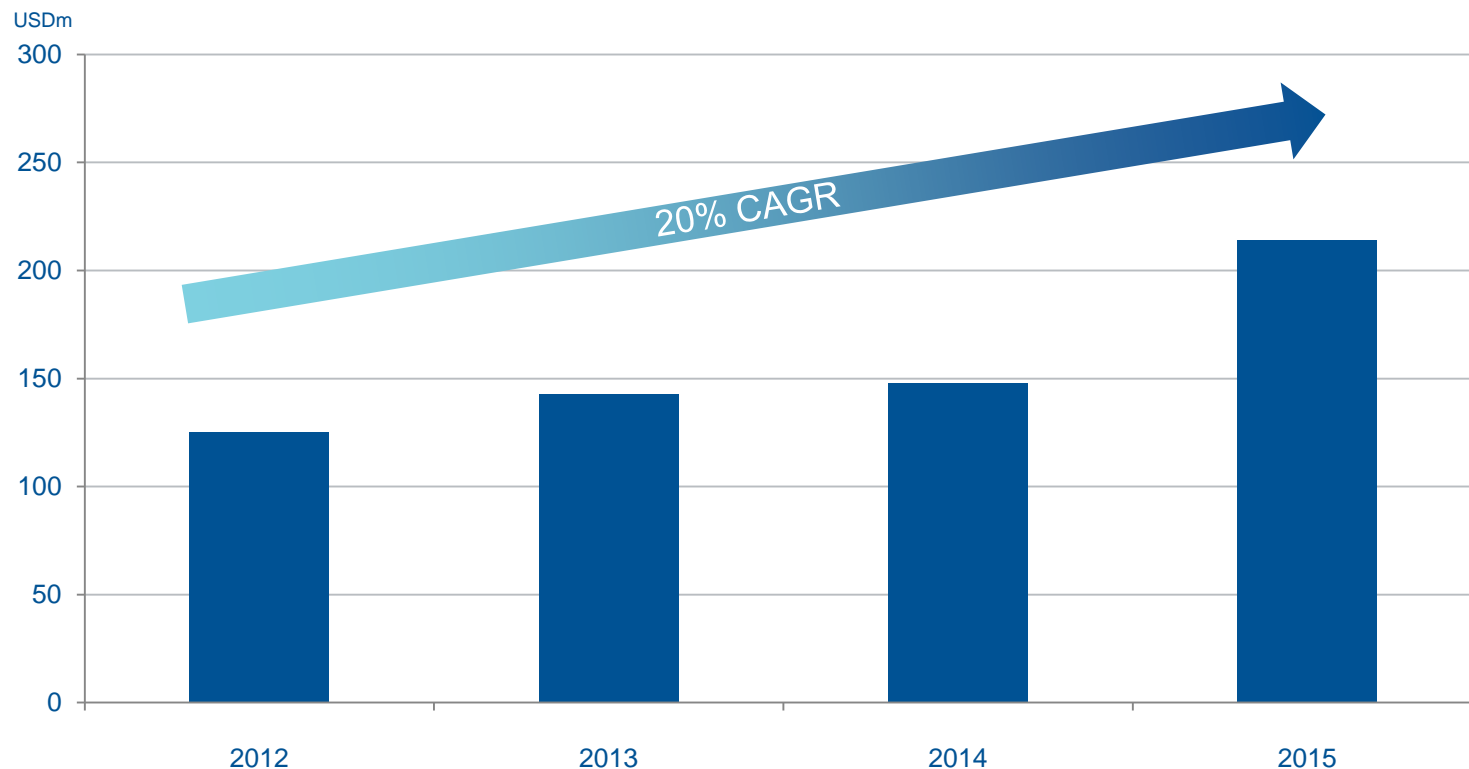


- Substantial revenue growth
- Business model drives margin expansion
- Significant free cash flow generation
- Disciplined capital allocation



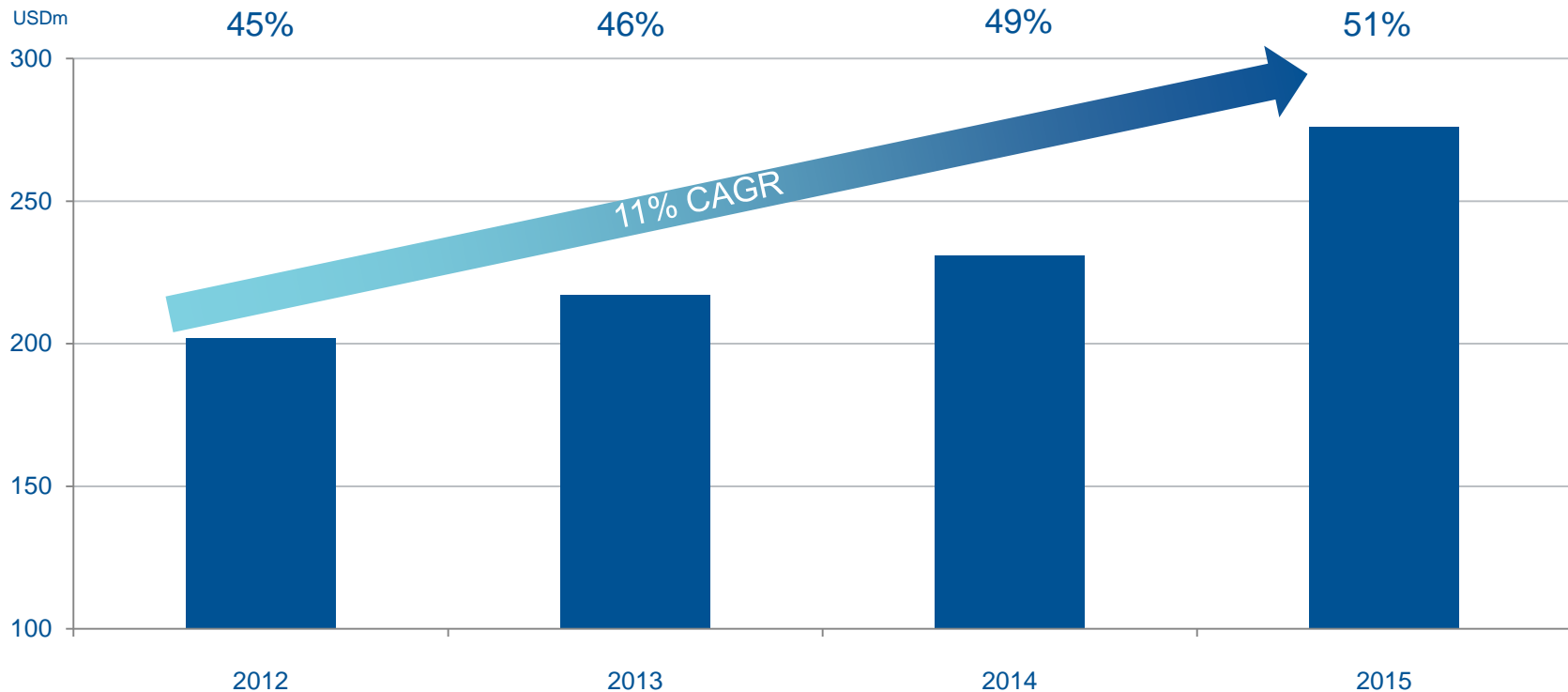
Shareholder
value

Non-IFRS Total Software License Revenues

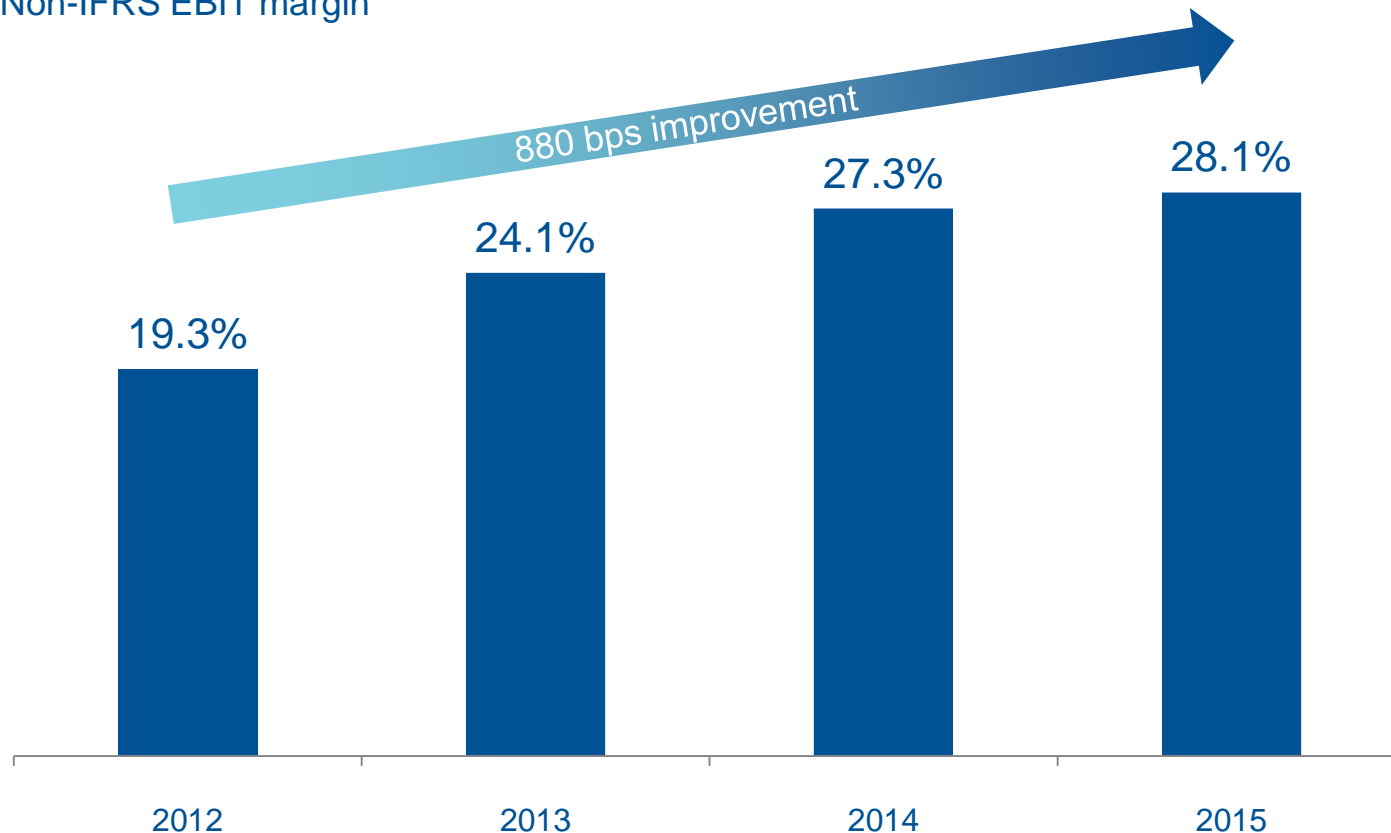


Medium term
target of
c.15% CAGR

Non-IFRS Maintenance, SaaS and Subscription revenues and as percentage of total revenues

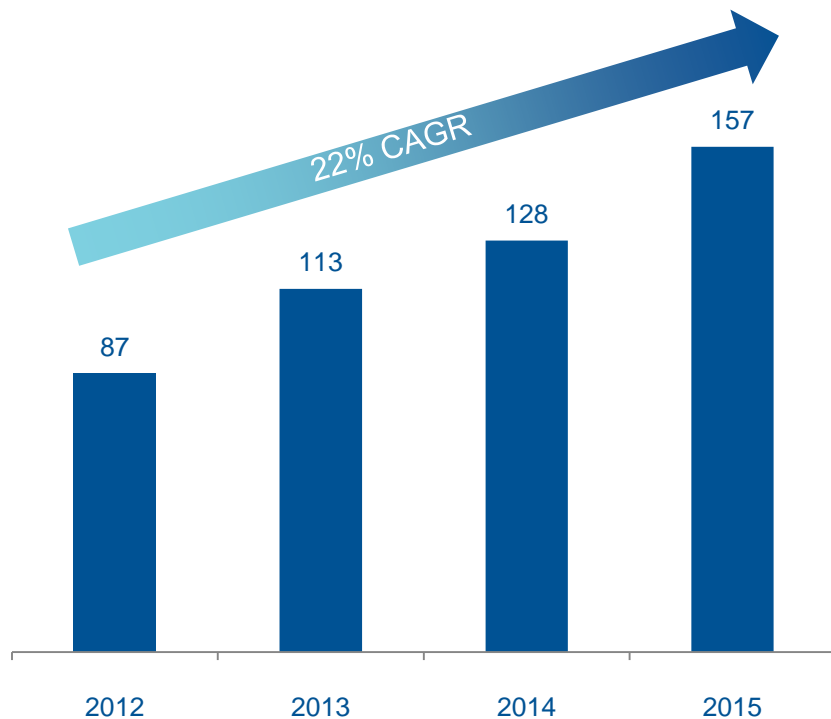


Non-IFRS EBIT margin

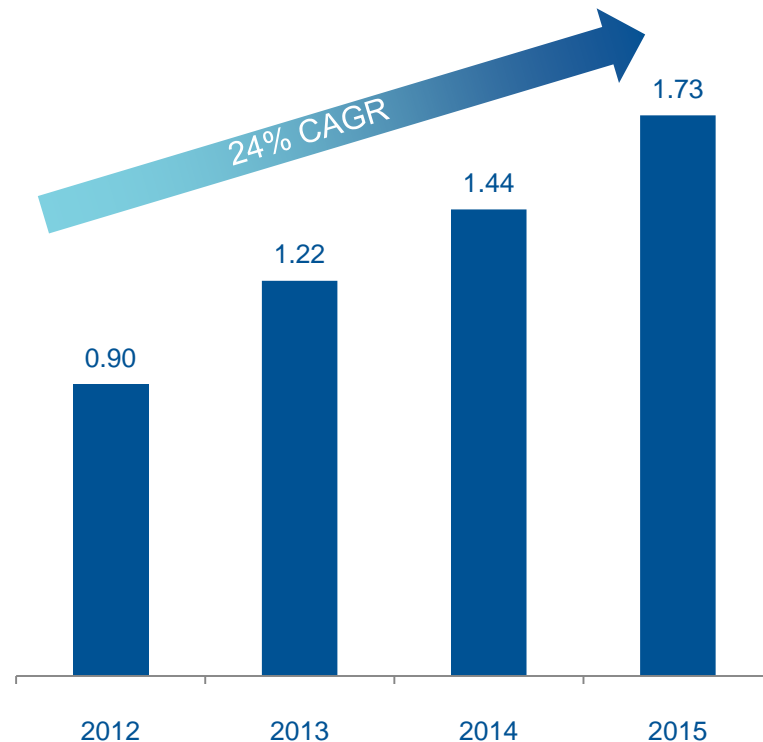


Medium term
target of
100 to 150 bps
expansion p.a.

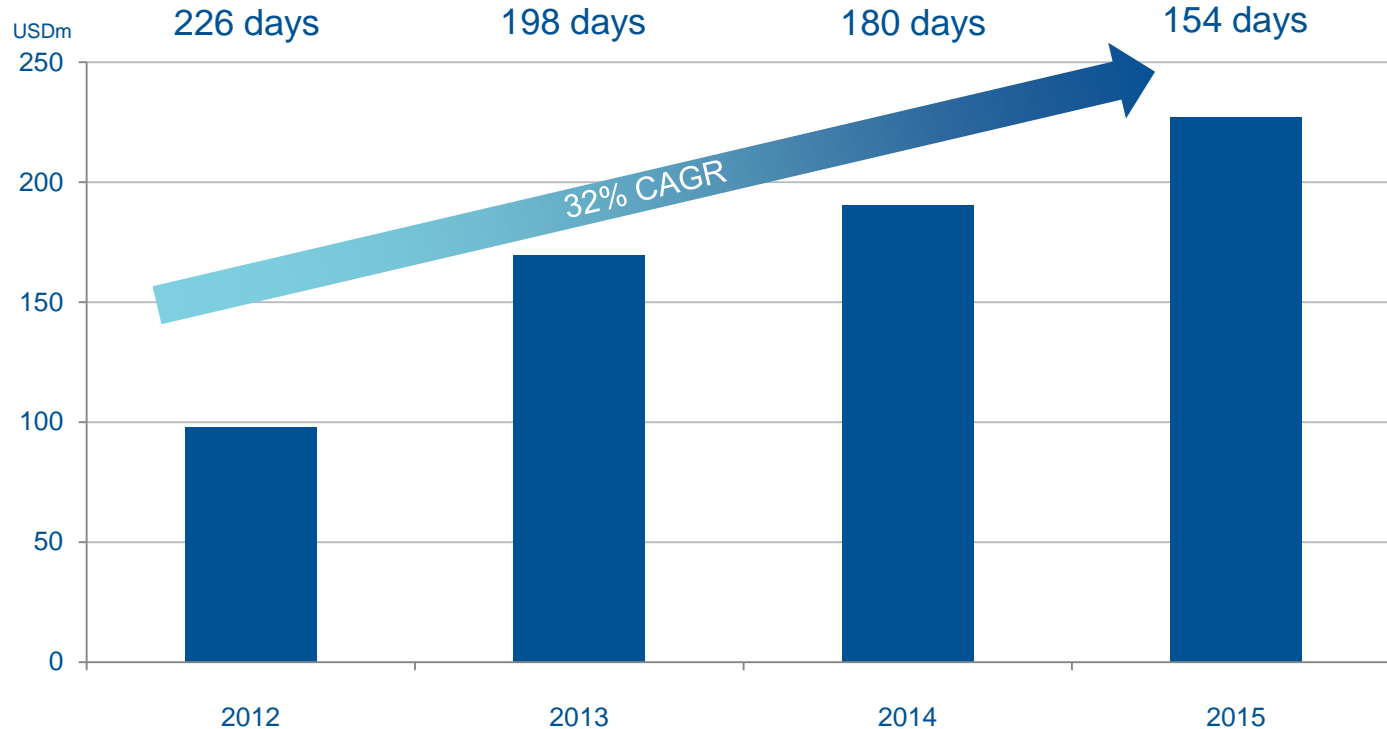
Non-IFRS EBIT (USD m)



Non-IFRS EPS (USD)



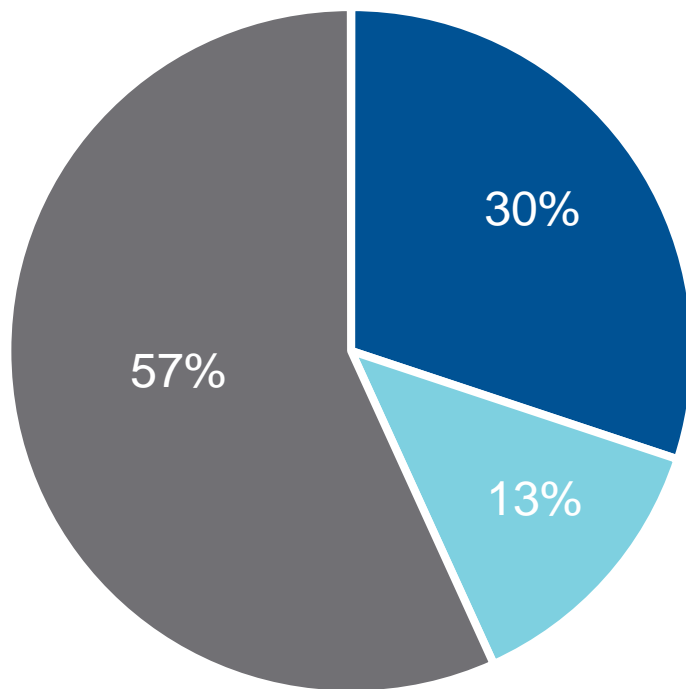
Operating Cash Flow and DSOs

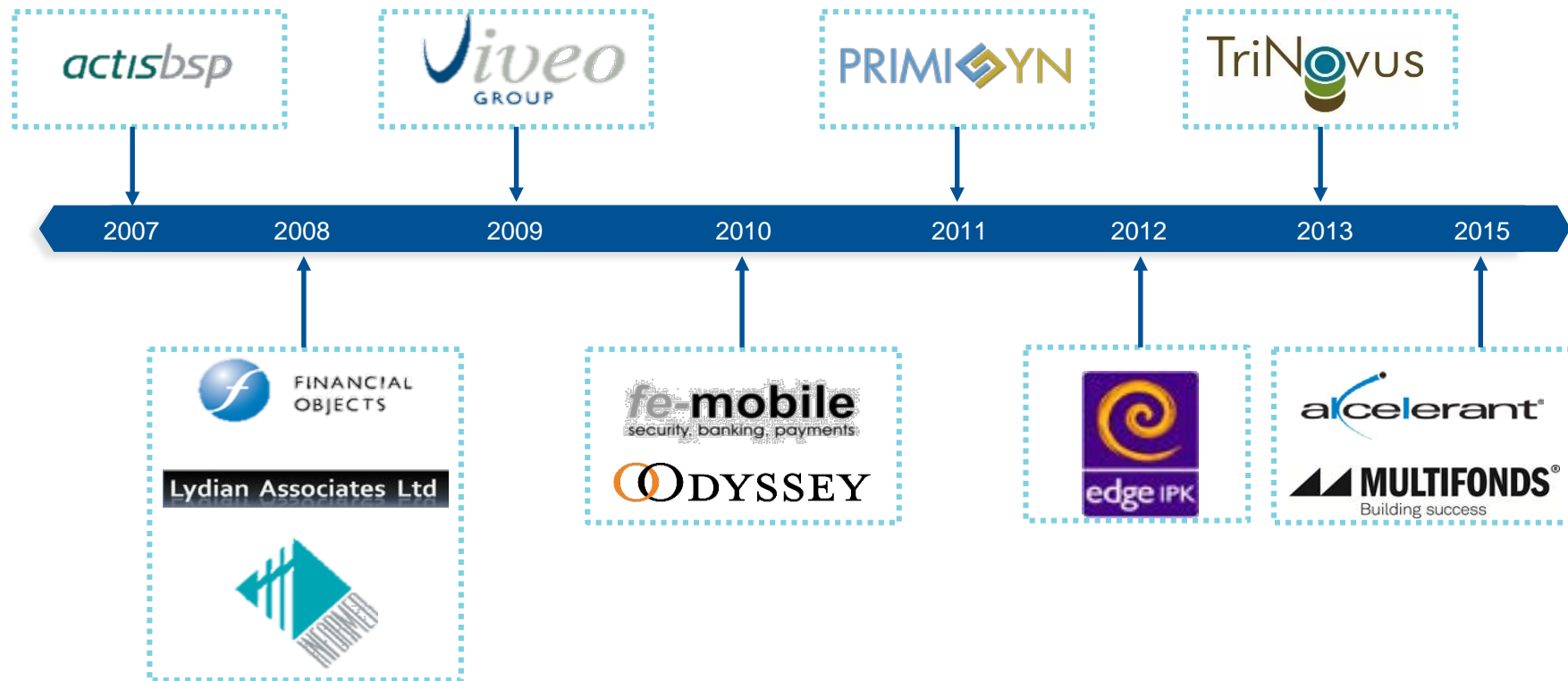


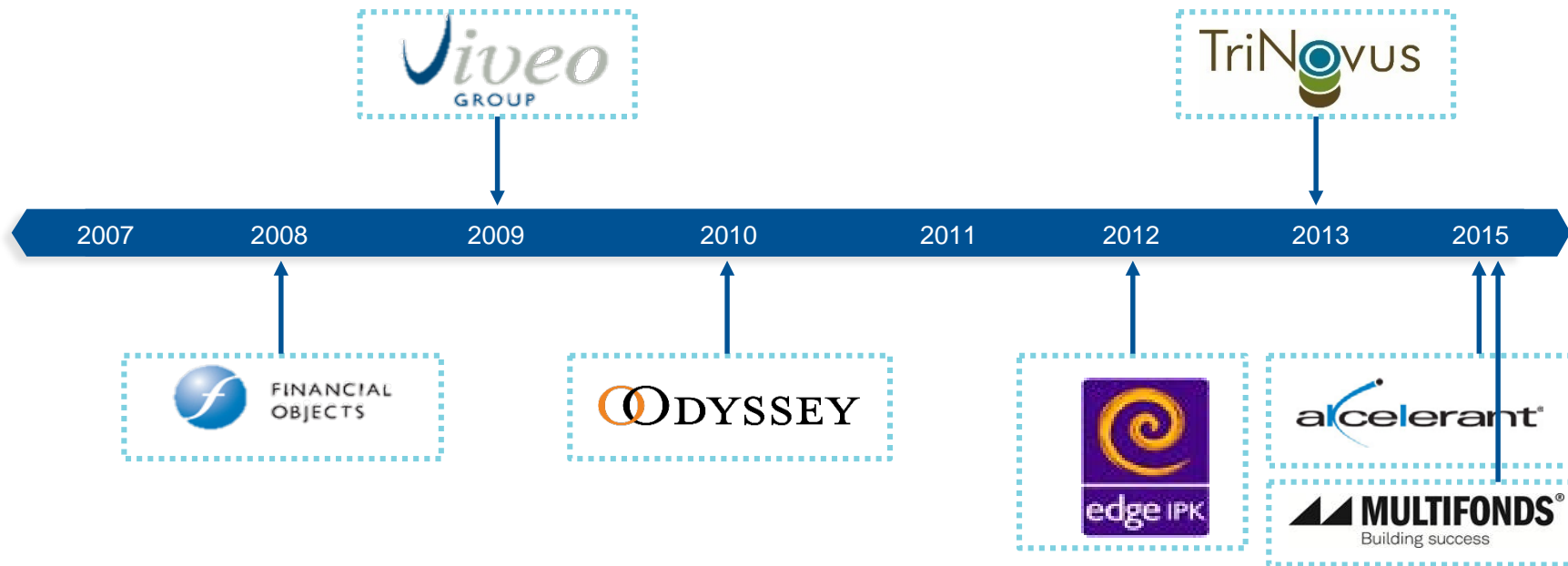
Medium term
target DSO
reduction of
10 to 15 days p.a

Capital allocation 2012 - 2015

■ Share buyback ■ Dividends ■ Acquisitions







	2012	2015
Weighted average interest rate	5.1%	3.7%
Weighted average maturity	1.5 years	2.6 years
Total available financing	USD 350m	USD 725m
Leverage ratio	0.8x	1.3x

Low-cost debt structure with significant flexibility

Total shareholder return* (31/12/15)	1 year	3 years	10 years
Temenos	48%	210%	458%
Swiss Market Index	1%	31%	106%
Stoxx Euro 600	-1%	19%	56%
Nasdaq	7%	72%	155%
Peer group average	24%	66%	282%

Exceptional shareholder value creation

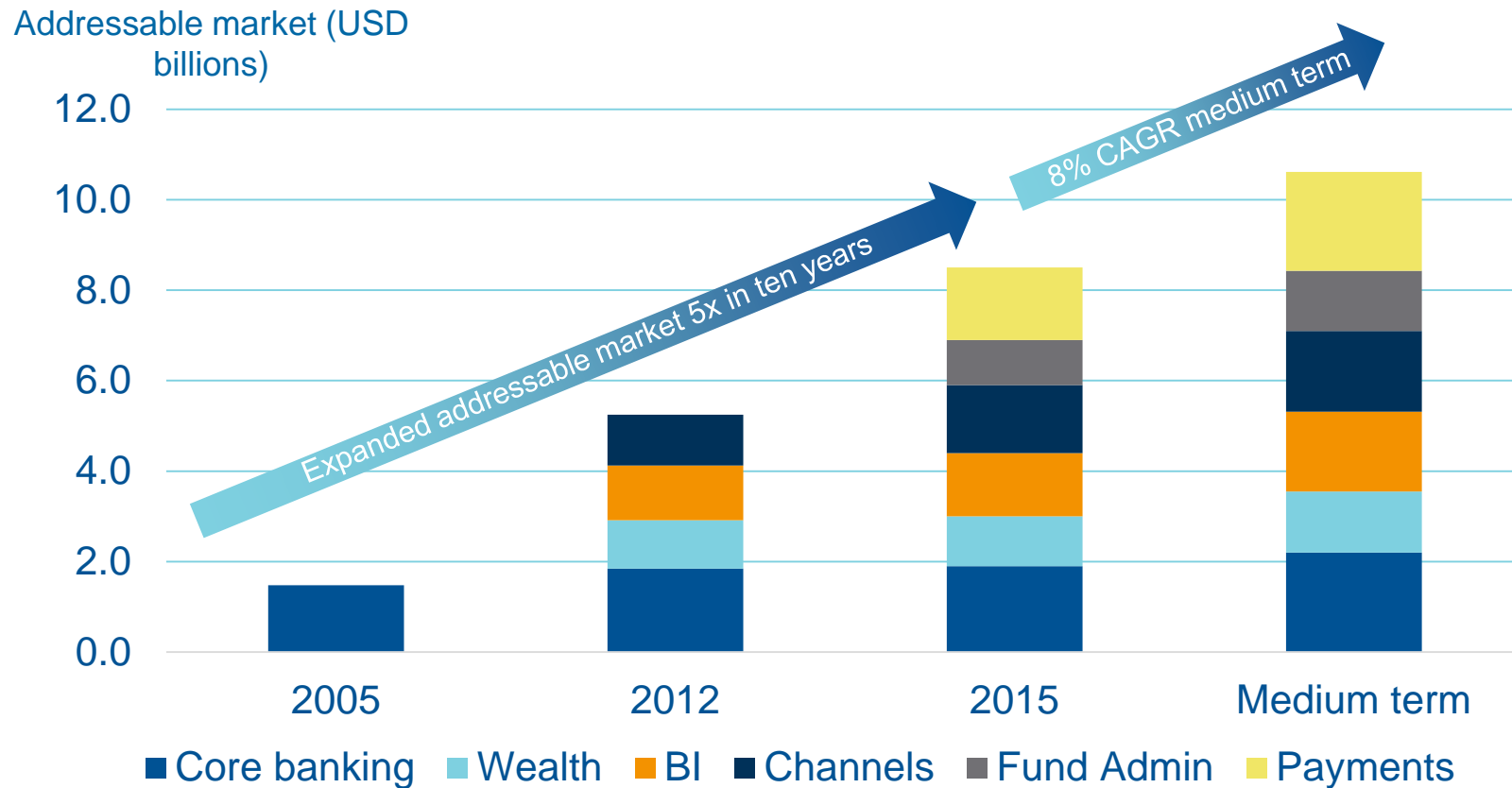
*in USD

Growth strategy

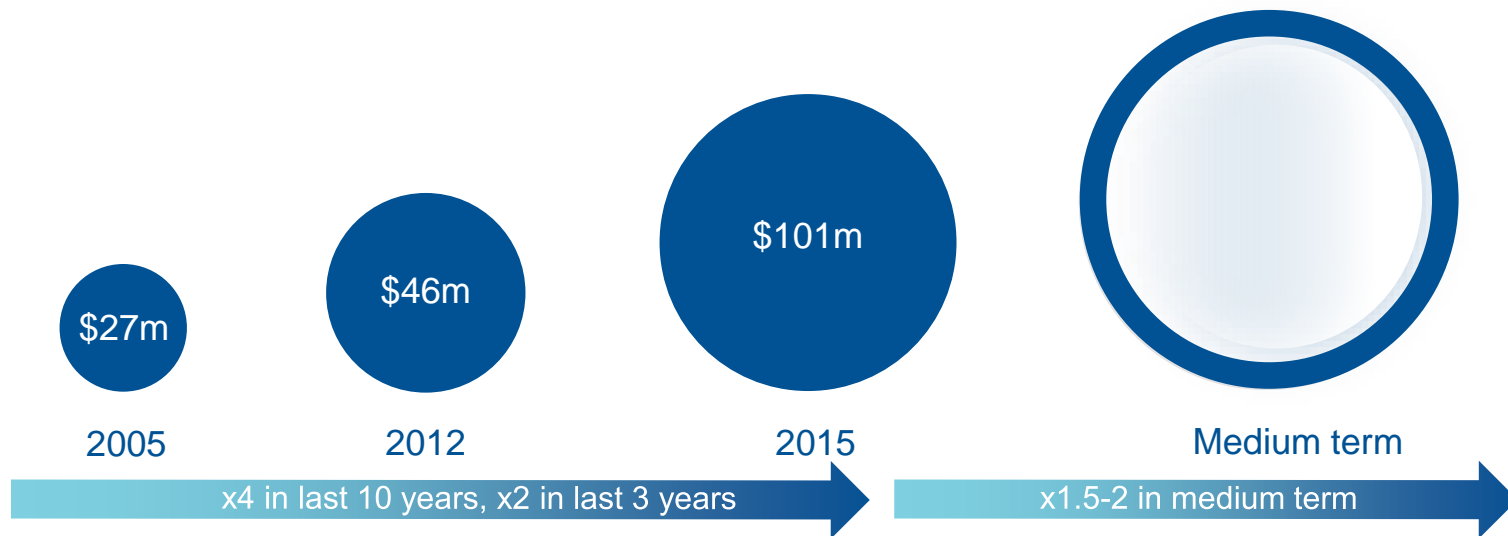


We have grown our addressable market

96



Tier 1+2 non-IFRS total software licensing revenues

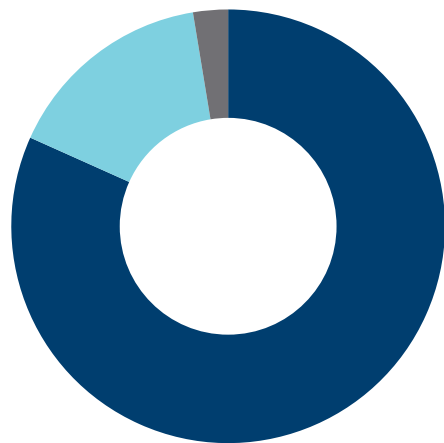


Tier 1+2 clients engaged in progressive renovation buy average of \$3-5m additional new license p.a.

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

Breakdown of the installed base

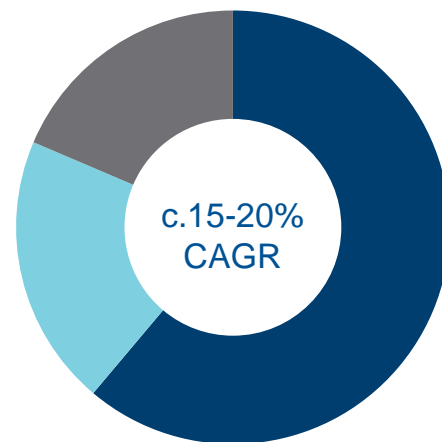
■ Cross selling ■ Tier 1+2 progressive renovation ■ Relicensing



2012



2015

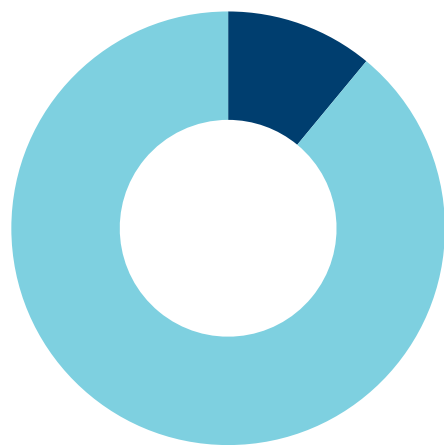


Medium term

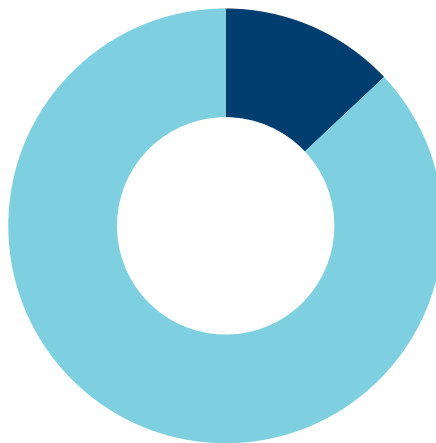
c.15-20% CAGR growth driven by multi-product penetration, progressive renovation and relicensing

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

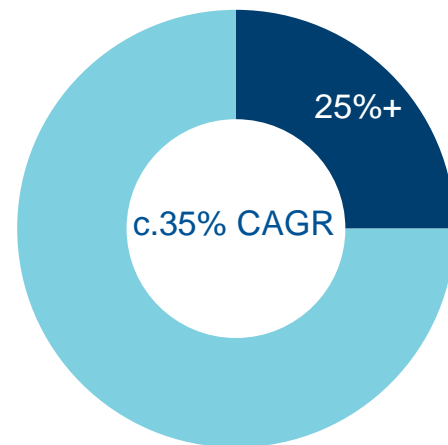
■ North America



2012



2015

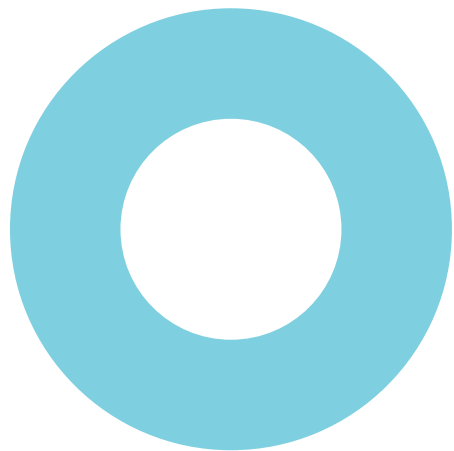


Medium term

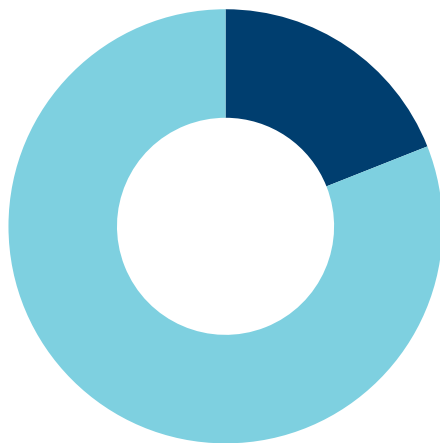
North America to become increasingly important

Non-IFRS Software licensing vs. SaaS and subscription revenues

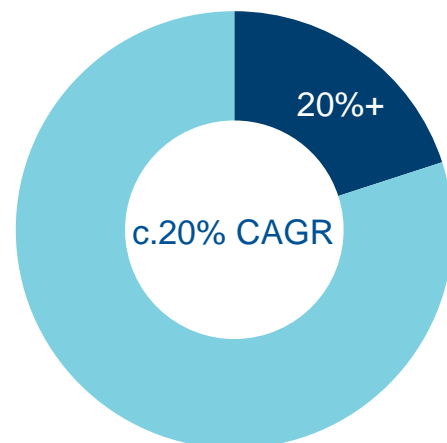
■ SaaS and subscription



2012

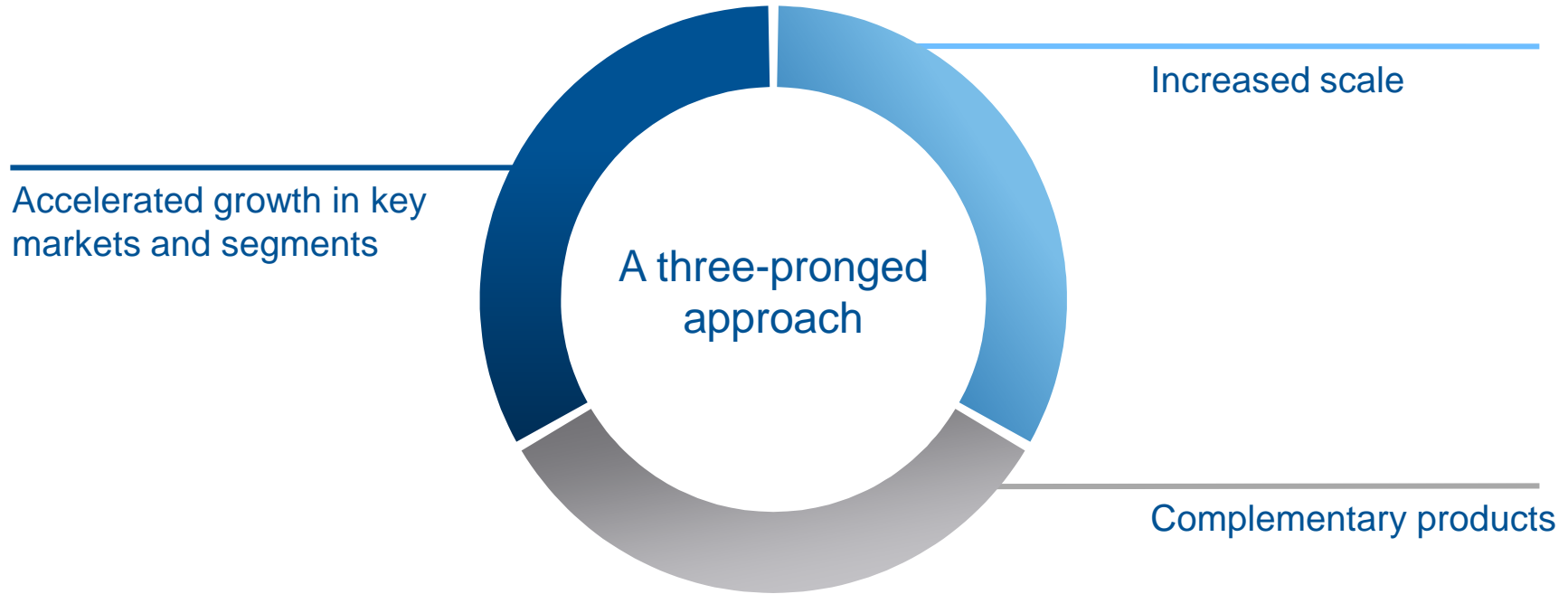


2015

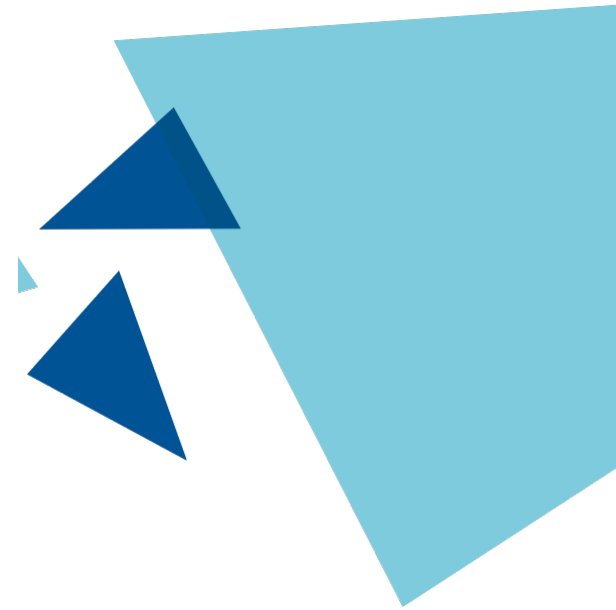


Medium term

SaaS and subscription revenues expected to grow rapidly



Medium term targets



Metric (Non-IFRS)	2012-2015 performance	Medium term targets
Total software licensing	20% CAGR	15% CAGR
Total revenue	7% CAGR	10% CAGR
EBIT	293bps p.a.	100-150bps
EPS	24% CAGR	15% CAGR
Cash conversion	118% p.a.	100%+ of EBITDA
Tax rate	14% p.a.	17-18%
DSO reduction	24 days p.a.	10-15 days reduction

Thank you



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