



TEMENOS

Capital Markets Day

15 February 2017

Agenda

10.00 – 10.45	Strategy and vision	David Arnott, CEO
10.45 – 11.30	The US opportunity	David Roller, CIO, Commerce Bank
11.30 – 11.45	Coffee	
11.45 – 12.30	Product leadership	Mark Winterburn, Group Product Director
12.30 – 13.00	Creating shareholder value	Max Chuard, CFO, COO
13.00 – 13.15	Q&A	
13.15 – 14.00	Lunch	

Strategy and vision

David Arnott, CEO



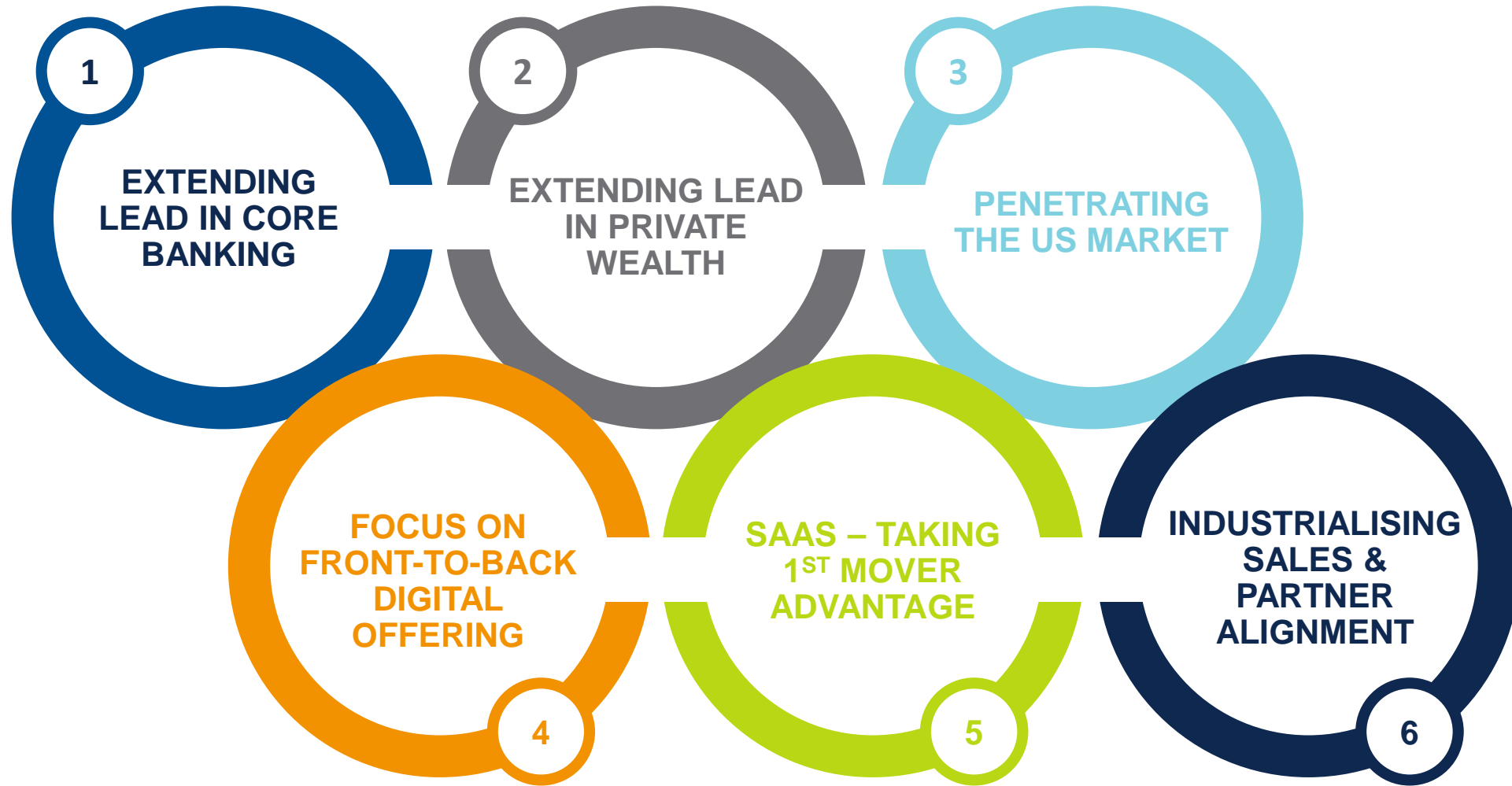
The digital pressures on banks are intensifying.

Vendor of choice for Tier 1 banks, significant barriers to entry.

We are pulling ahead of our competition.

We continue to deliver on our strategic initiatives.

High quality growth underpinned by multiple drivers.



- ✓ Core → Signed largest Retail deals globally, Bol and Laurentian
- ✓ Wealth → Win rate remained at nearly 100%, including Standard Chartered, largest deal globally
- ✓ US → Signed Commerce Bank, 38th largest bank in the US, expanded distribution capabilities
- ✓ Digital → Front-to-back digital offering central to Tier 1 deals, substantial progress made on digital offering
- ✓ SaaS → Three regulated banks going live in Azure in next 12 months
- ✓ Sales/Partners → Significant expansion in global sales force, partners involved in largest deal wins and majority of implementations

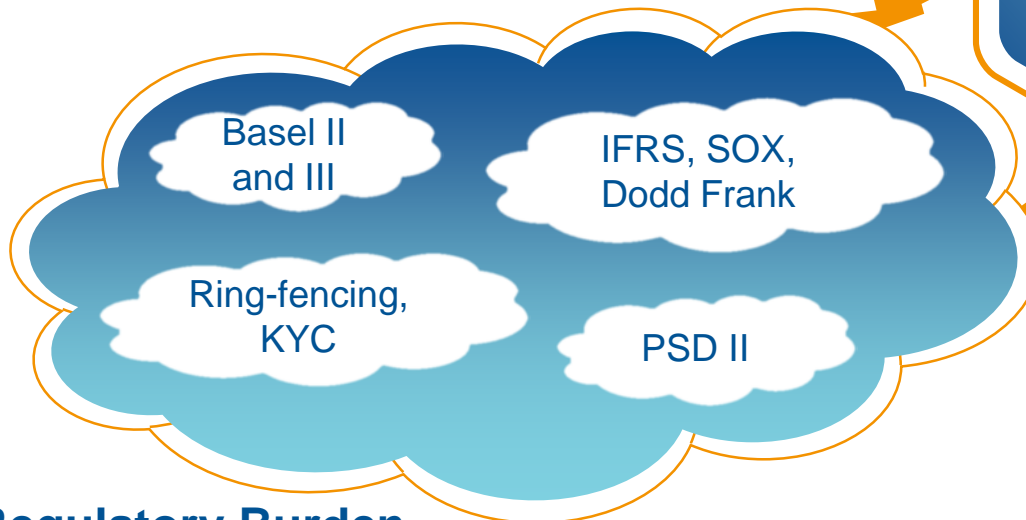
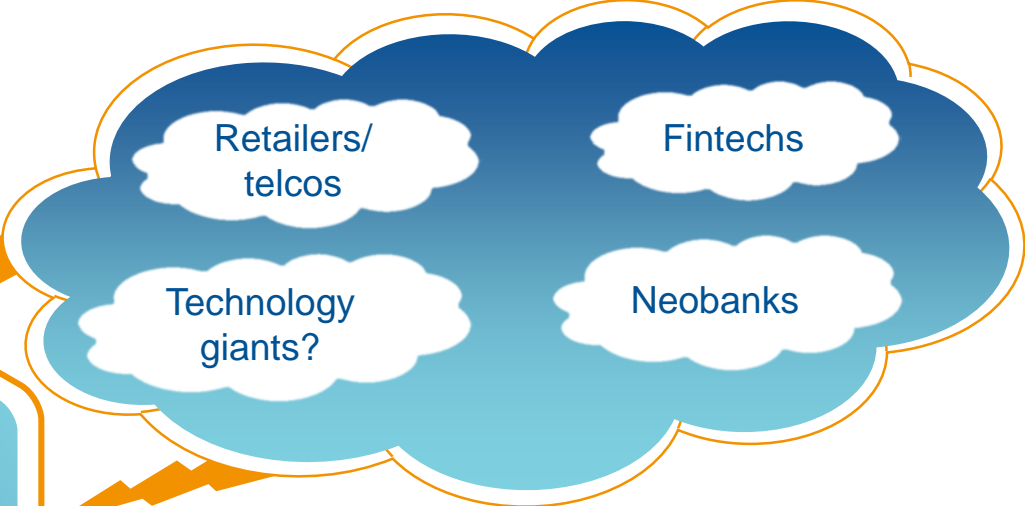
We won all of the major deals in the market

8



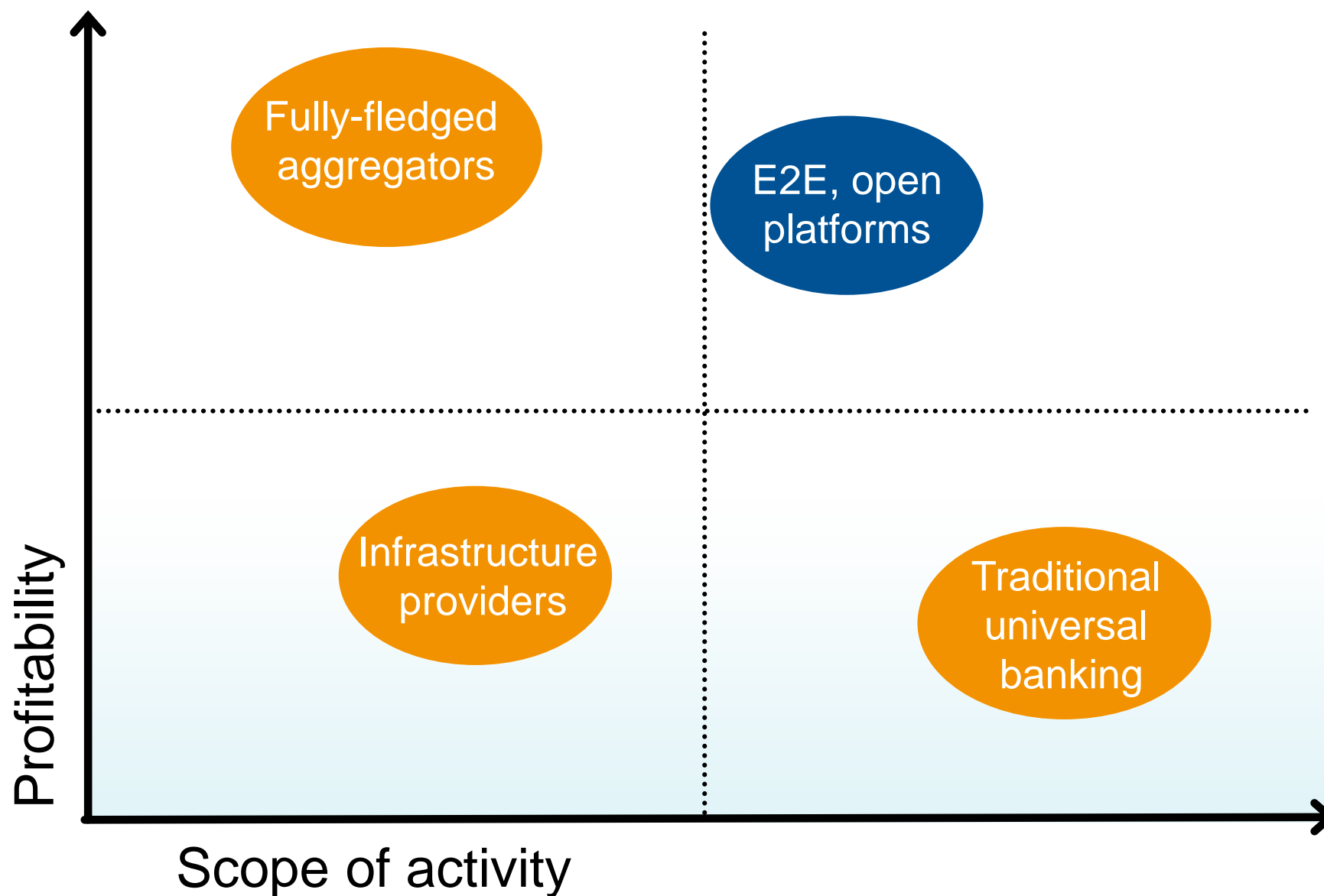
Demanding Customers

Rise of New Competitors



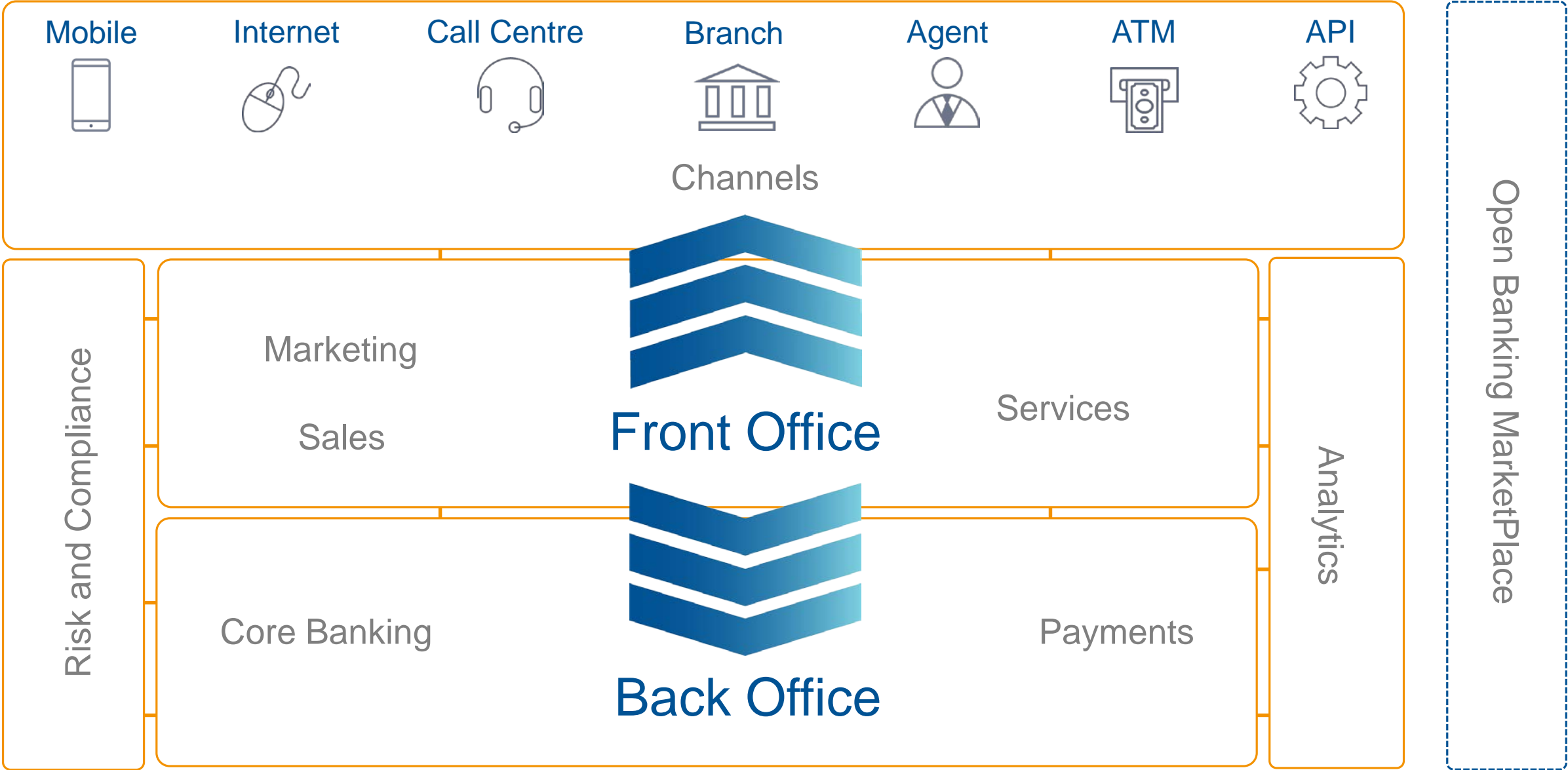
Regulatory Burden

Tough Market Conditions



Banks of the future must choose where they want to compete in the value chain

Full Front-to-back Integrated Stack



Top barriers to the success of a digital strategy

**1**

Complex and legacy core banking systems

**2**

Regulatory environment

**3**

Securing budget from the Board

“

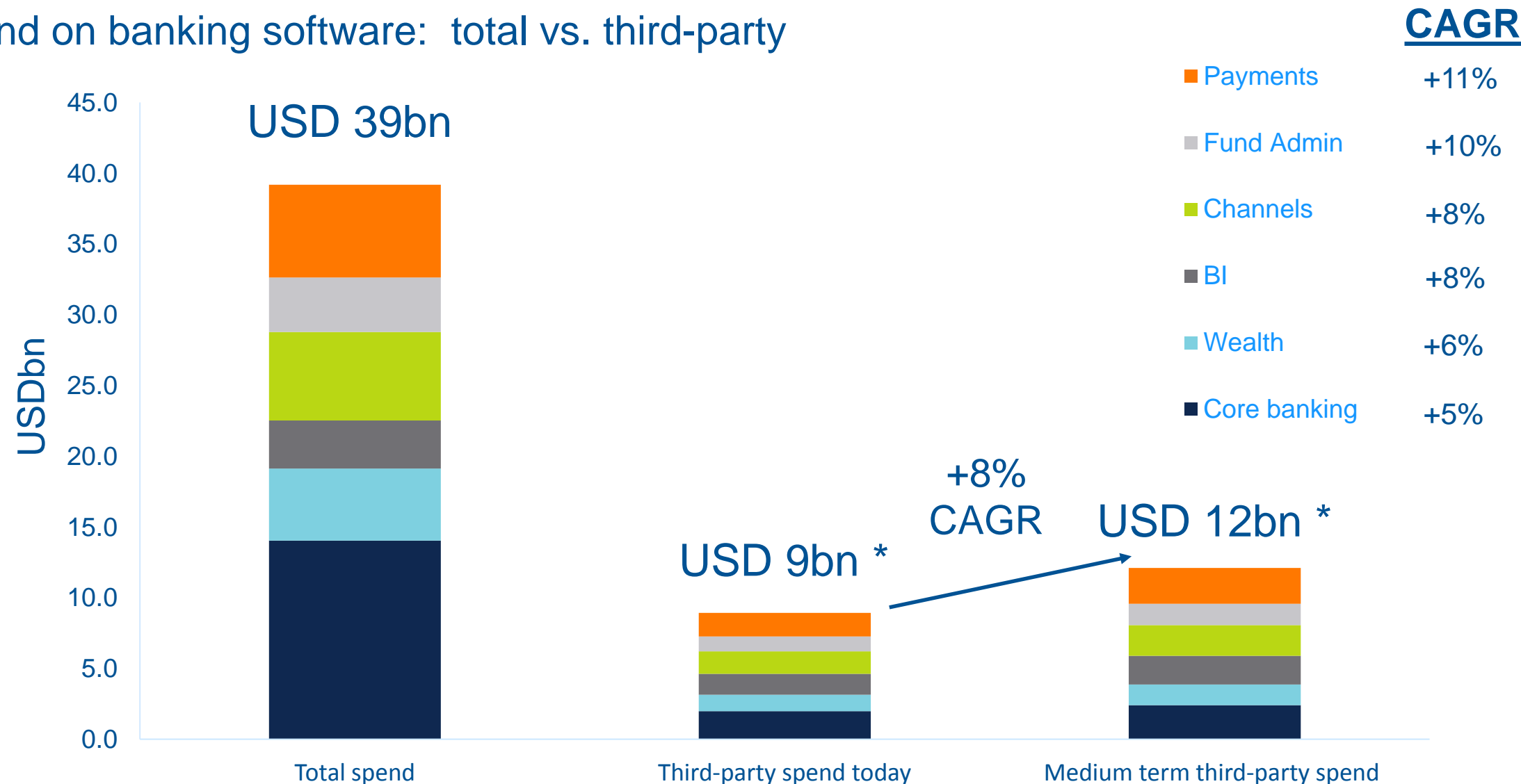
Heavy investments in channel solutions, without supporting back office business capabilities... deliver only a minor share of expected value.

FORRESTER®

”

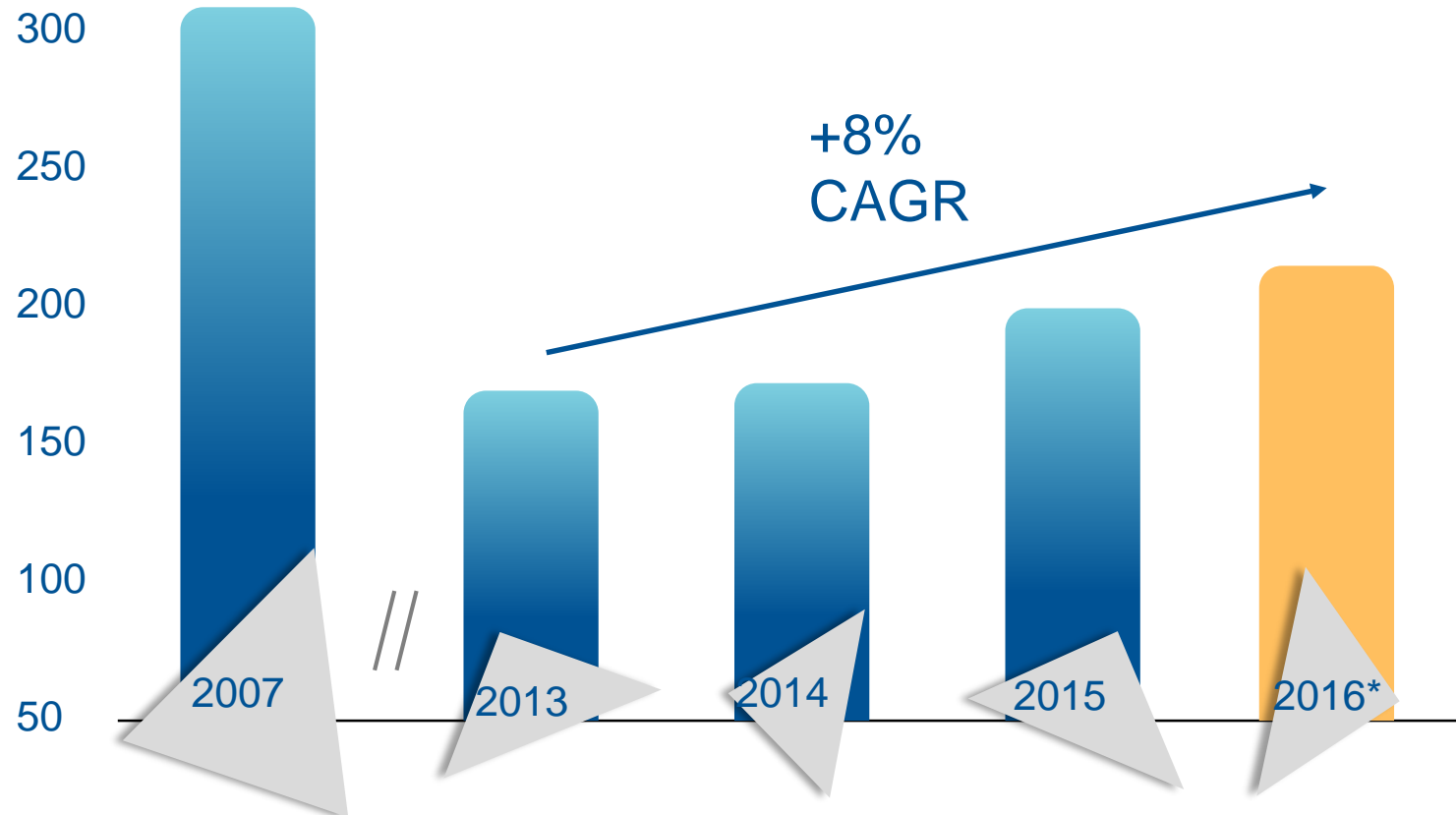


Spend on banking software: total vs. third-party



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

Annual core banking sales volumes



Source: IBS, *2016 is Temenos estimate, Temenos addressable market segments



IBS INTELLIGENCE
www.ibsintelligence.com

**#1
position**

For the last
4 years

**Top 2
position**

For the last
17 years

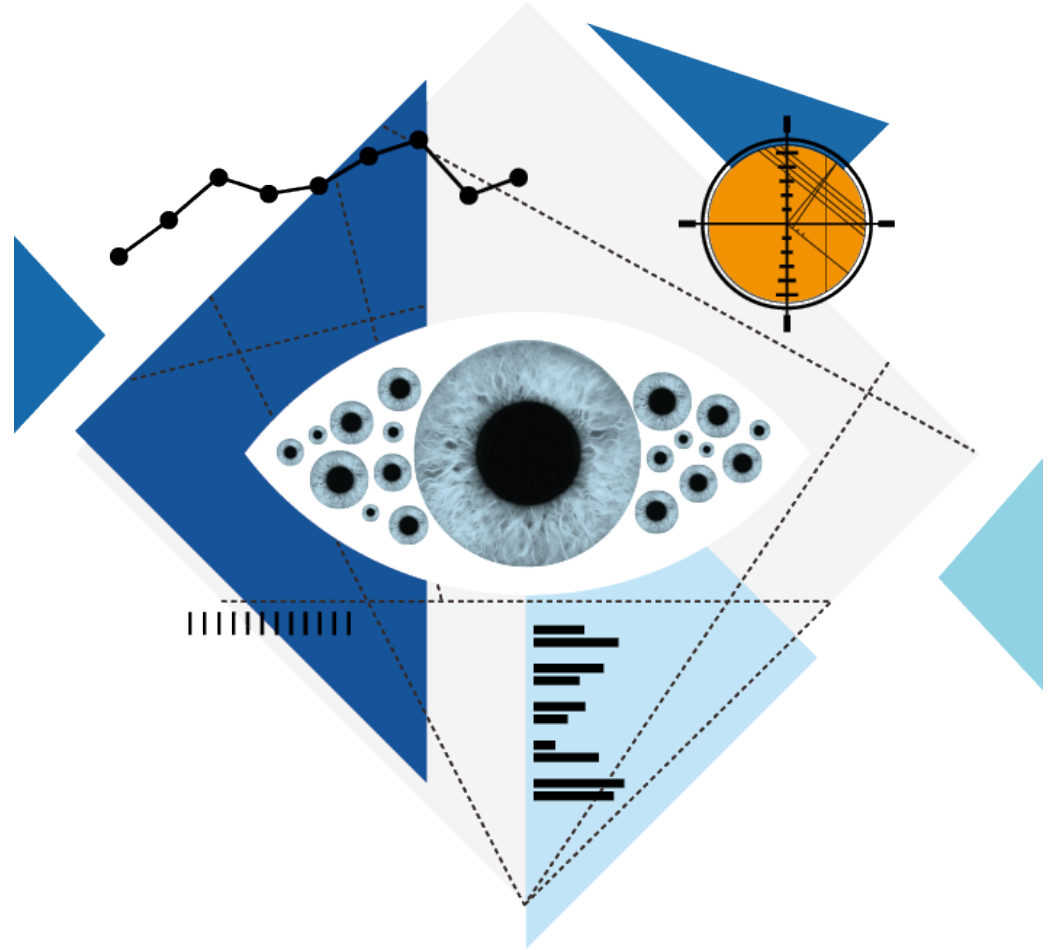


Top position
for 11th year
in a row

FORRESTER®

**Best-selling vendor for both new-name
clients and new & repeated business**

Looking forward



Julius Bär

Progressive renovation



Rich model banks for 30+ countries

Nordea

First go-live already achieved



Bank of Ireland

First milestones in 2017

Tier 1 credentials create barriers to entry for the competition

Back-to-front

Julius Bär

ally



Front-to-back

CREDIT SUISSE 

BMO  Bank of Montreal

BIL  BANQUE
INTERNATIONALE
À LUXEMBOURG
1856

Build & Migrate

EQ Bank Canada  Bank

PEPPER.

by Bank Leumi Israel

Taking our key references live and showcasing them

Growth in number of FIs 2011-2016

Major Accounts

> USD 10bn

c. 120 banks and credit unions . \$10bn assets

Focus on core banking and digital

+8%

Mid-market

> USD 1bn

c. 1,300 – 1,500 banks and credit unions

Focus on early core banking adopter and digital

+21%

Community Market

< USD 1bn

c. 10,000 community banks and credit unions

Future focus on compliance

-23%

Temenos named digital 'Market Leader' in Ovum's Global Digital Banking Platform Decision Matrix

“

With Temenos...banks get capabilities that equip them for the digital economy. Ovum recommends that banks shortlist Temenos when searching for a competitive digital banking platform solution.



”

BEST EMERGING/INNOVATIVE TECHNOLOGY
PRODUCT/SERVICE



Temenos is at the forefront of digital innovation



Our strategic partners are key to securing large deals



20%+

Increase in sales headcount



Launched Sales Academy





- First regulated FI signed in the cloud
- Go-Live in 2017



- Our first regulated Wealth client in cloud
- Go-Live in 2018



- ERI Bancaire replacement in the cloud
- Go-Live 2017

Our strategy with Microsoft Azure delivers lowest TCO

The digital pressures on banks are intensifying.

Vendor of choice for Tier 1 banks, significant barriers to entry.

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High quality growth underpinned by multiple drivers.



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The US opportunity

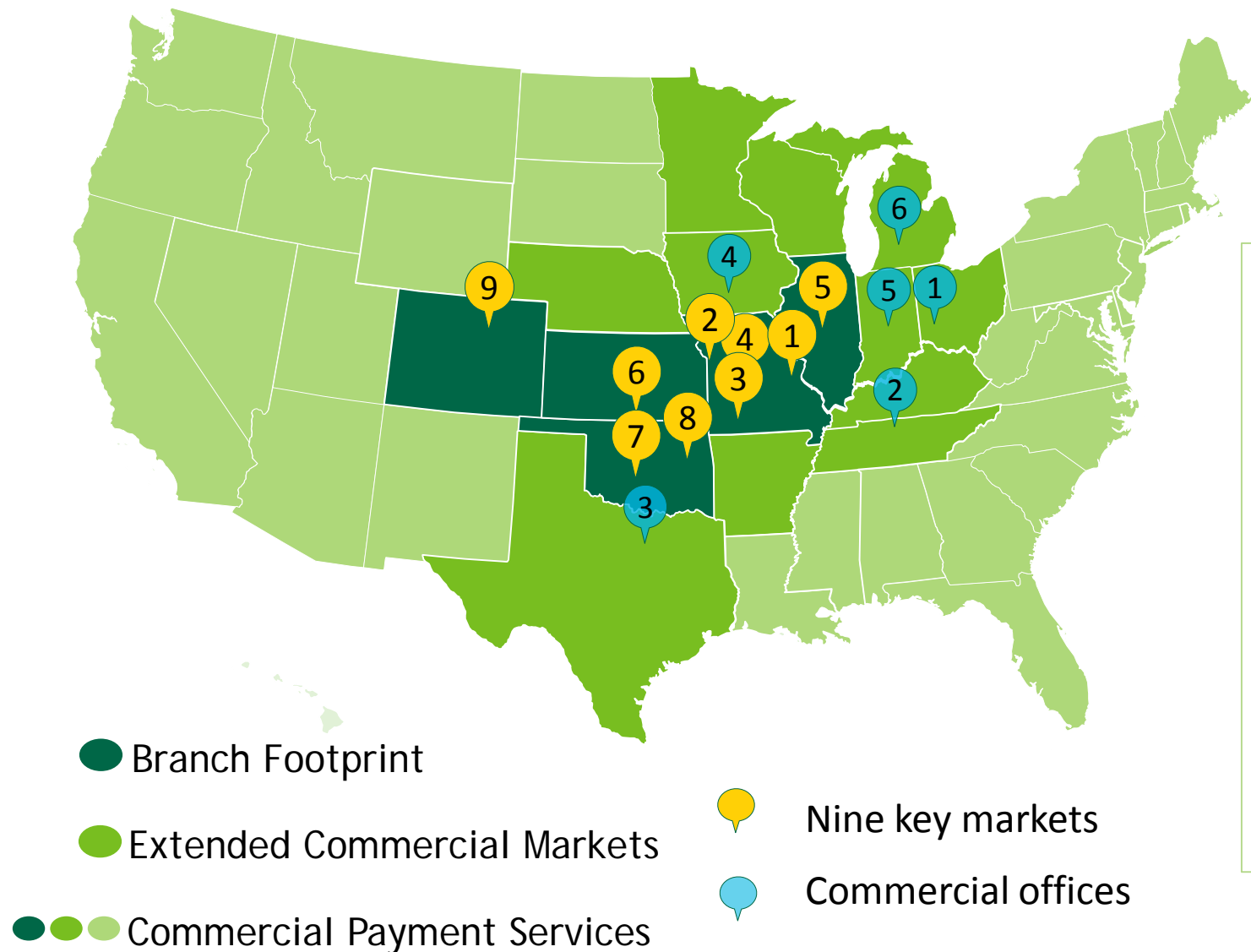


Commerce Bank

Core Transformation

Dave Roller
Senior Vice President
Chief Information Officer

About Commerce Bancshares, Inc.



Super-Community Bank
founded in 1865

39th largest U.S. bank¹

\$25.6 billion in assets

\$21.1 billion in total deposits

\$43.1 billion in Trust asset²

Source: ¹SNL Financial as of 09/30/2016, Company reports & filings as of 12/31/16:

²Assets under Administration

Super-Community Bank Platform

A CONSISTENT STRATEGY WITH A LONG TERM VIEW

Community Bank



- Responsive to customer needs and changing preferences
- Core values embraced by employees
- Award winning customer service
- Focus on the full client relationship

Customer relationship-based

We ask, listen and solve.

High performing teams and engaged workforce

Investment in distinctive, high-return businesses

Long history of top quartile credit quality metrics

Disciplined approach to acquisitions

Focus on operational efficiencies

Super-Regional Bank



- Sophisticated payment system capabilities
- Broad consumer product offerings
- Private Banking; Trust; Capital Markets
- Shareholder driven and strong financial performance
- Competitive on unit costs

A strong emphasis on culture

Giving **VOICE**
to our
VALUES



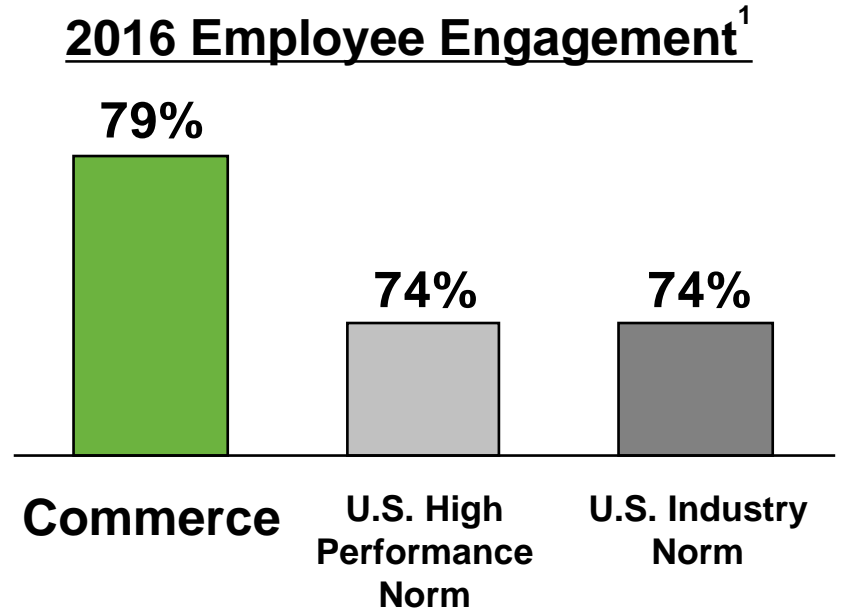
We have a
long term
View

We
collaborate
as **O**ne team

We act with
Integrity

We are
Customer
focused

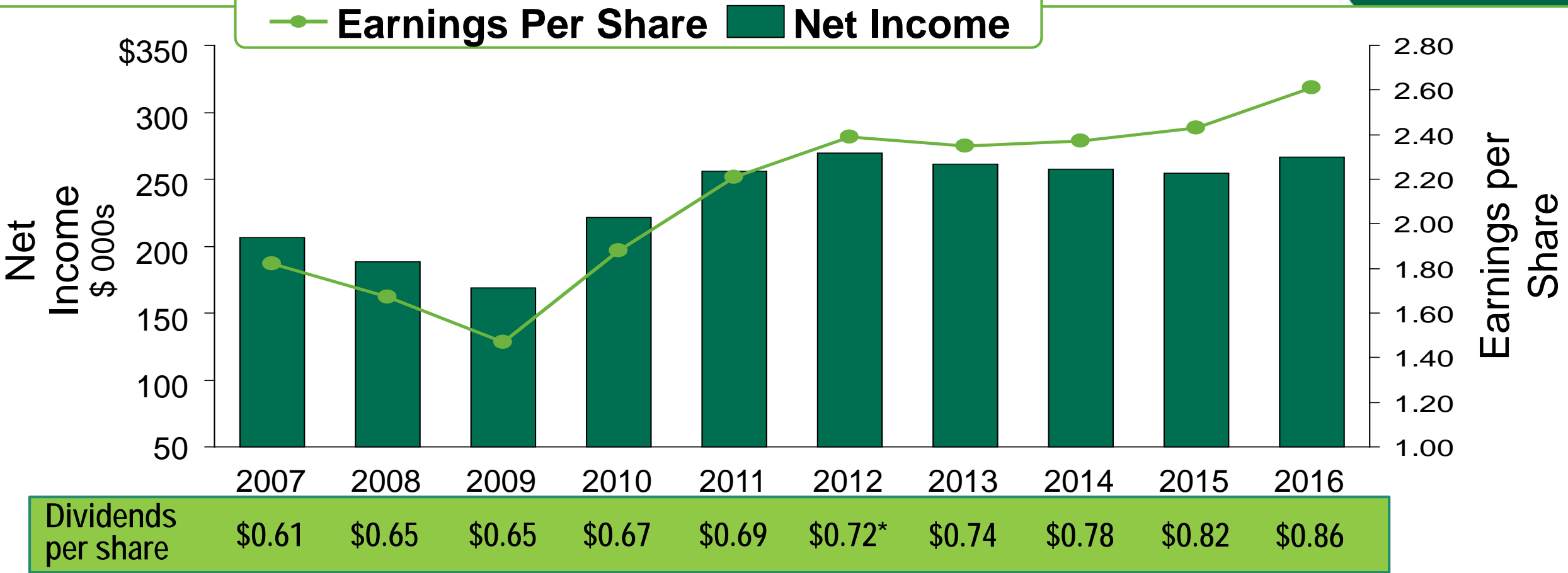
We strive for
Excellence



¹The Hay Group – 2016 survey results

ENABLES EXECUTION OF CORPORATE STRATEGIES

Long term view: net income & earnings per share



EPS REMAINS STRONG

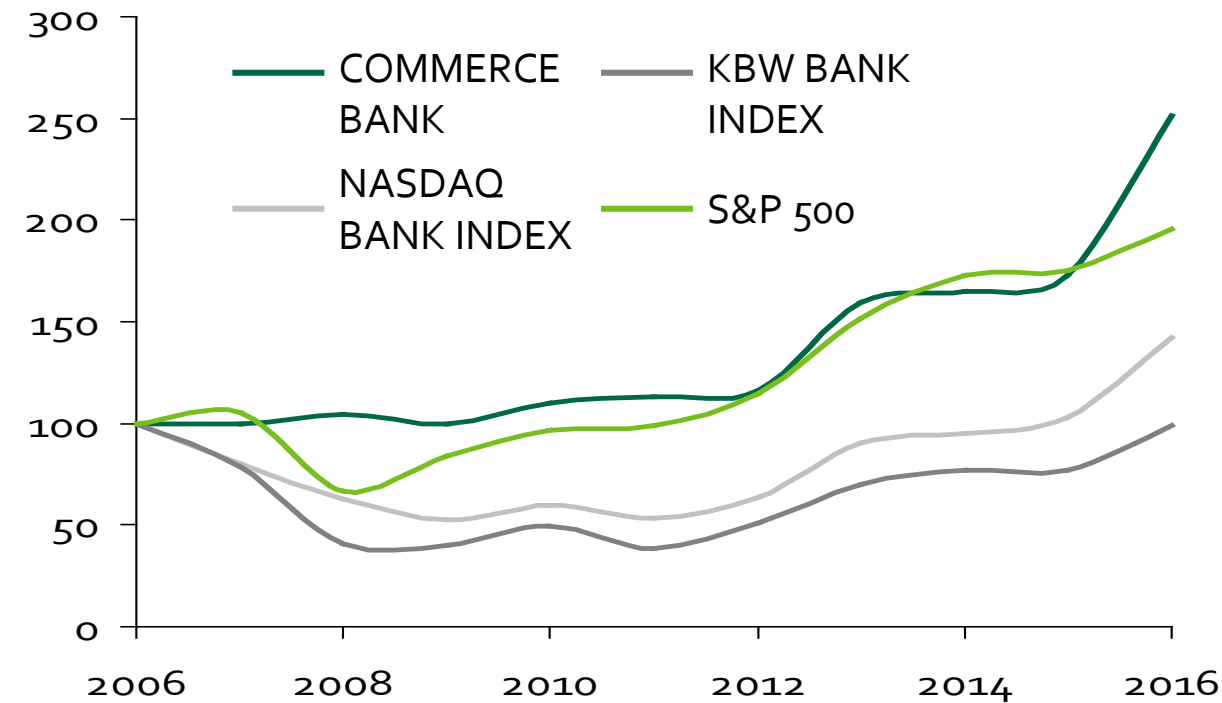
49TH CONSECUTIVE YEAR OF DIVIDEND GROWTH IN 2017

*Excludes 2012 special dividend paid of \$1.18
All data has been restated for 5% stock dividend distributed in December 2016
Source: Corporate Finance

Steady shareholder returns

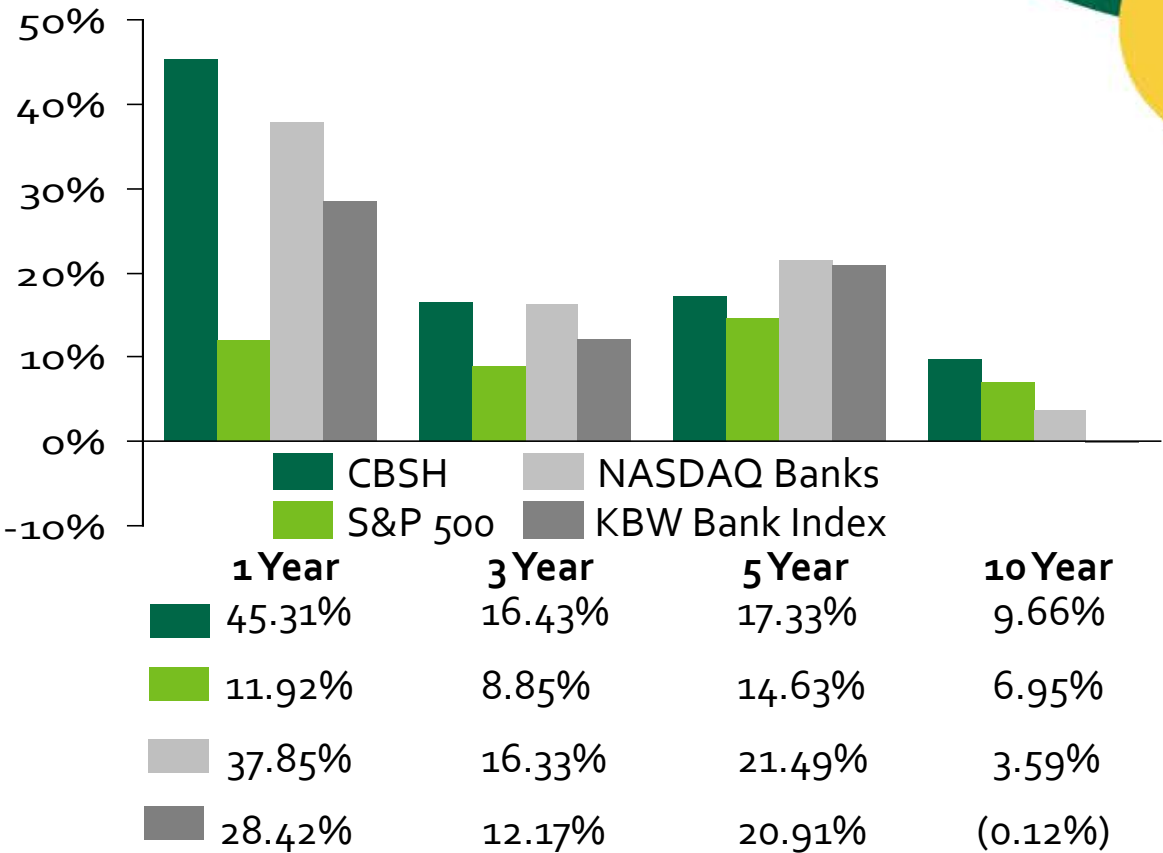
Total Shareholder Returns

Indexed, 12/31/2006 = 100



Source: Index data from Bloomberg; Commerce data from company filings;
All data as of 12/31/2016

Annualized Comparison Total Shareholder Returns



Consistent, positive returns to shareholders
Significant outperformance relative to banks over long period

US Banking Industry

Banks facing pressures from multiple sources



What is a bank?

A bank pools savings and then allocates that capital

Current definition has evolved...

- ✓ Enterprise Software Company
- ✓ Mobile-app developer
- ✓ Utility
- ✓ Customer service organization
- ✓ Tool of government-mandated social policy
- ✓ Shareholder-return engine
- ✓ Policeman of criminals
- ✓ ...

Source: Wall Street Journal

PayPal vs. Banks

Traditional banking services
PayPal provides:

	PayPal
Money storage	✓
FDIC insurance	✗
Check writing	✗
Remittance payments	✓
Debit cards	✓
Credit cards*	✓
Mortgages	✗
Small-business loans*	✓
Branches	✗
Savings accounts with interest	✗

*PayPal partners with lenders to offer these products.

Sources: PayPal Holdings;
Greenwich Associates

THE WALL STREET JOURNAL.

Fintech attacking the banking value chain

Lending

 **LendingClub**
PROSPER

Personal Finance

 **mint**
 **planwise**

Payments

stripe
venmo

Equity Financing

seed&invest
CircleUp

Remittances

azimo
worldremit

Retail Investments

 **wealthfront**
 **Betterment**

Consumer Banking

 **SIMPLE**
Moven

Security, Fraud, Auth. Institutional Investments

 **dashlane**
 **Centrify**

KENSHO
 **CONTIX**

Corporate Finance/SCF Big Data for Analytics

traxpay
 **cloudtrade**

 **EIDOSEARCH**
 **MADIVA**

Big Data for Risk

 **EDGE LAB**
 **Kabbage**

US\$ +70bn

Invested globally in FinTech
in the last 6 years
(CB Insights)

Competition from traditional players

Not bound by size/geography



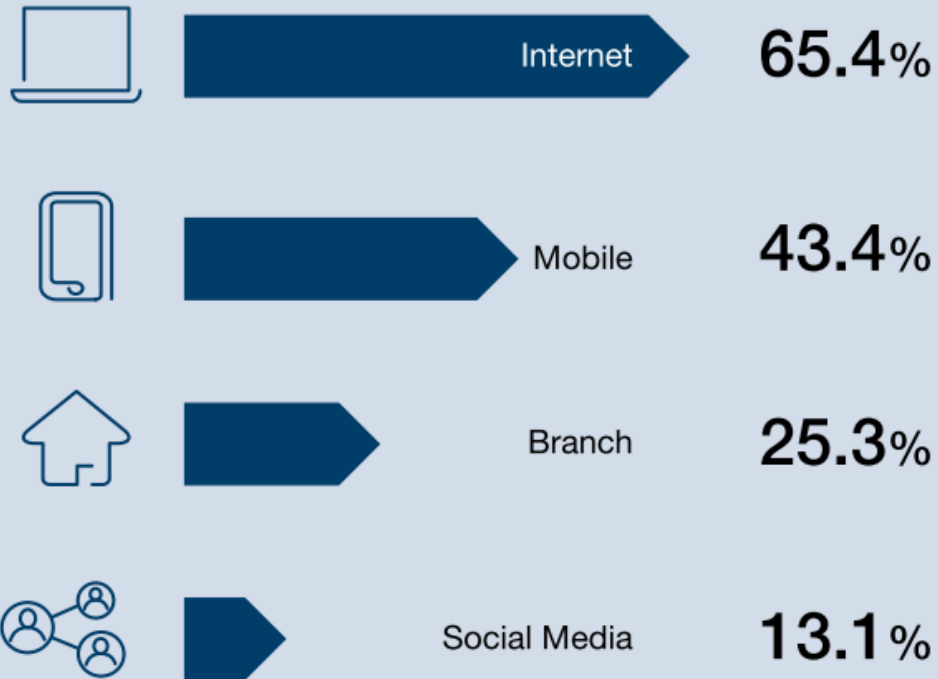
Line of business specific



Customer expectations are changing



Customer Channel Usage at Least Weekly



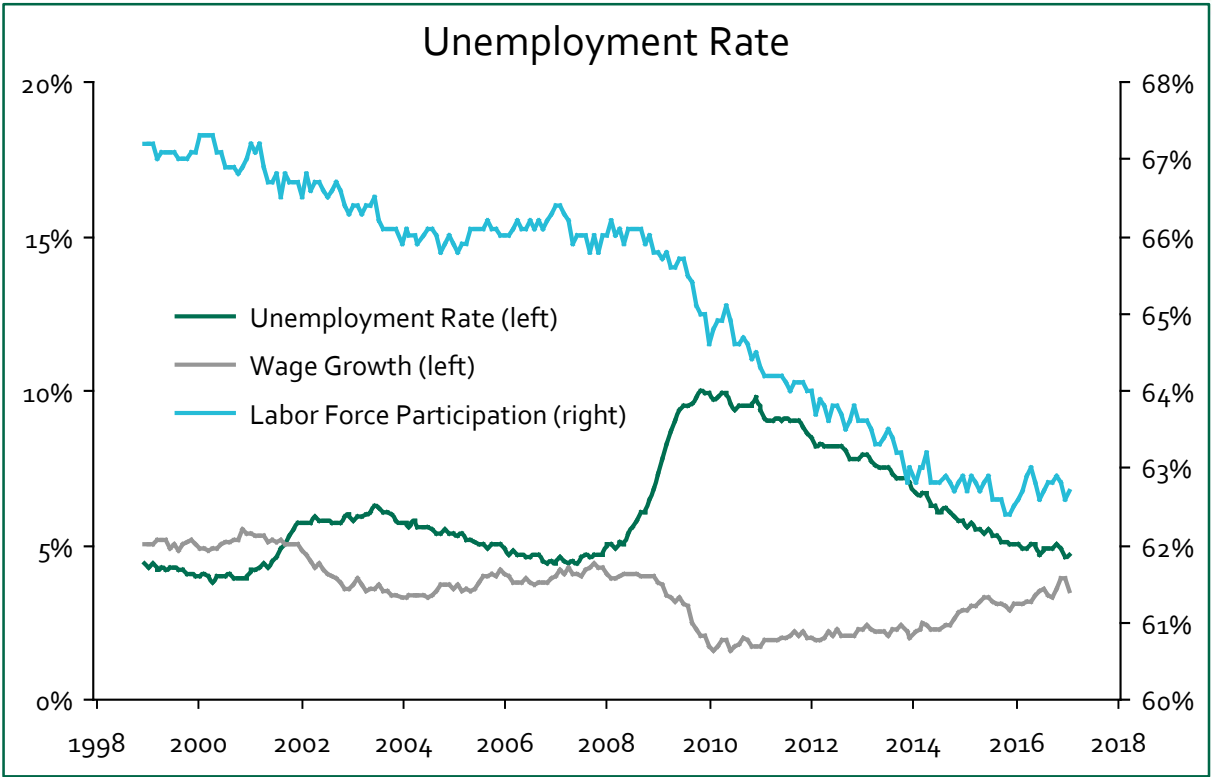
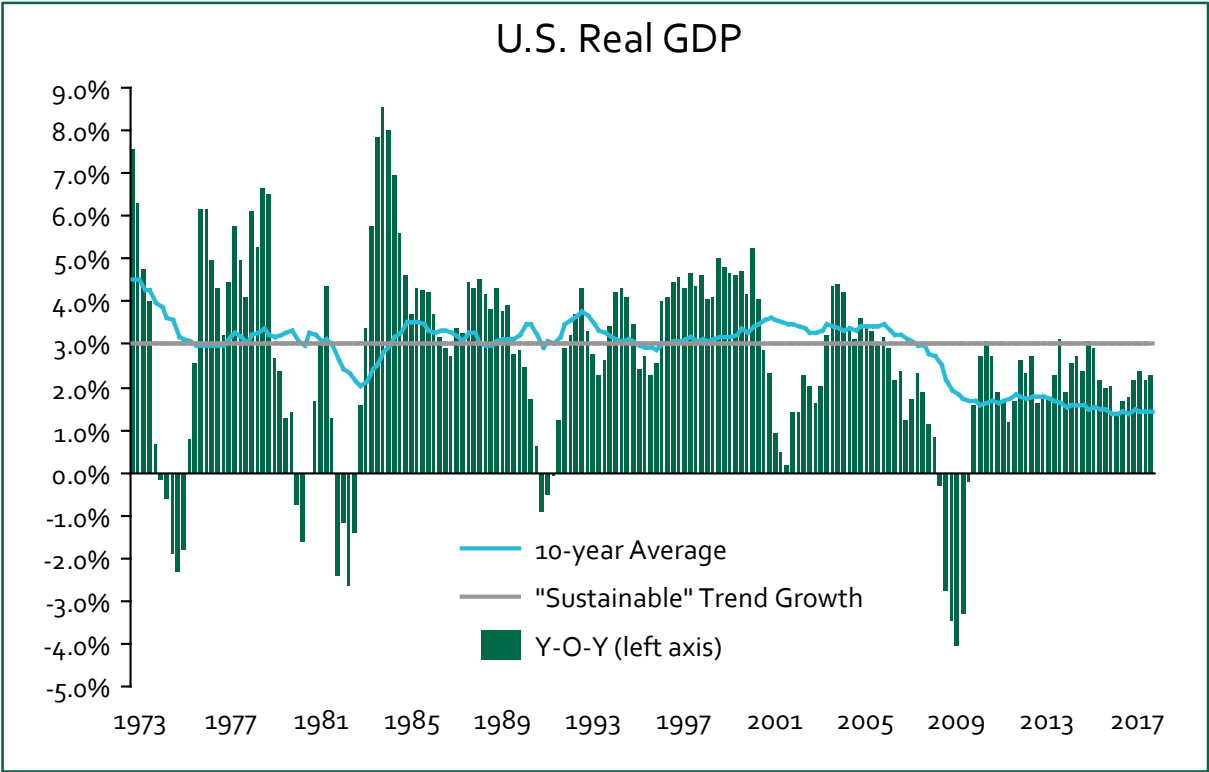
Top 3 Customers' Perceived Benefits with Fintech Firms



Source: Cap Gemini World Retail Banking Report 2016

Customers have same expectations as they have with big tech firms

Economic environment



Source: Commerce Trust Company, U.S. Bureau of Economic Analysis, Bloomberg

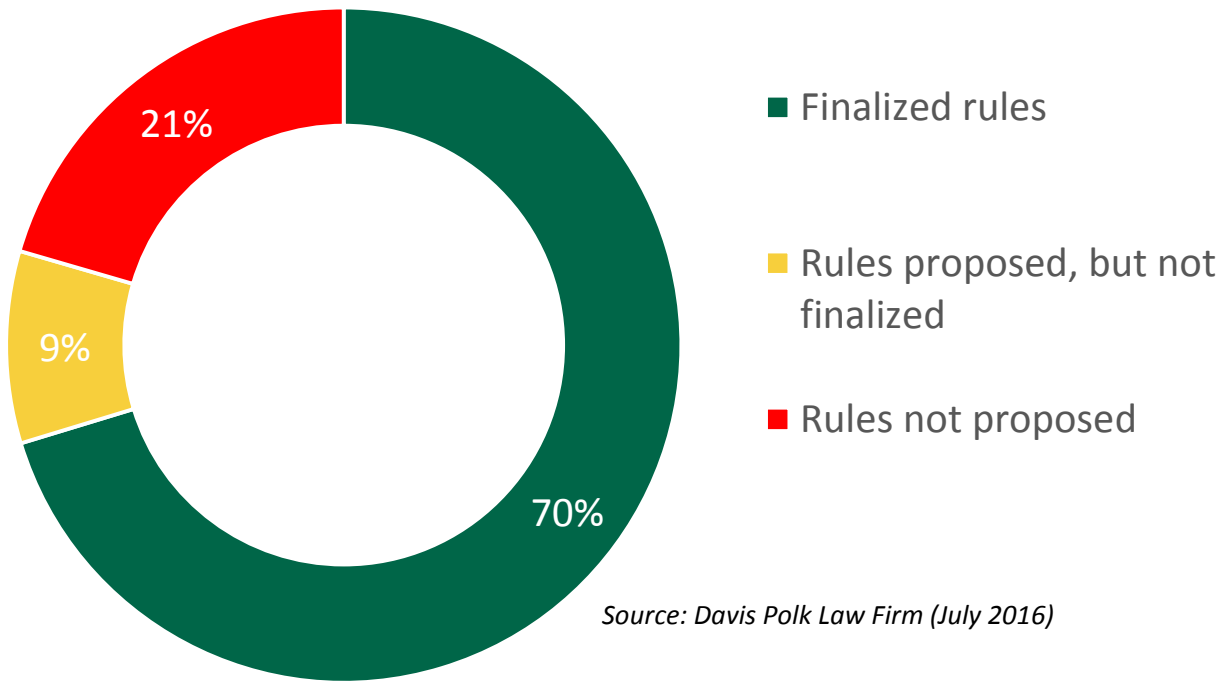
Regulatory uncertainty persists

Regulatory trends for the banking industry in 2017

-  US elections and consequences for the regulatory landscape
-  The new age of capital planning and stress testing
-  New capital order
-  Data quality, analytics, and reporting
-  Fintech
-  Cyber threats and cyber risk
-  Resolution planning
-  Consumer protection
-  Liquidity
-  Governance and risk management
-  Regulatory outlook and enhanced prudential standards for foreign banking organizations
-  Credit quality concerns
-  Model risk management
-  Financial crimes risk

Source: Deloitte Banking Regulatory Outlook 2017

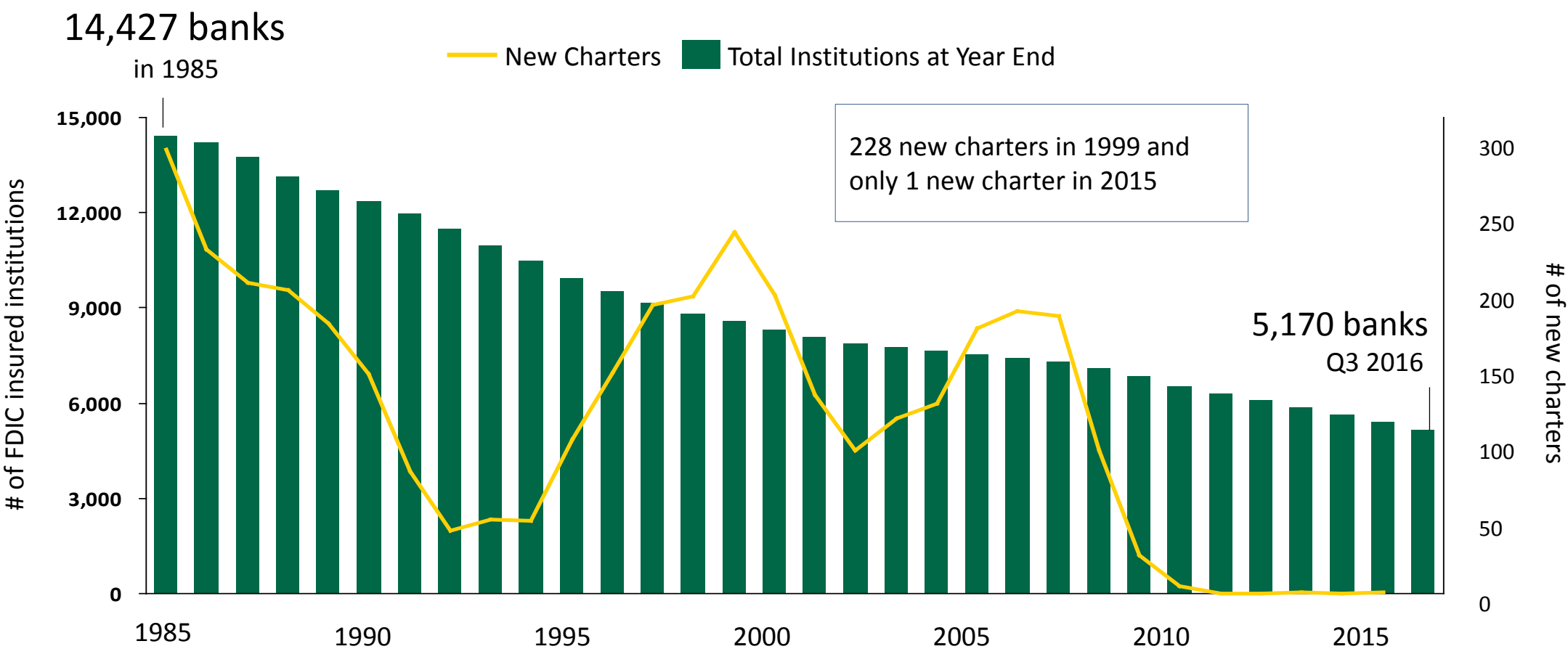
Dodd-Frank Progress Report



Source: Davis Polk Law Firm (July 2016)

U.S. banking industry continues to consolidate

FDIC Insured Institutions



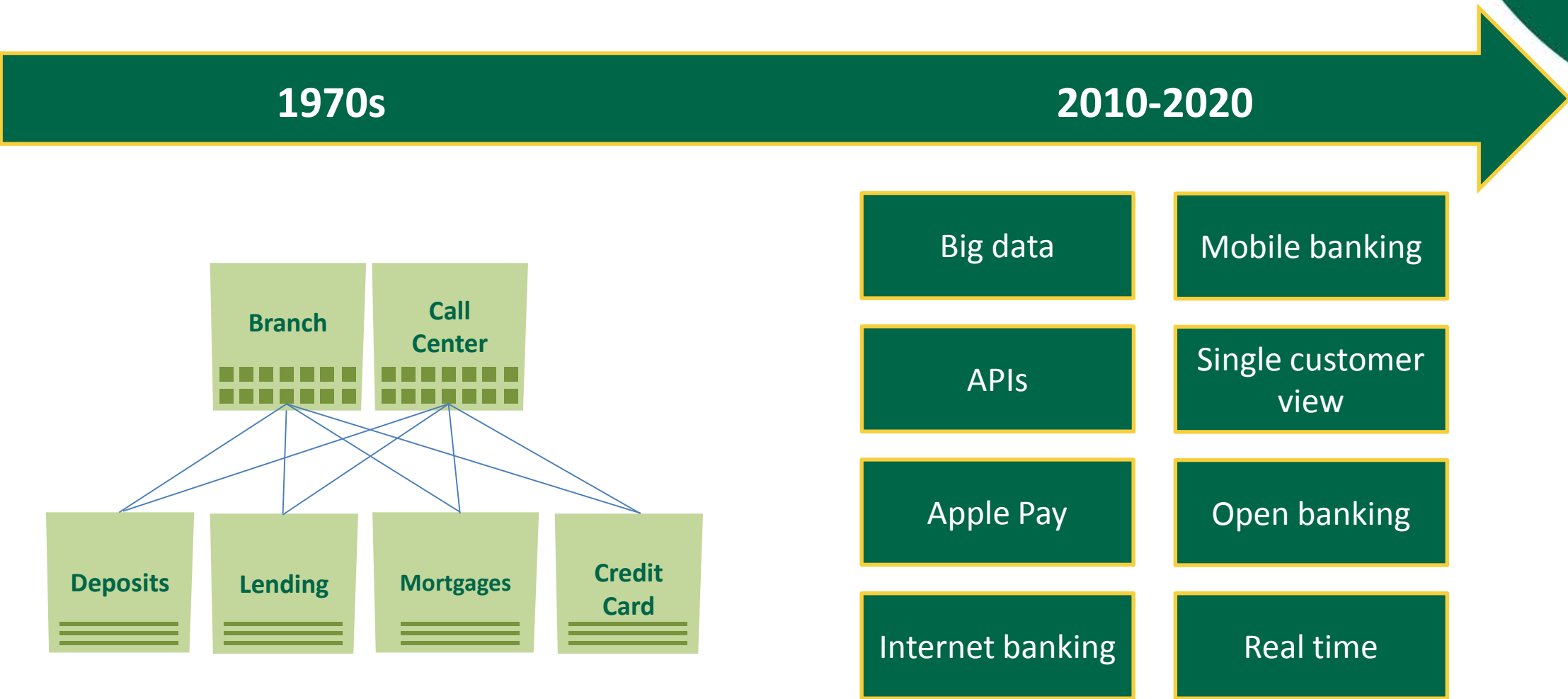
Consolidation remains compelling as economies of scale drive significant value creation

Current technology situation



- Disjointed customer experience
- Lack of enterprise-level customer information
- Digital demands stressing platforms

Legacy technology leading to replacement cycle



Banks and Solution Providers have accumulated Technical Debt
Customer expectations have evolved and banking IT systems no longer fit for purpose

Banks facing pressures from multiple sources



Key Themes:

- Competition
- Changing Expectations
- Uncertainty
- Technical Debt

Core Transformation

Commerce bank response to shifting landscape

- Super-Community Bank Platform
- Core Values:

We have a
long term
View

We
collaborate as
One team

We act with
Integrity

We are
Customer
focused

We strive for
Excellence

- Bias toward action:

We invest in our people,
products and technology
for the long term.

We are innovative and
agile in response to a
changing world.

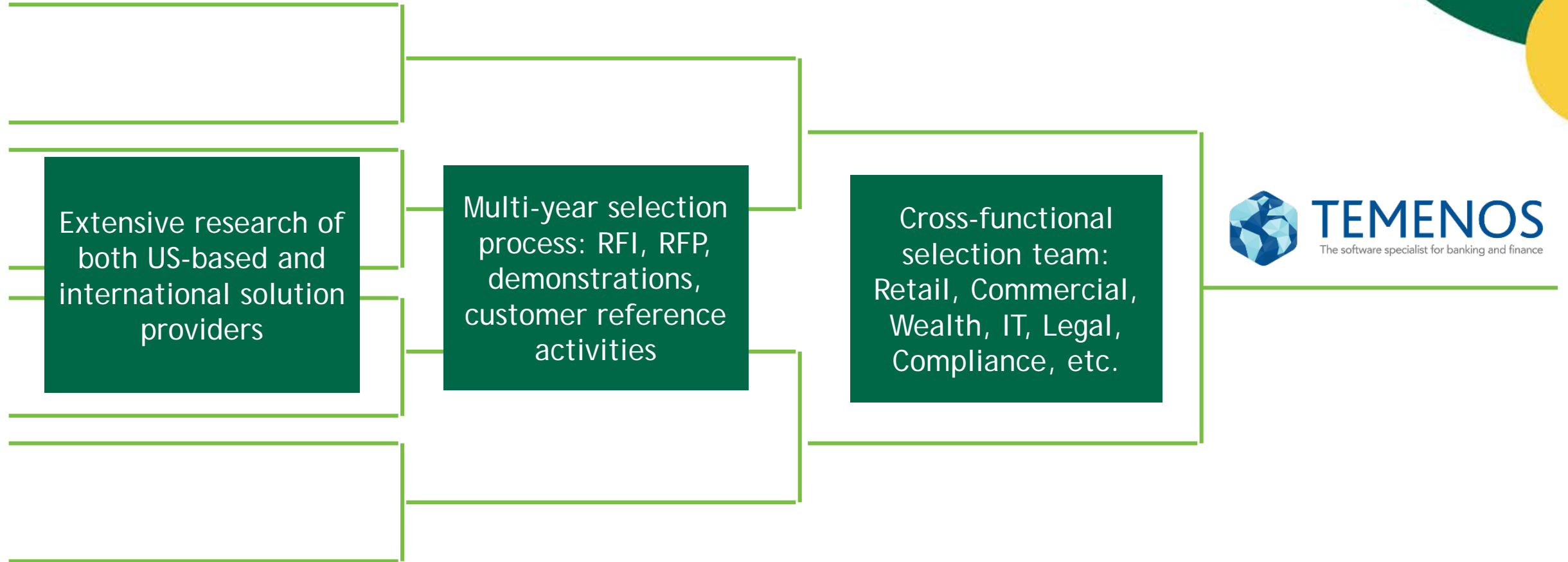


Core transformation business goals

- Improve time to market
- Enhance ability to innovate
- Provide comprehensive view of customers
- Address technology risk
- Long term efficiency

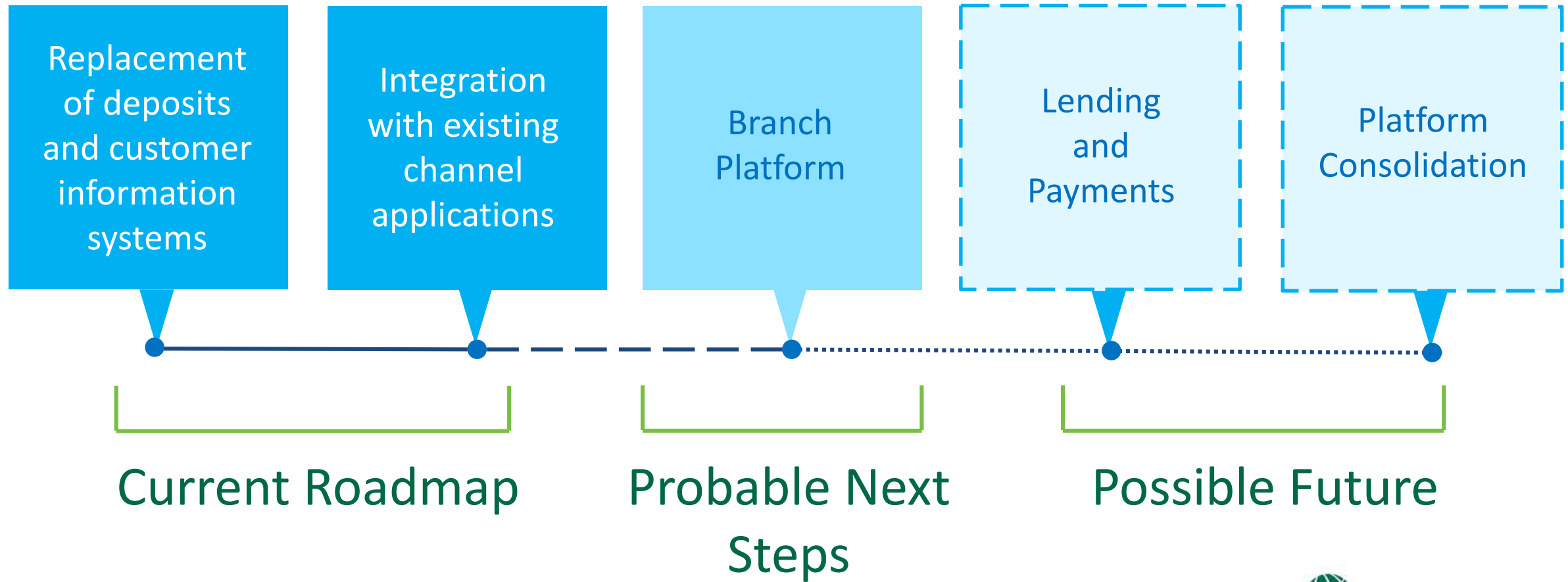


Partner selection process



Temenos provides a unique value proposition

Scope



Why Temenos



TEMENOS

The software specialist for banking and finance



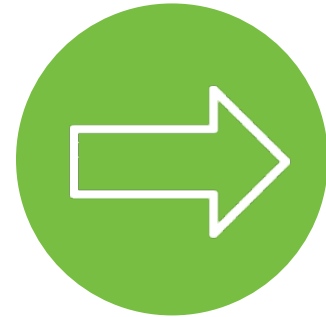
Culture fit



Modern
integrated core
banking solution



Highly
configurable and
flexible



Shared vision
of the future



TEMENOS

Product leadership

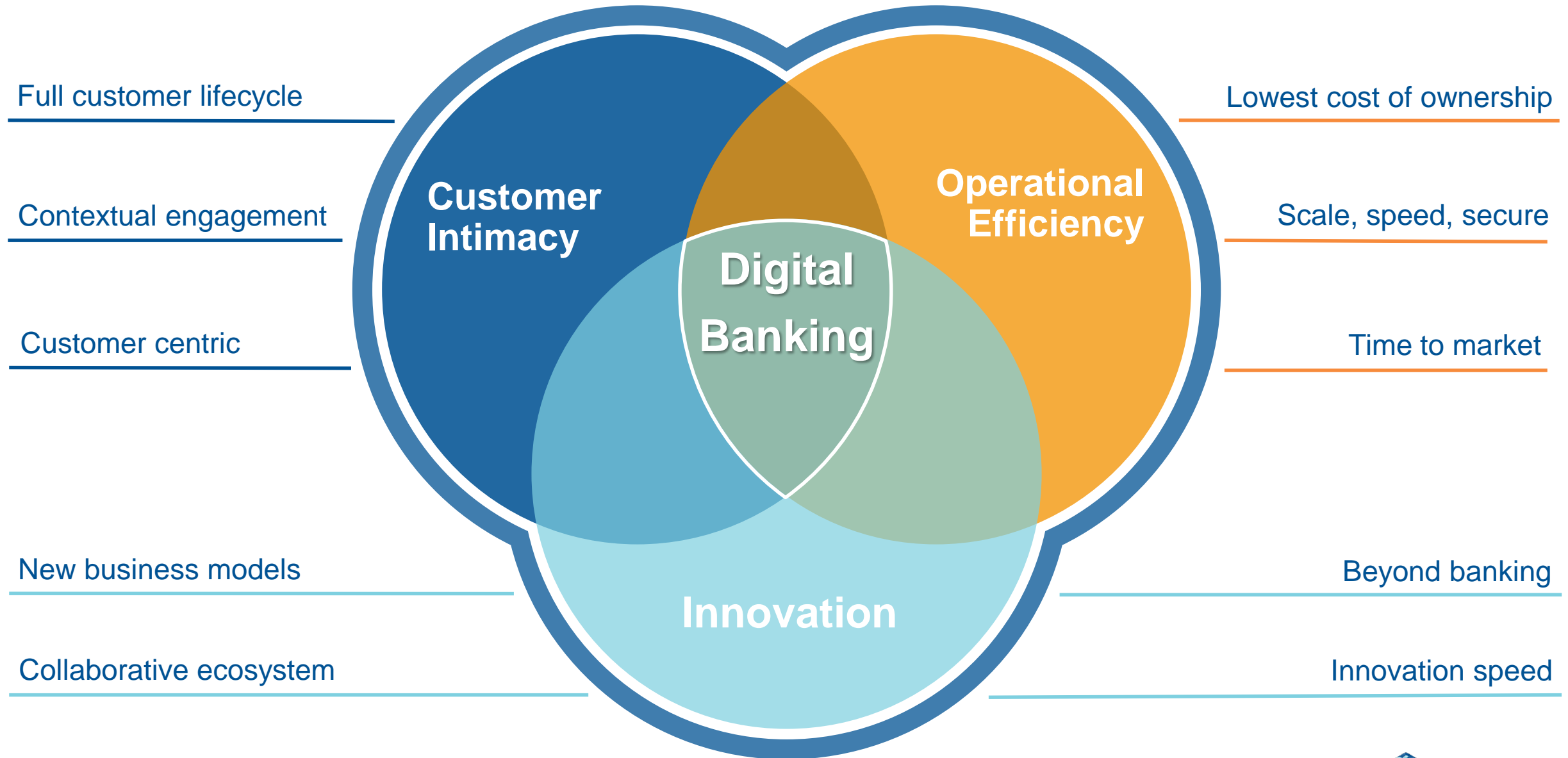
Mark Winterburn, Group Product Director



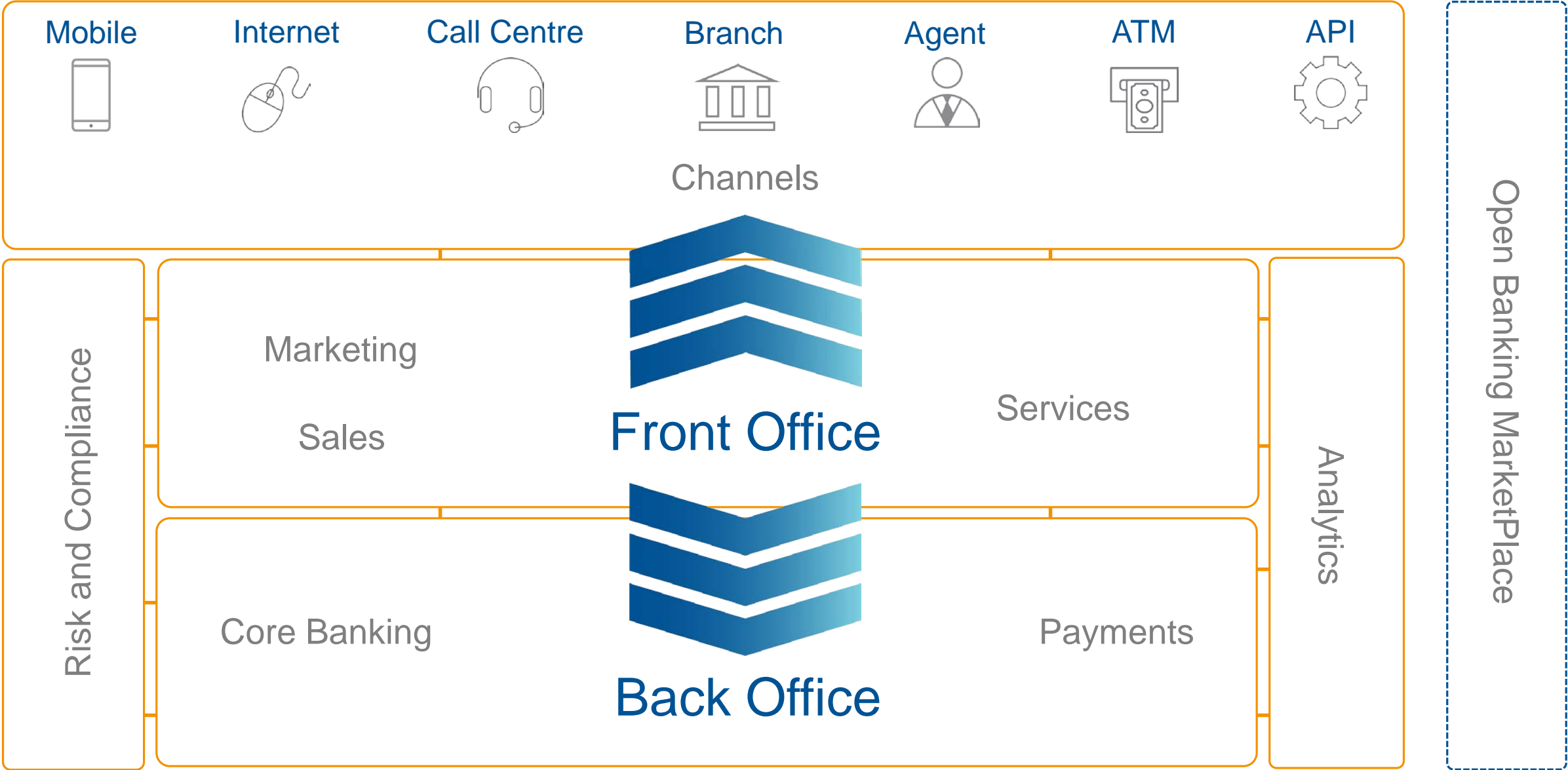
1. Innovation – key investment areas
2. Flexibility and scalability of product
3. Focus on architecture
4. Strength of front-to-back, vertically integrated suites



Digital Banking



Full Front-to-back Integrated Stack





RetailSuite



WealthSuite



CorporateSuite



MicroBankingSuite



UniversalSuite



IslamicSuite



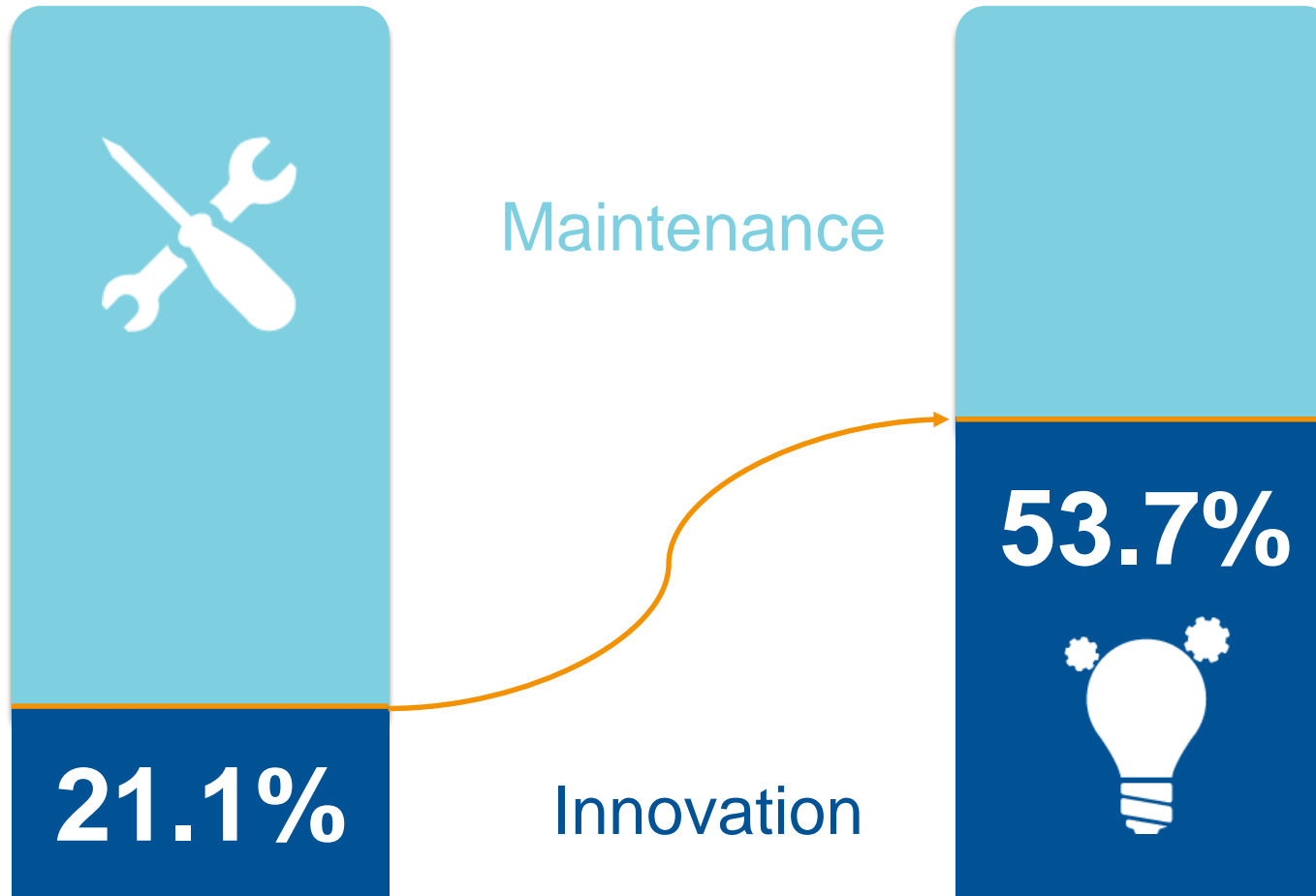
FundSuite



Lifecycle
ManagementSuite

Rest of Banks*

Temenos Clients

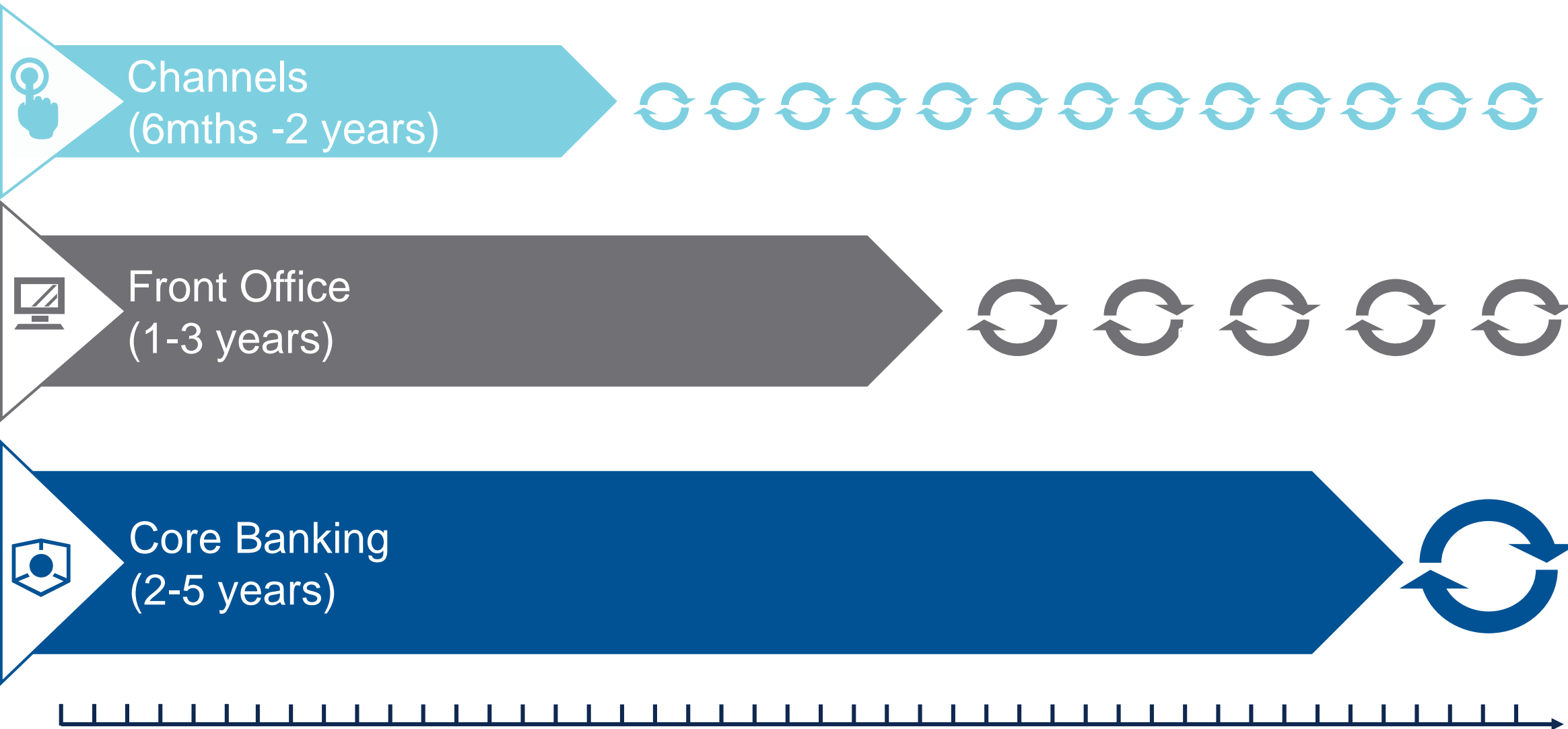


Celent, IT Spending in Banking:
A Global Perspective, 2015*

*Adjusted to remove Temenos customers

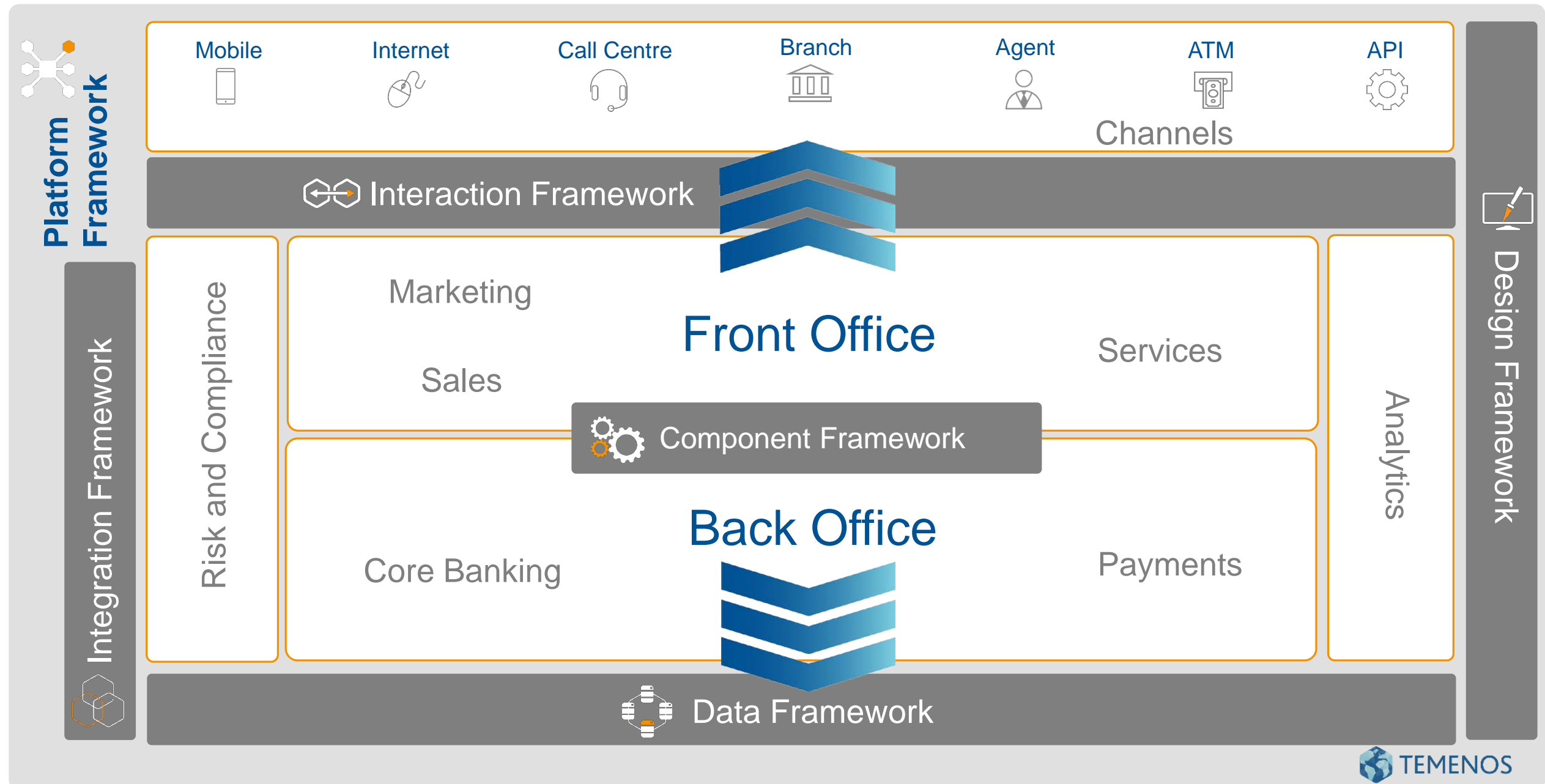
Source: Temenos

How we upgrade client software – decoupled innovation cycle

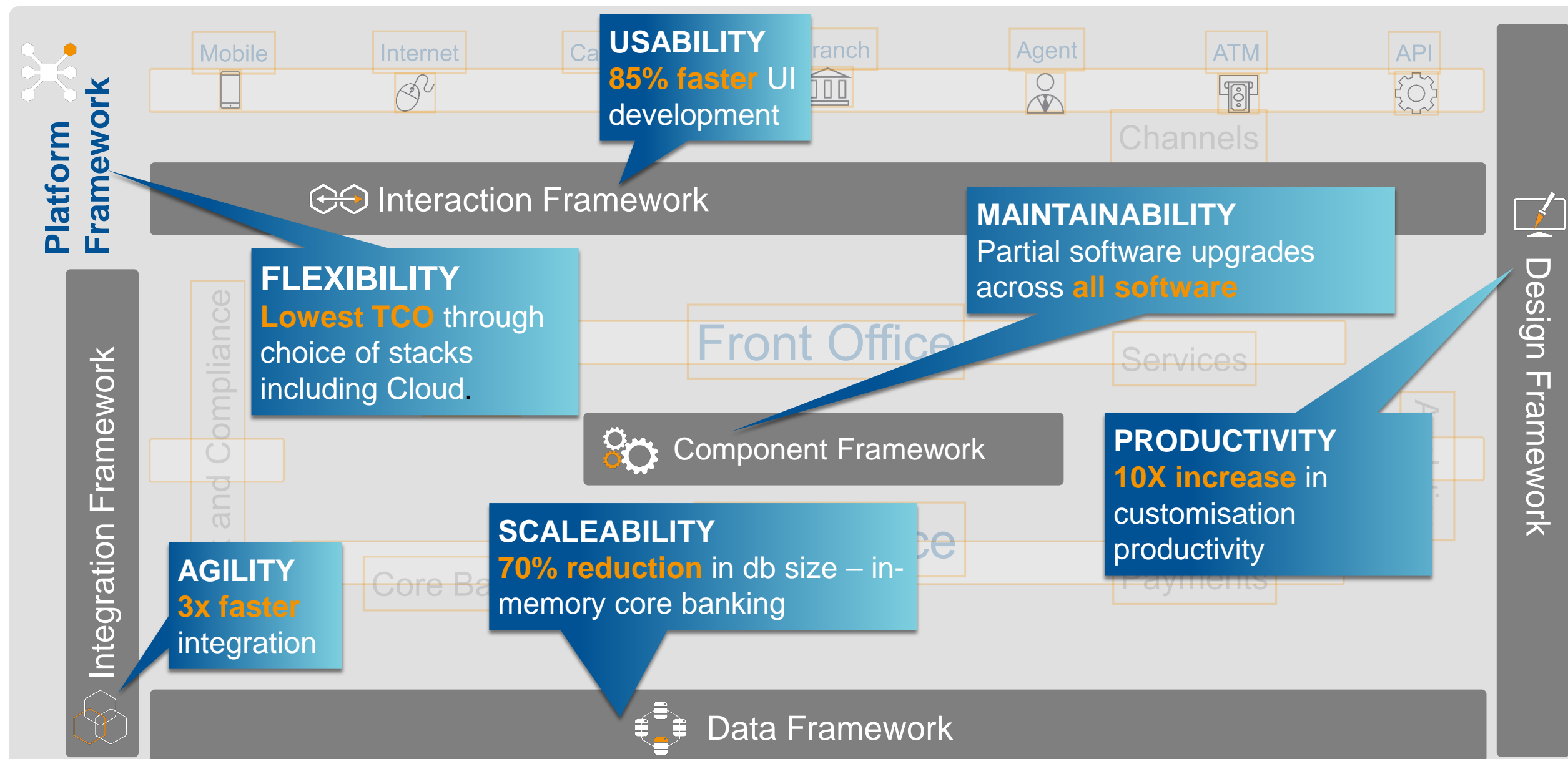


Upgrading product family independently reducing risk and reducing Time To Market

Technology and Architecture Perspective



Technology and Architecture Perspective



Analytics – Embedded inside the Suites

Embedded Analytics

Embedded Analytics Product Builder

Embedded Analytics PLAN 1.0

Predictive Analytics

Customer Attrition

Next Best Product

Customer Lifetime Value

Funds Flow

UX Optimization*

Digital Analytics

Digital Campaign Analytics

Clickstream Analytics*

Customer Profitability

Enterprise Risk Management

Advanced Analytics Platform Packages:

Advanced Financial Reporting

Retail Analytics*

Wealth Analytics*

Microfinance Analytics*

Corporate Analytics*

Country Model Banks Analytics*

Advanced Analytics Platform

API Services

PowerBI Integration

Analytics Dashboard Hub

Reporting Platform Packages:

Financial Reporting

Retail Reporting

Wealth Reporting

Microfinance Reporting*

Corporate Reporting*

Country Model Banks Reporting*

Reporting Platform

Digital banking

Dharmesh Mistry, Chief Digital Officer



Digital Landscape

1. Perspectives of the market
2. What is digital banking
3. Models for the bank of the future
4. Temenos front to back offering
5. MyState case study video
6. Demo's:
 - Digital engagement
 - Embedded analytics



A Perspective on the market





\$9 bn

Annual spend on
third party software
and maintenance

8%

CAGR 2016-2020 as predicted by Gartner

Digital focus

Driving banking spend

79%

of bank IT spending is still in-house (IDC)

Top barriers to the success of a digital strategy

**1**

Complex and legacy core banking systems

**2**

Regulatory environment

**3**

Securing budget from the Board

Source: PwC Global Digital Banking Survey

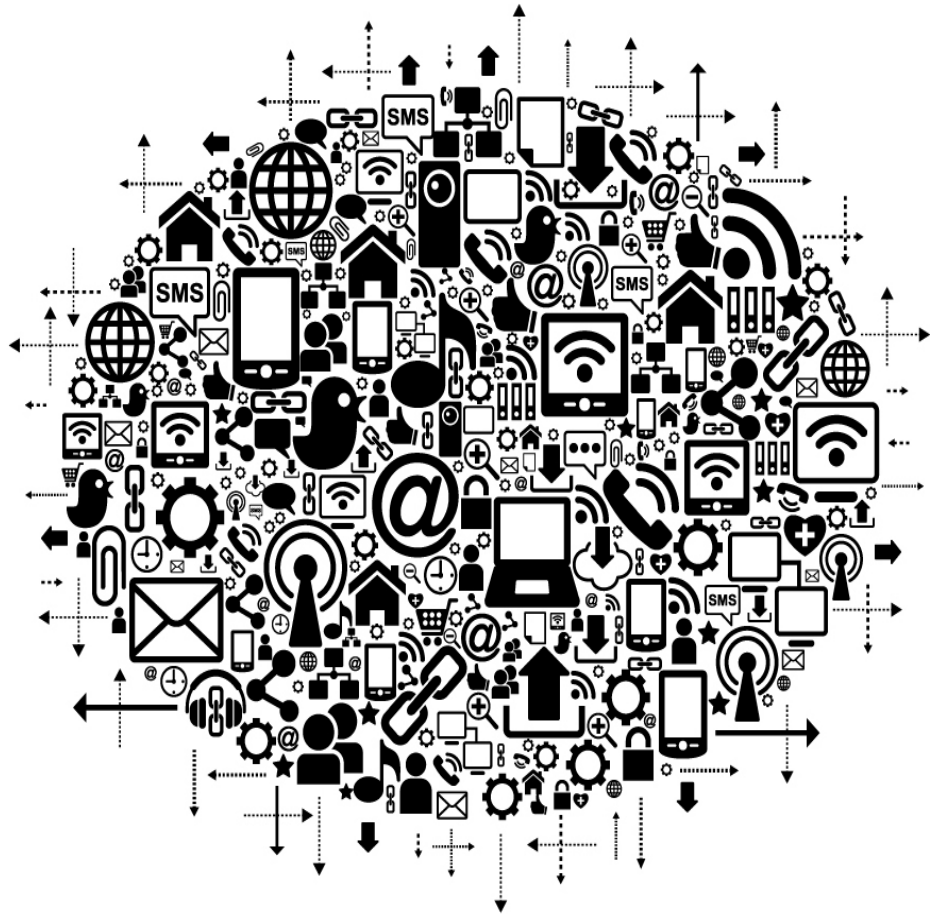


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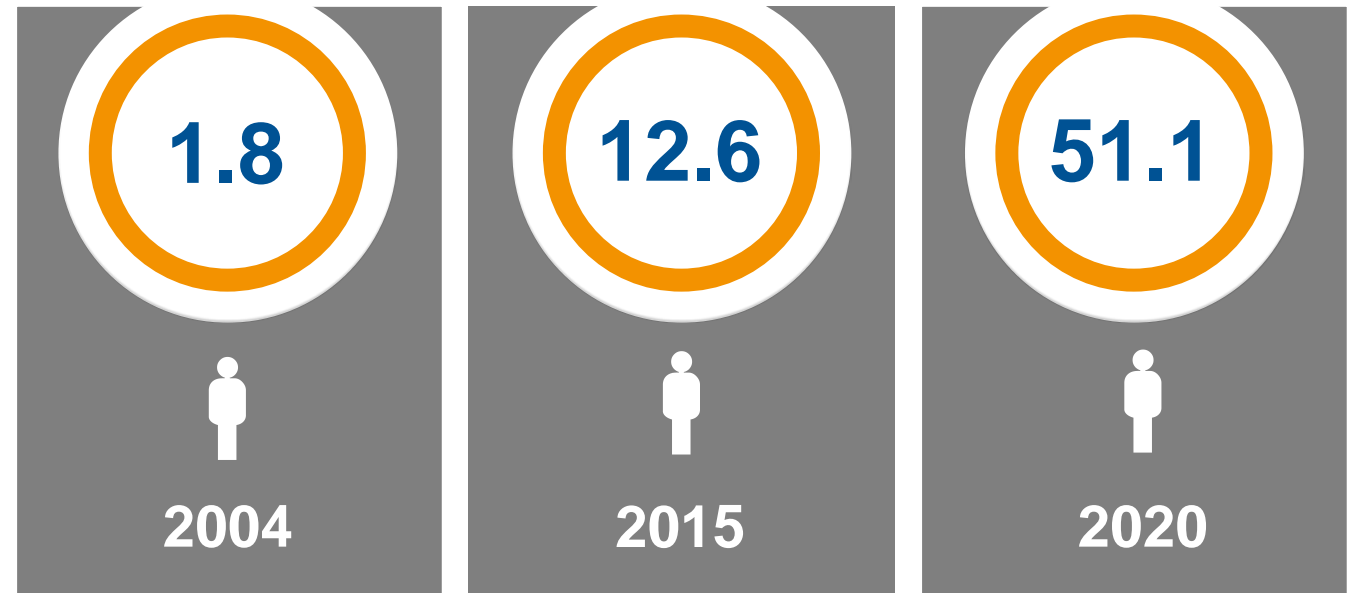
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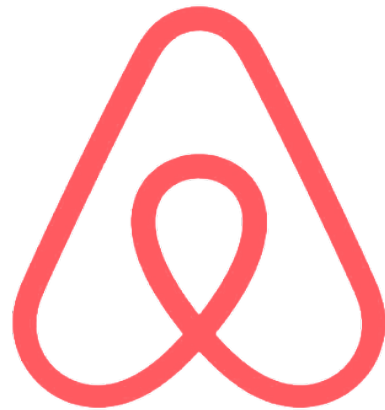
FORRESTER®

”



Interactions per month





Customer's Perspective on FinTech Value Proposition

- 1 Ease of Use
- 2 Faster Service
- 3 Better Experience



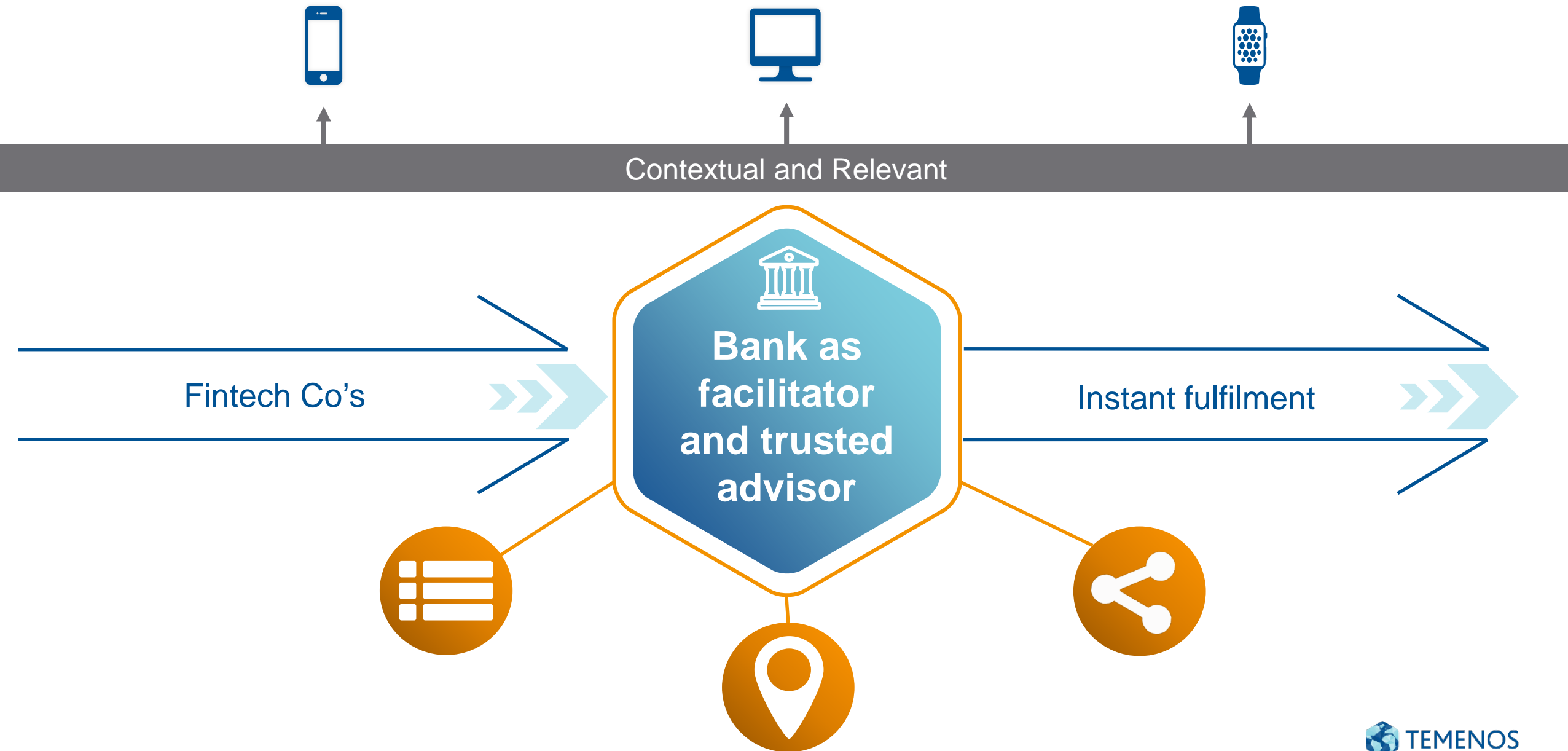
...to deliver Experience-Driven banking



Contextual and Relevant



...to deliver Experience-Driven banking



Digital Banking

The (almost) complete story



{A³}



{B}



{C}

Anytime, anyplace, any channel – this is what customers expect. Whether they are retail bank customers, High Net Worth (HNW) investors or corporate customers – their expectations are banking on their terms.

Better banking – customer journeys that are unencumbered by paper, process and people, frictionless and delivered at the lowest possible cost through cloud deployment

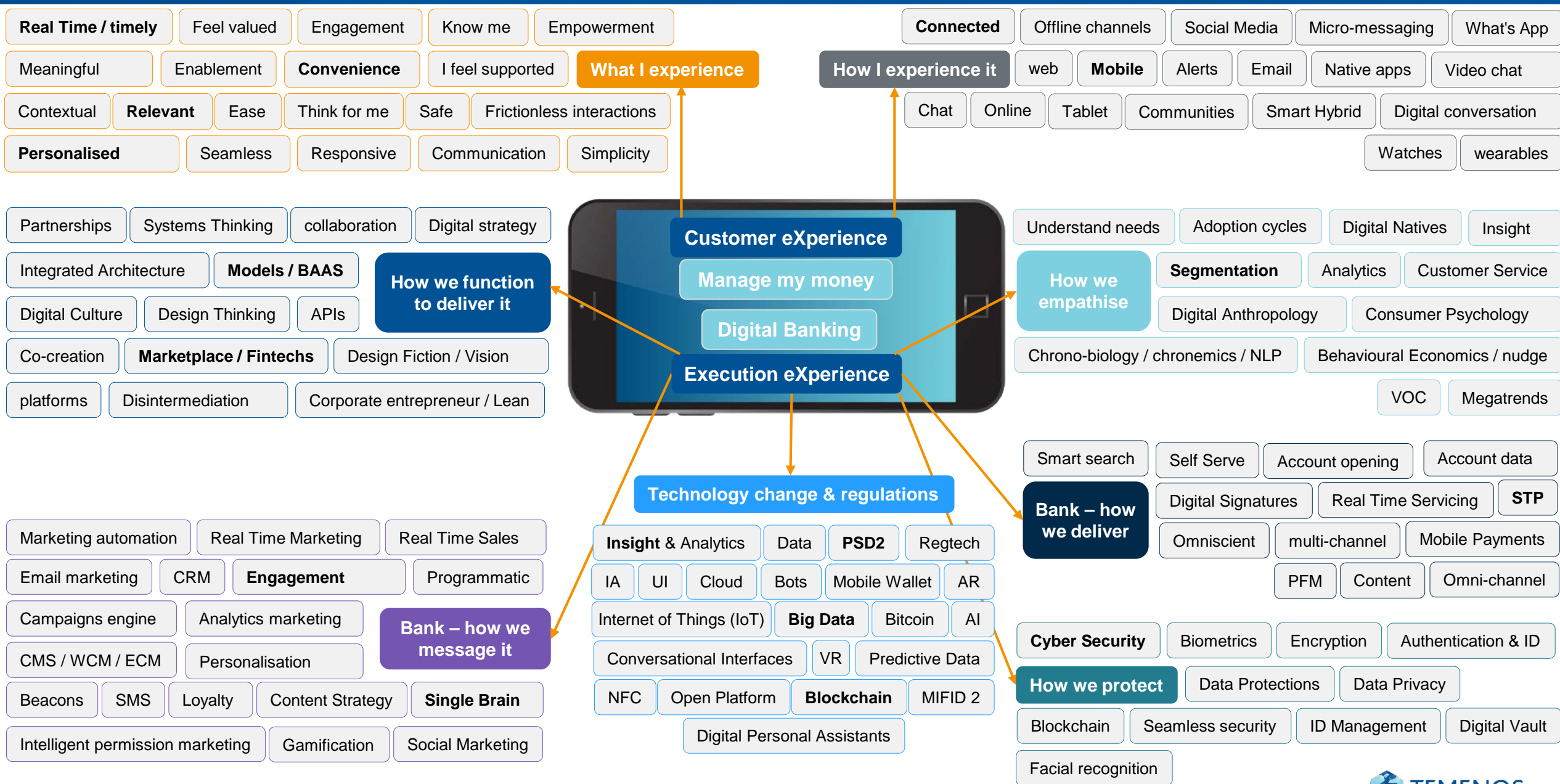
Contextual – the service, communication, rewards and products you offer to meet customers' expectations, need to be driven by data and analytics and personalized to their requirements.



D

Digital banking





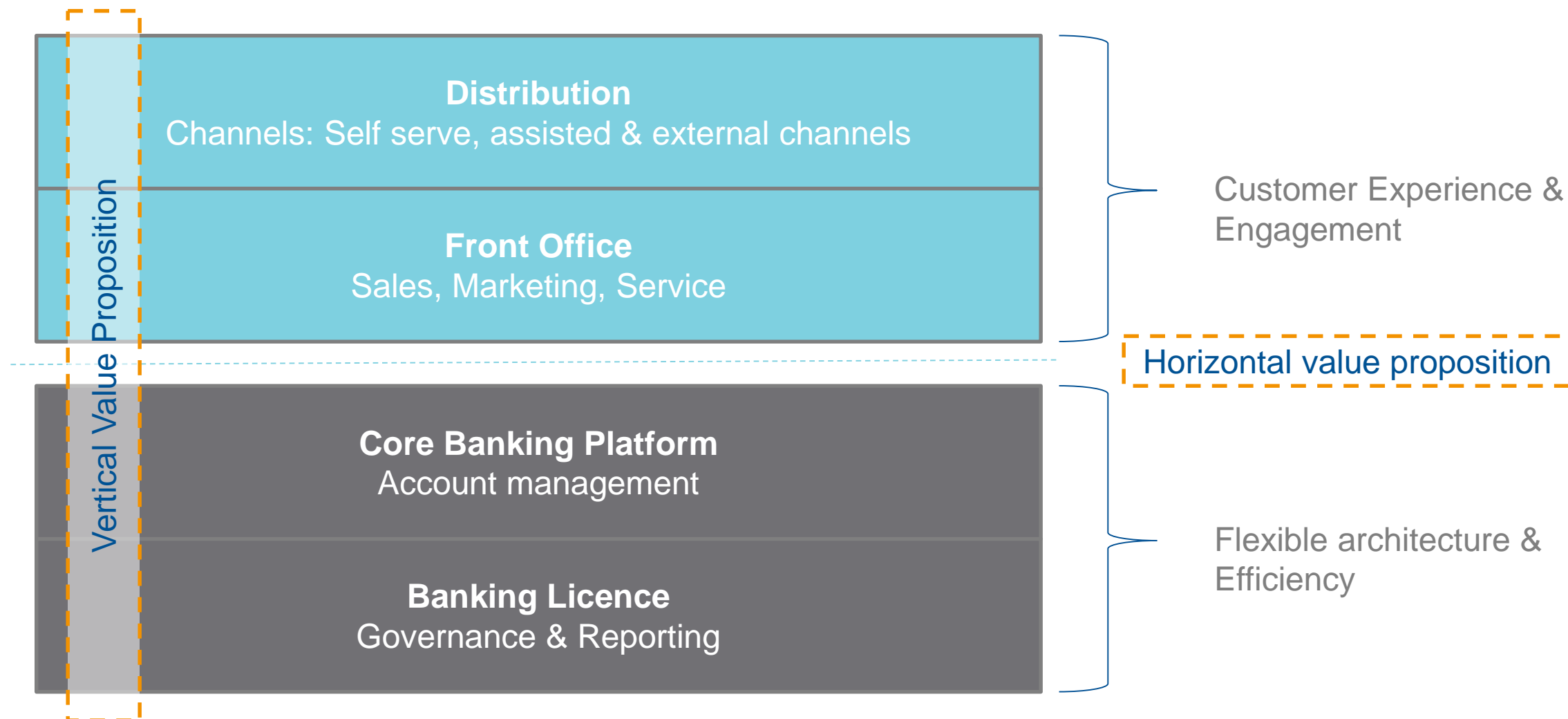
Bank of the Future



The digital bank of the future has multiple models

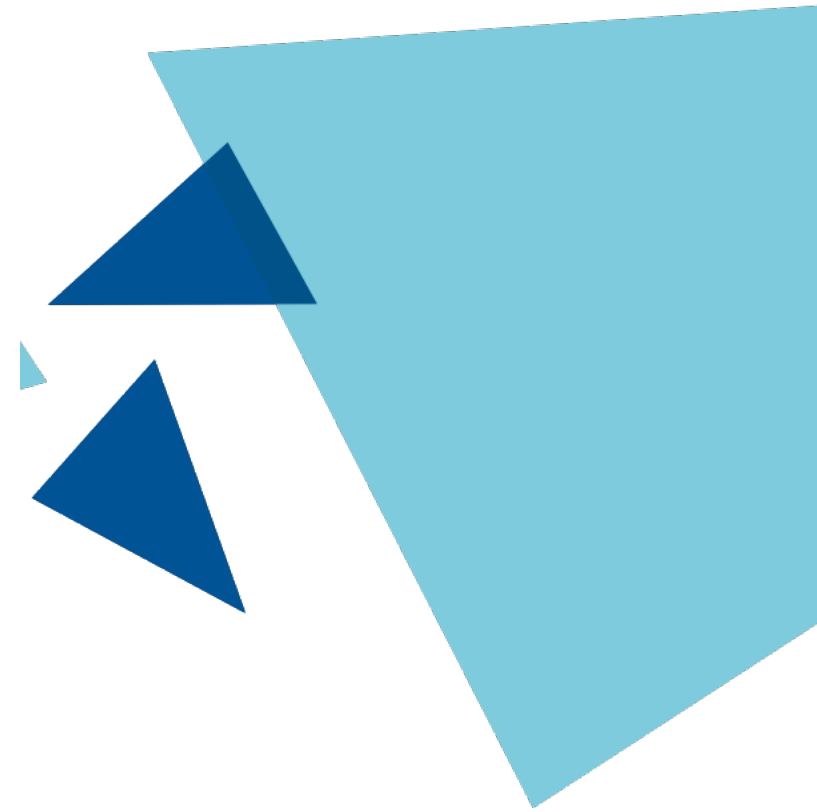
77

A flexible, scalable and open core that enables a compelling and engaging customer experience

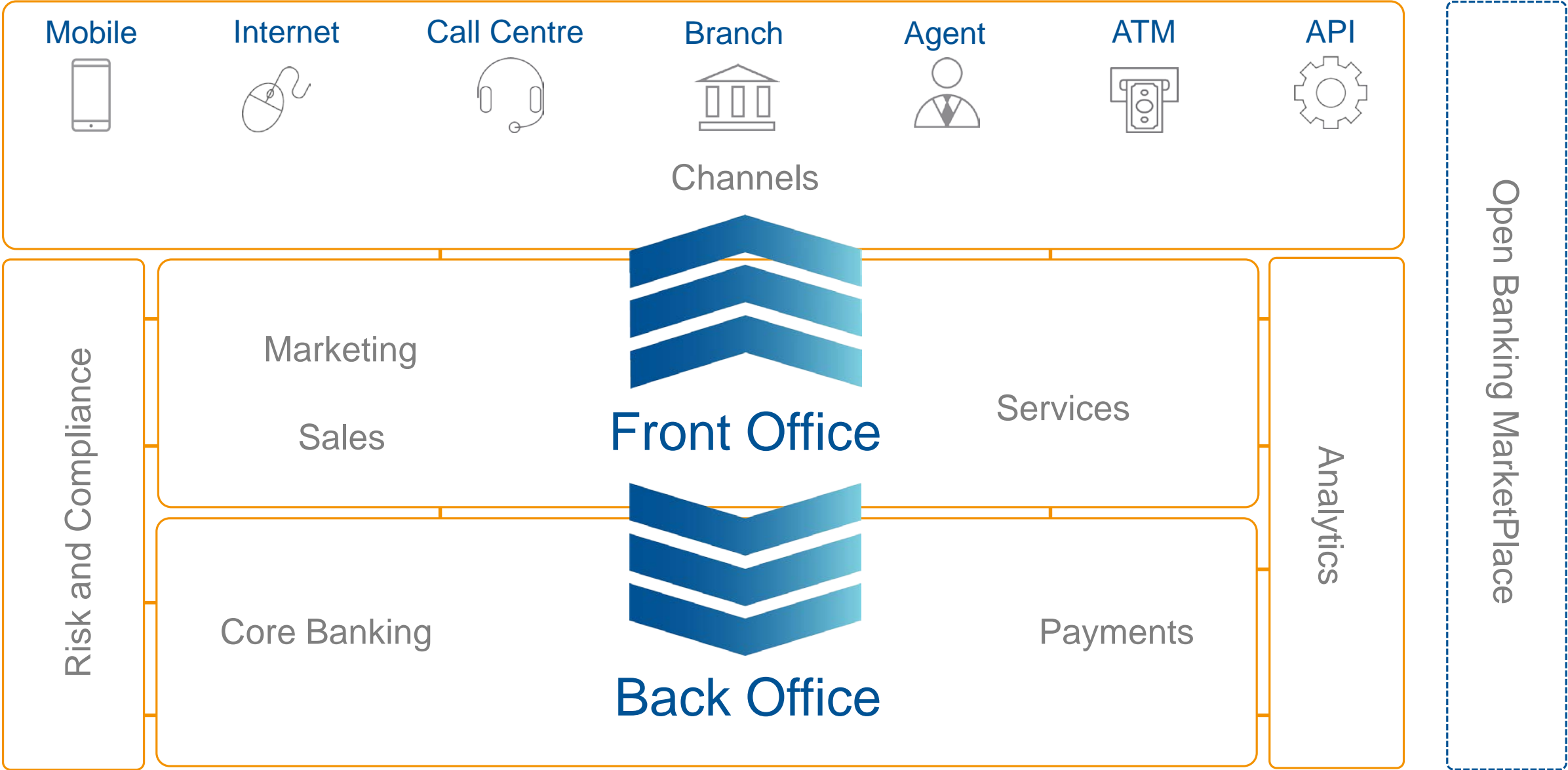


The WHOLE is GREATER THAN

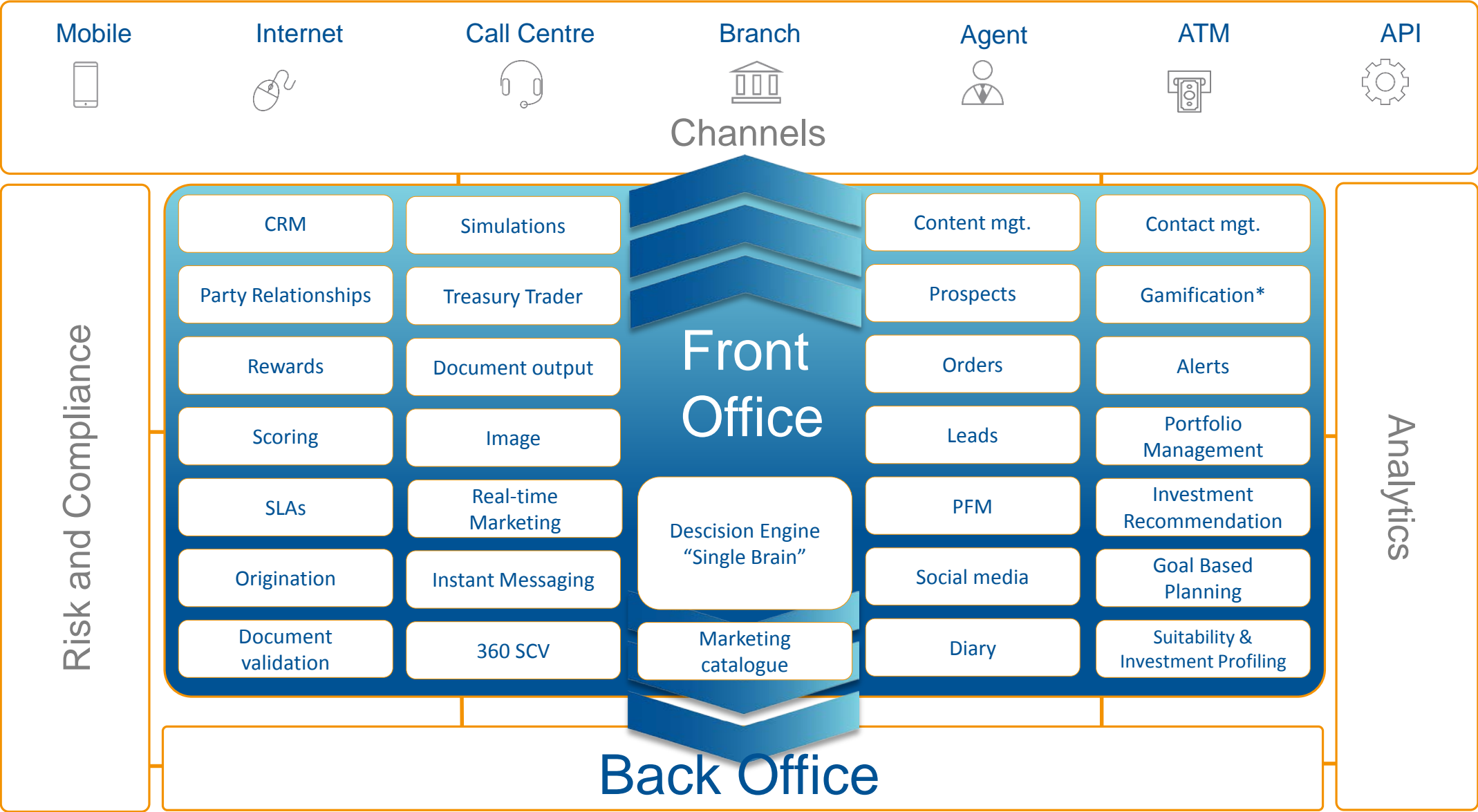
the sum of its parts...



Full Front-to-back Integrated Stack

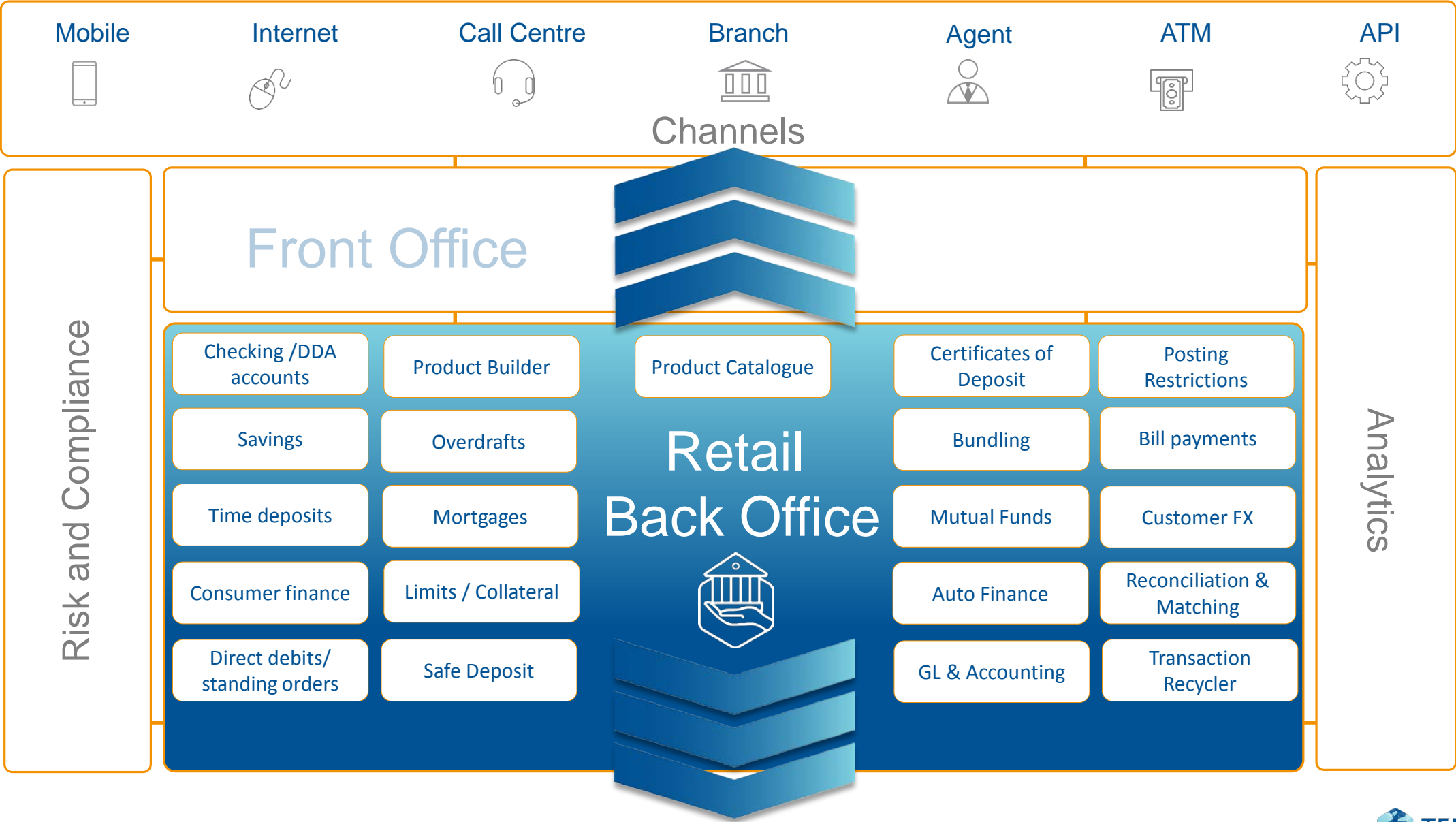


Front Office



*2017 delivery

Back Office - Retail



Here and now

(0-2 years)

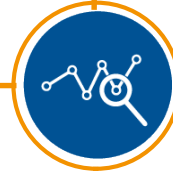
Customer experience (optimise)

Open Platform : Flexible
architecture - Tech Integration

Analytics (Big Data + meaning)

Cyber Security

Culture - Digitally emerging
(Augmentation)



Future Focus

(5-10 years)

Experience banking (engagement)

Advanced Computing - Componentised
architecture (new models)

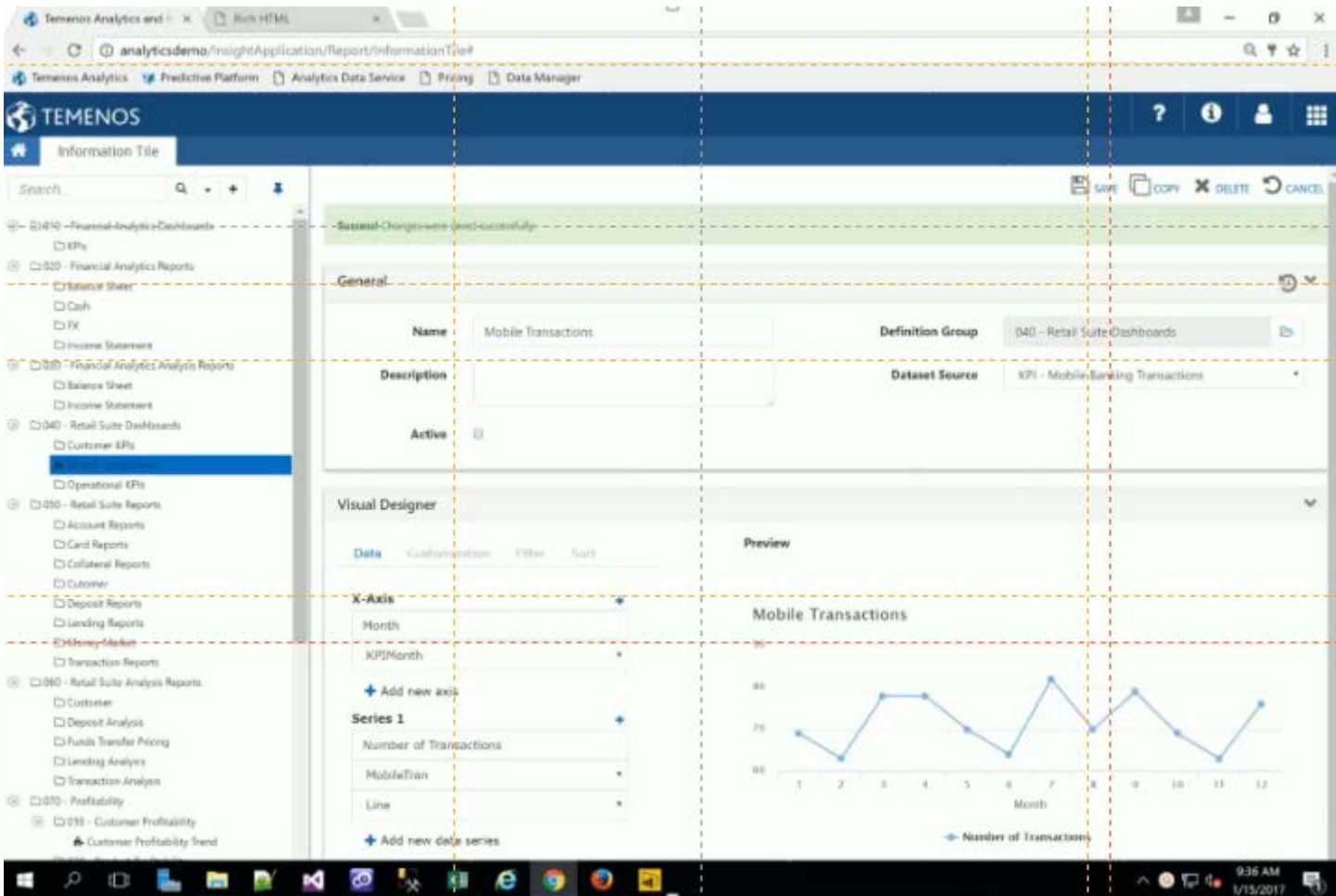
Artificial Intelligence (predictive thinking)

Cyber Security (Advanced computing)

Culture - Digitally mature (in the DNA)

Demo's





Creating a Digital Bank From The Ground Up !

“ We wanted to build a digital bank quickly...
What we achieved with Temenos was remarkable.

Dan Dickinson, VP of Digital Banking, EQ Bank

Temenos – a leader in digital banking



TEMENOS

X CELENT Technology 2016

X CELENT Customer Base 2016

Temenos named digital 'Market Leader' in
Ovum's Global Digital Banking Platform
Decision Matrix

“

With Temenos UXP, banks get capabilities that equip them for the digital economy. Ovum recommends that banks shortlist Temenos when searching for a competitive digital banking platform solution.



”

“*Temenos created an architecture that supports a digital banking foundation that is second to none.*”

FORRESTER®



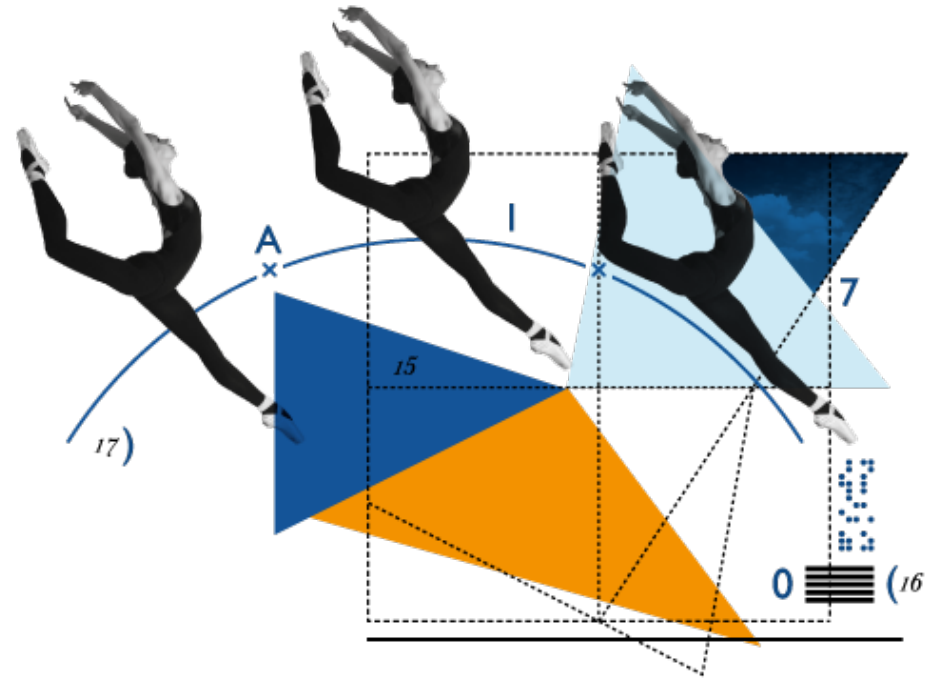
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Creating shareholder value

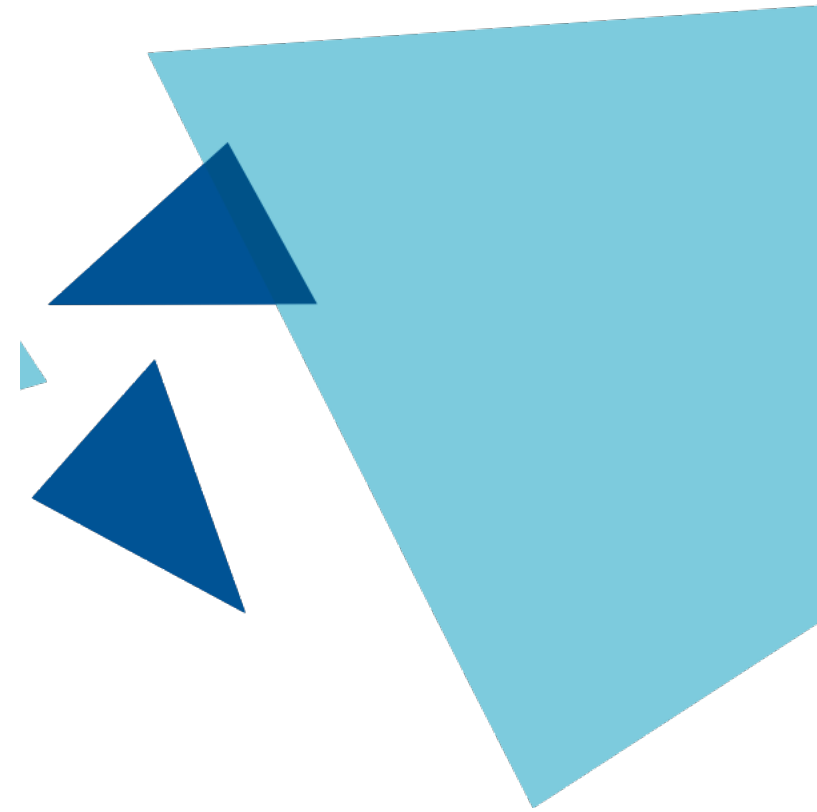
Max Chuard, CFO, COO



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



Creating shareholder value



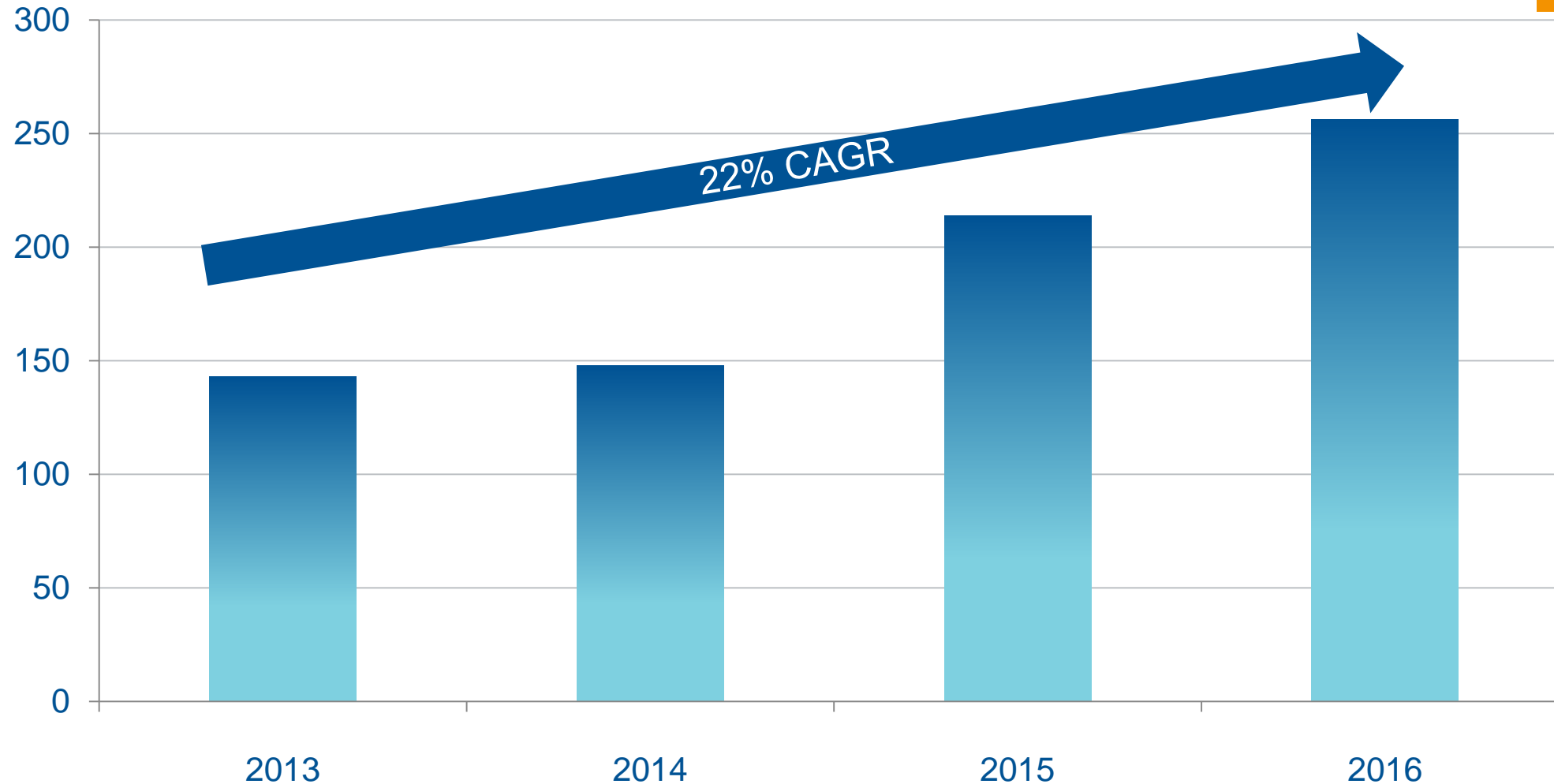
- ◆ Substantial revenue growth
- ◆ Business model drives margin expansion
- ◆ Significant free cash flow generation
- ◆ Disciplined capital allocation



Shareholder
value

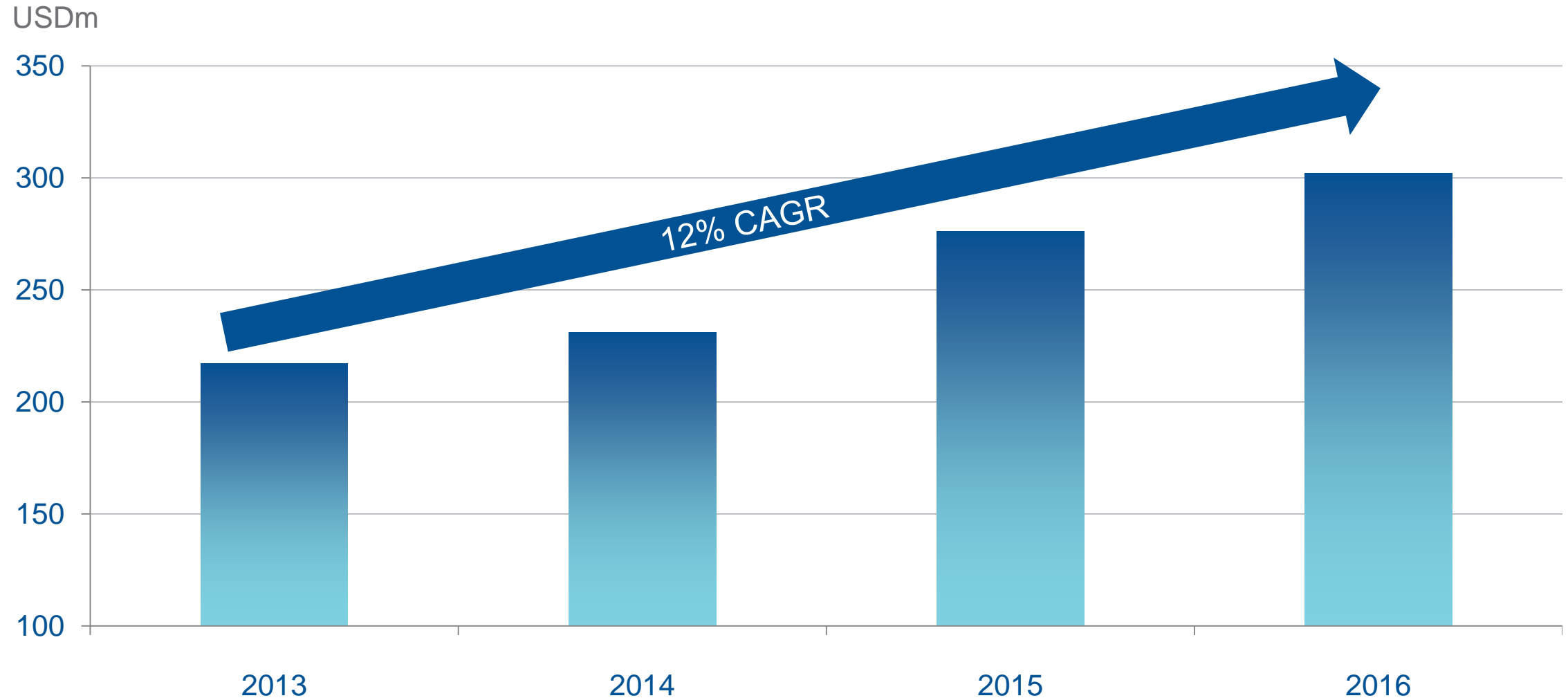
Non-IFRS Total Software License Revenues

USDm

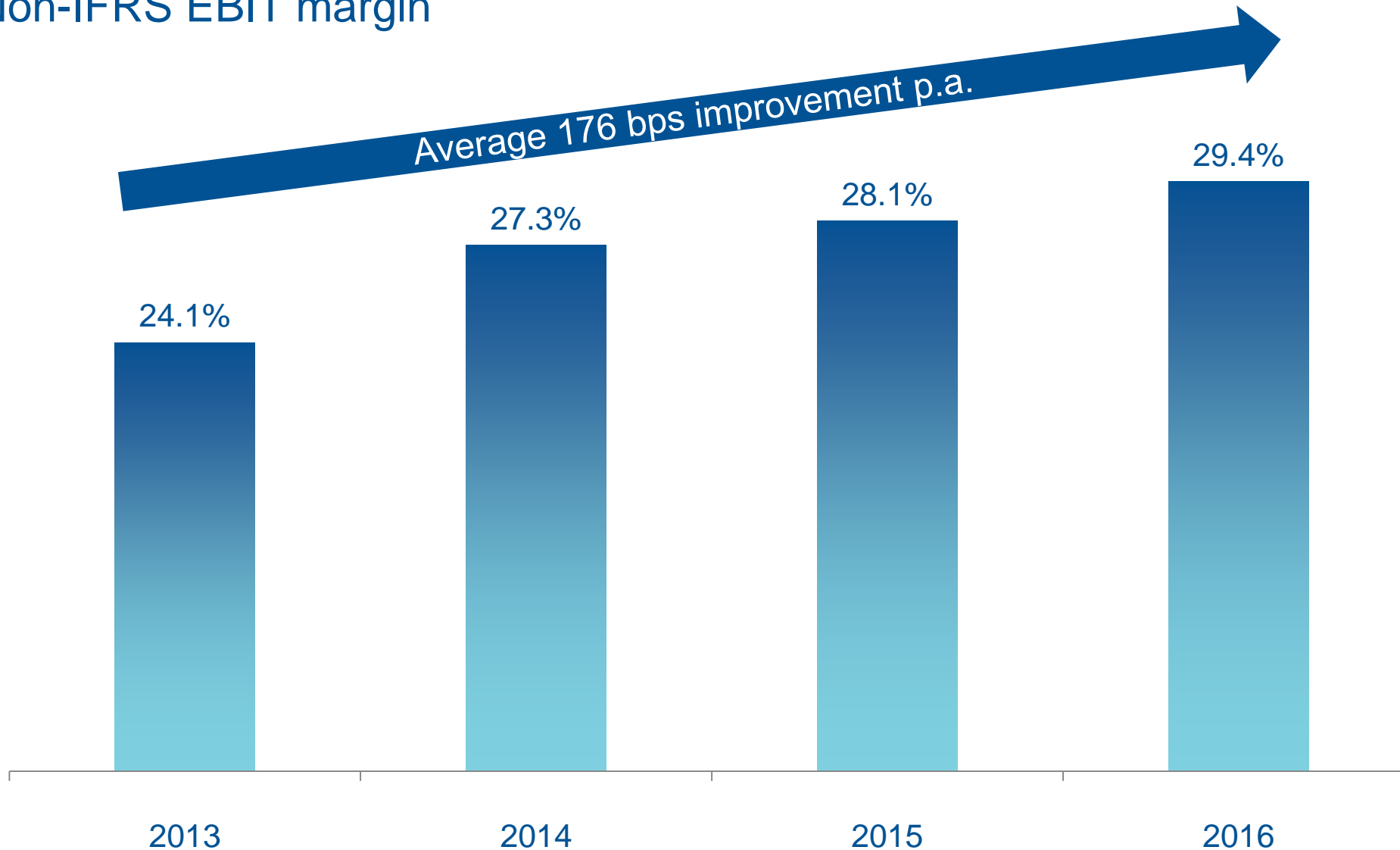


Medium term
target of 15%
CAGR

Non-IFRS Maintenance, SaaS and Subscription revenues

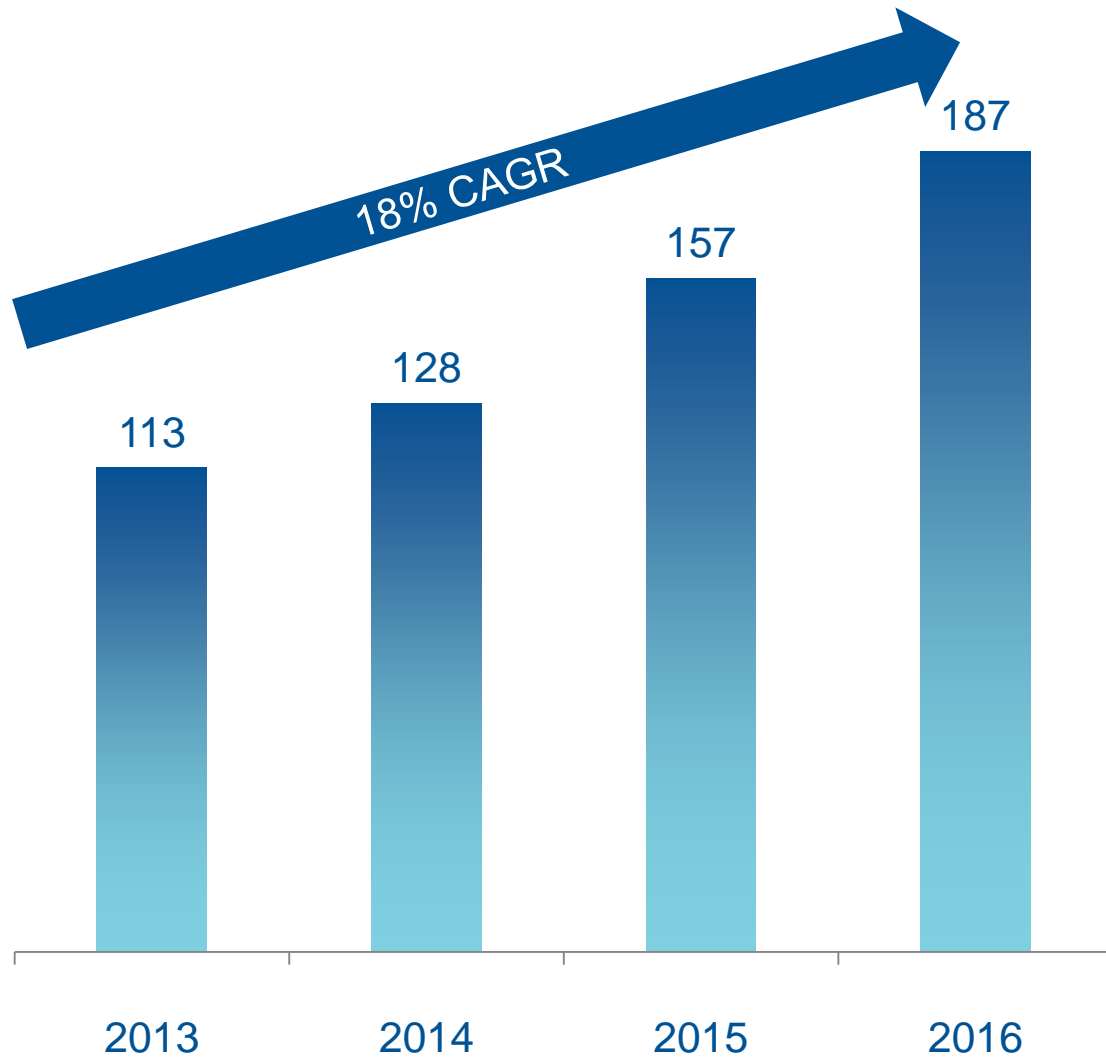


Non-IFRS EBIT margin

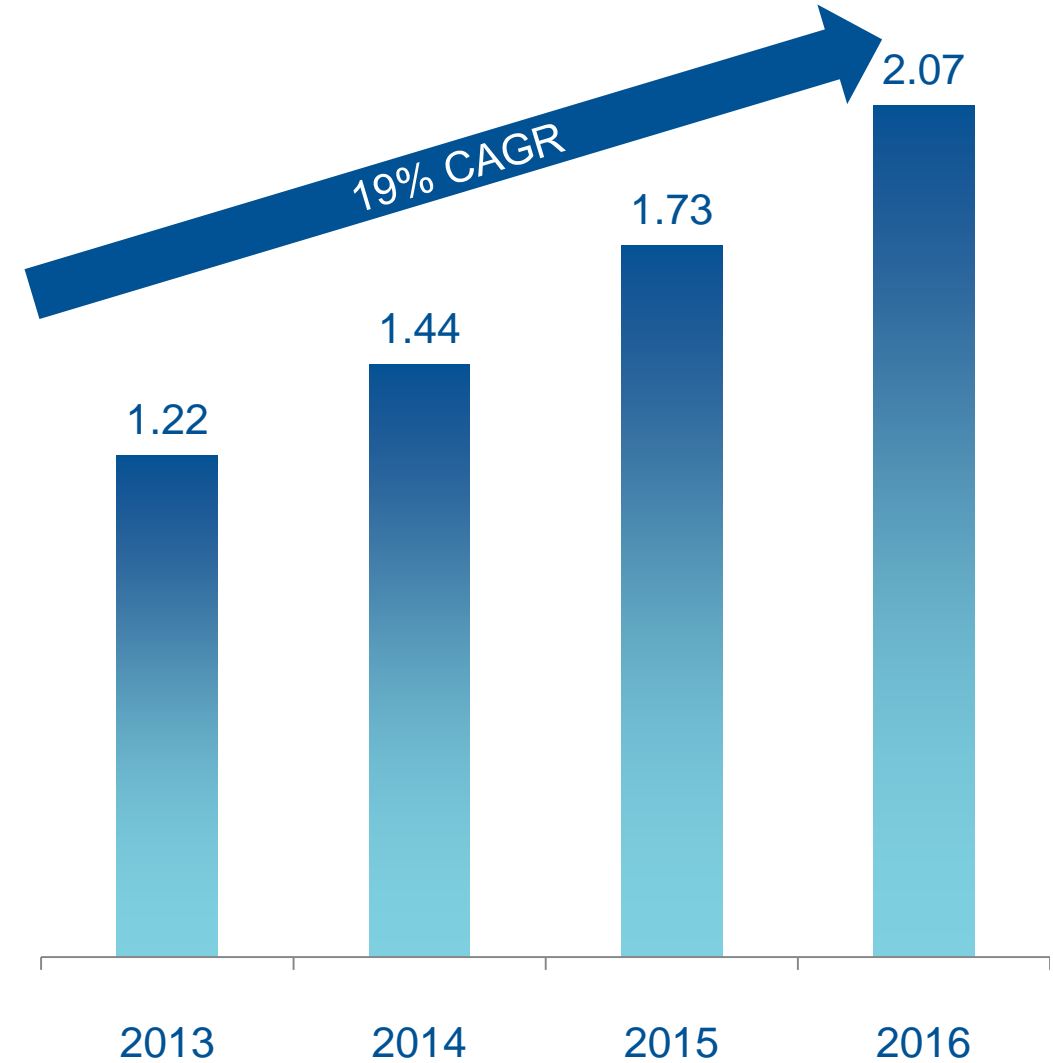


Medium term
target of 100 to
150 bps
expansion p.a.

Non-IFRS EBIT (USD m)

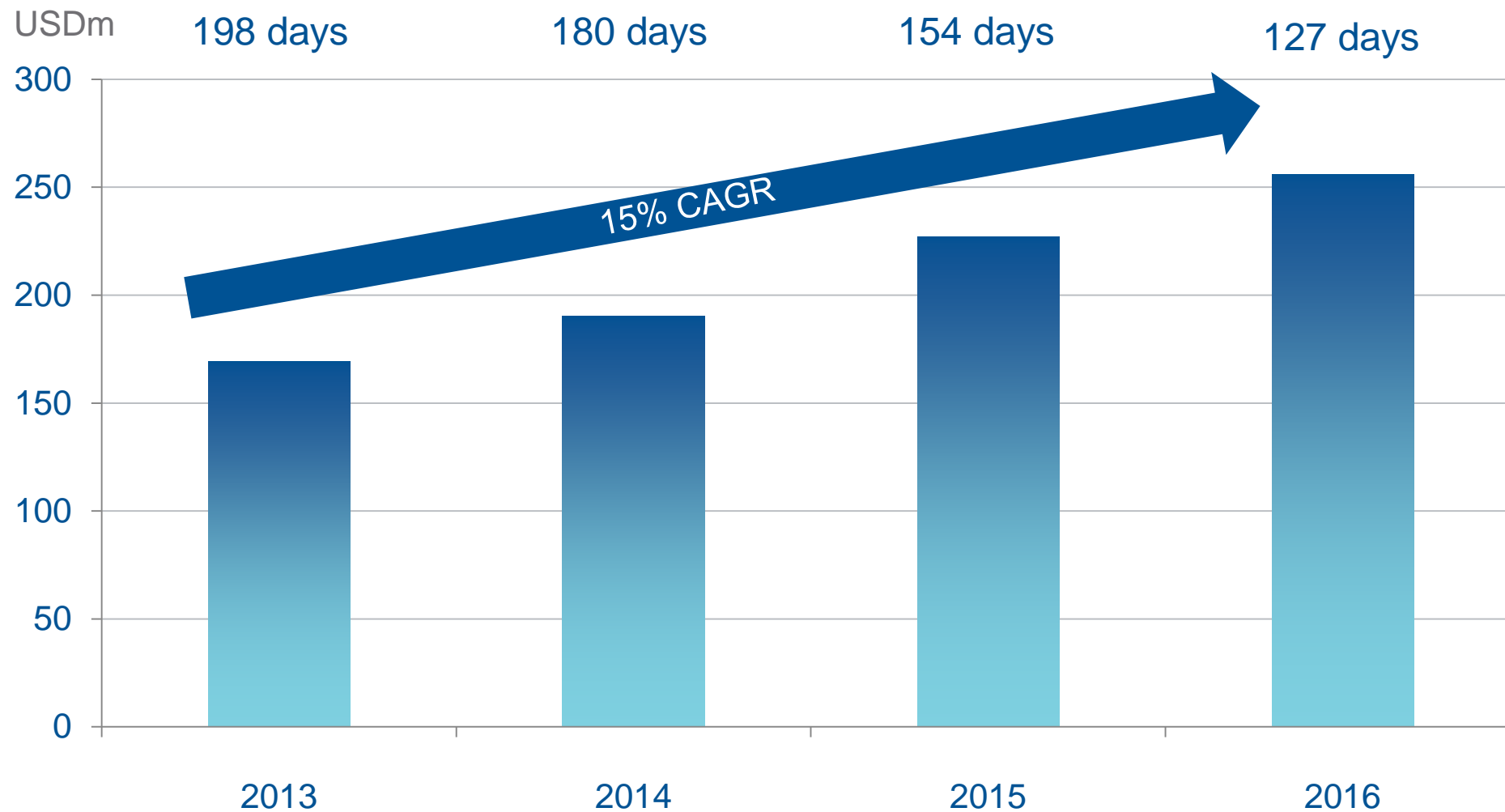


Non-IFRS EPS (USD)



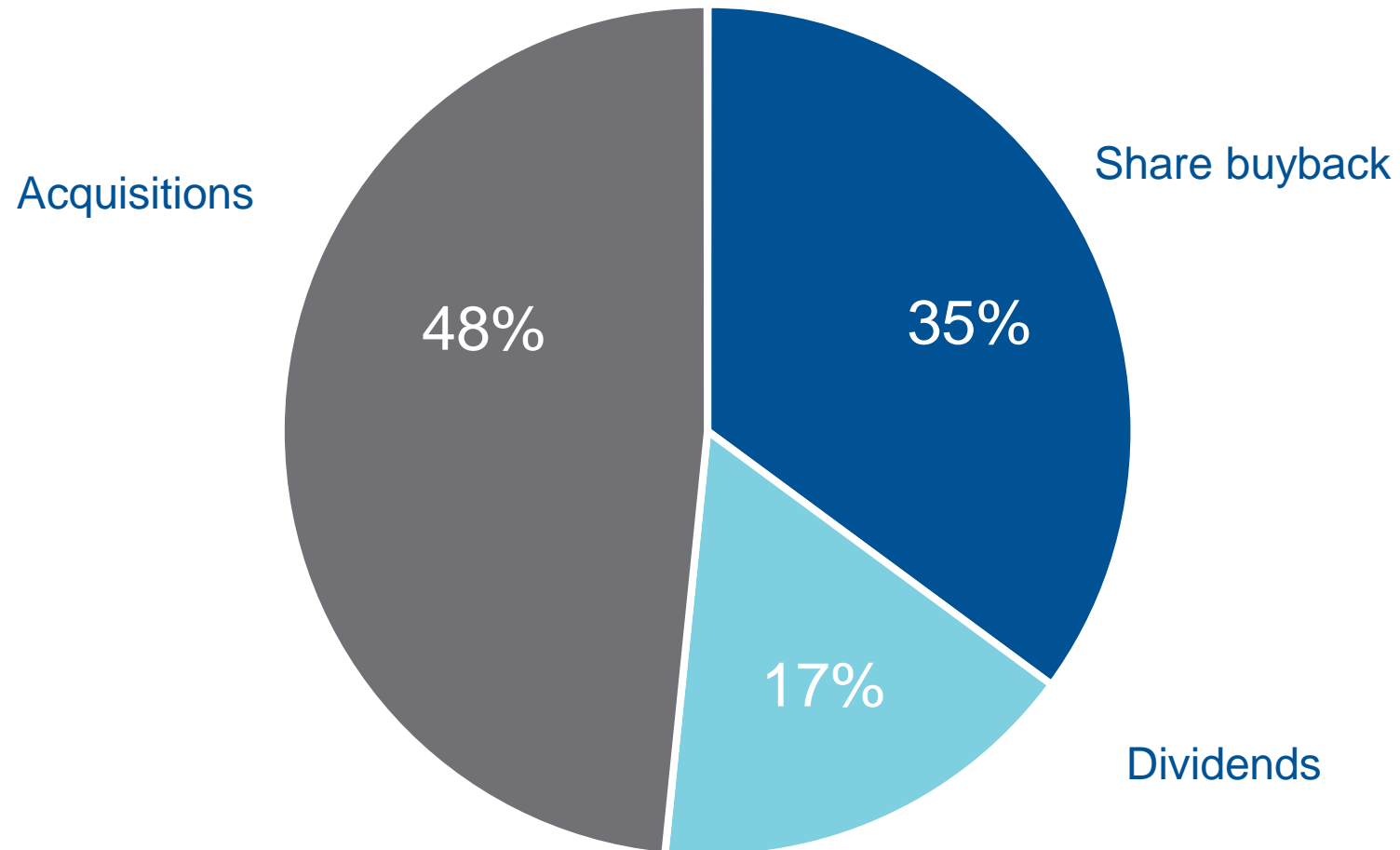
Medium term target
of 15% CAGR

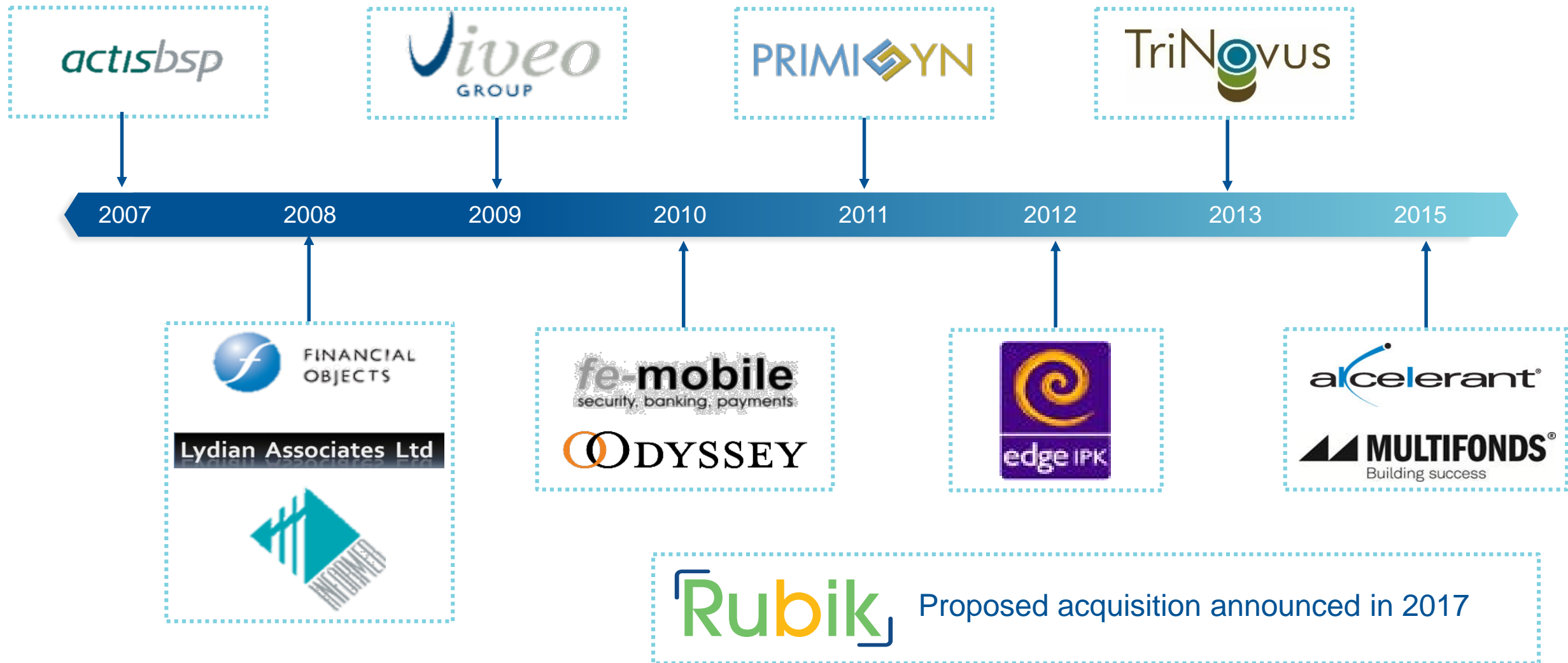
Operating Cash Flow and DSOs



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

Capital allocation 2013 – 2016





	2013	2016
Total available financing	USD 350m	USD 875m
Weighted average interest rate	5.0%	3.3%
Weighted average maturity	4 years	3.6 years
Leverage ratio	0.6x	0.8x

Low-cost debt structure with significant flexibility

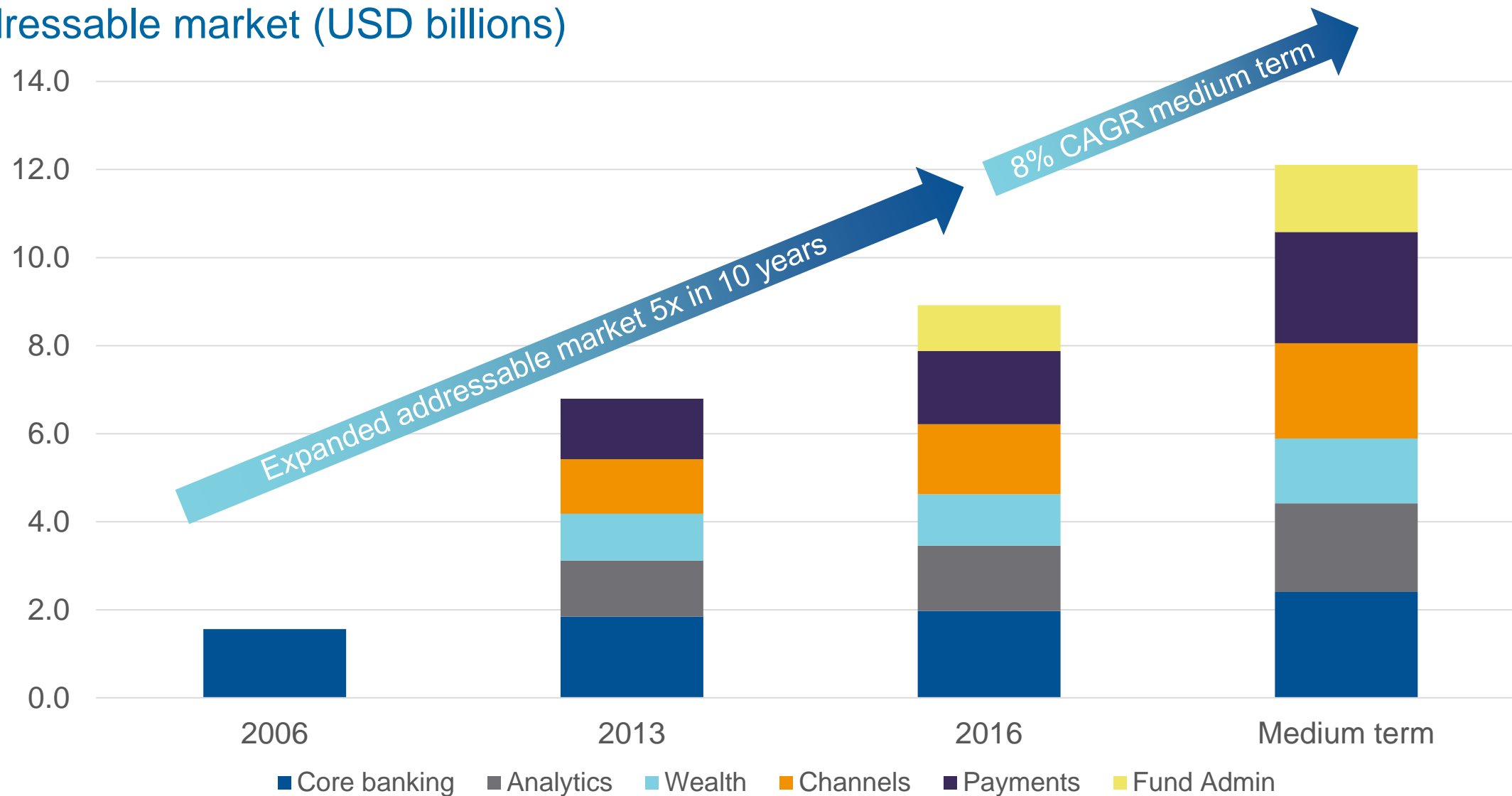
Total shareholder return (USD, 31/12/16)	1 year	3 years	10 years	Since IPO	Average p.a. since IPO
Temenos	34%	153%	330%	459%	30%
Swiss Market Index	-6%	-4%	52%	194%	13%
Stoxx Euro 600	-1%	-7%	13%	127%	8%
Nasdaq	9%	34%	150%	209%	13%
Peer group average	9%	32%	173%	267%	18%

Exceptional shareholder value creation

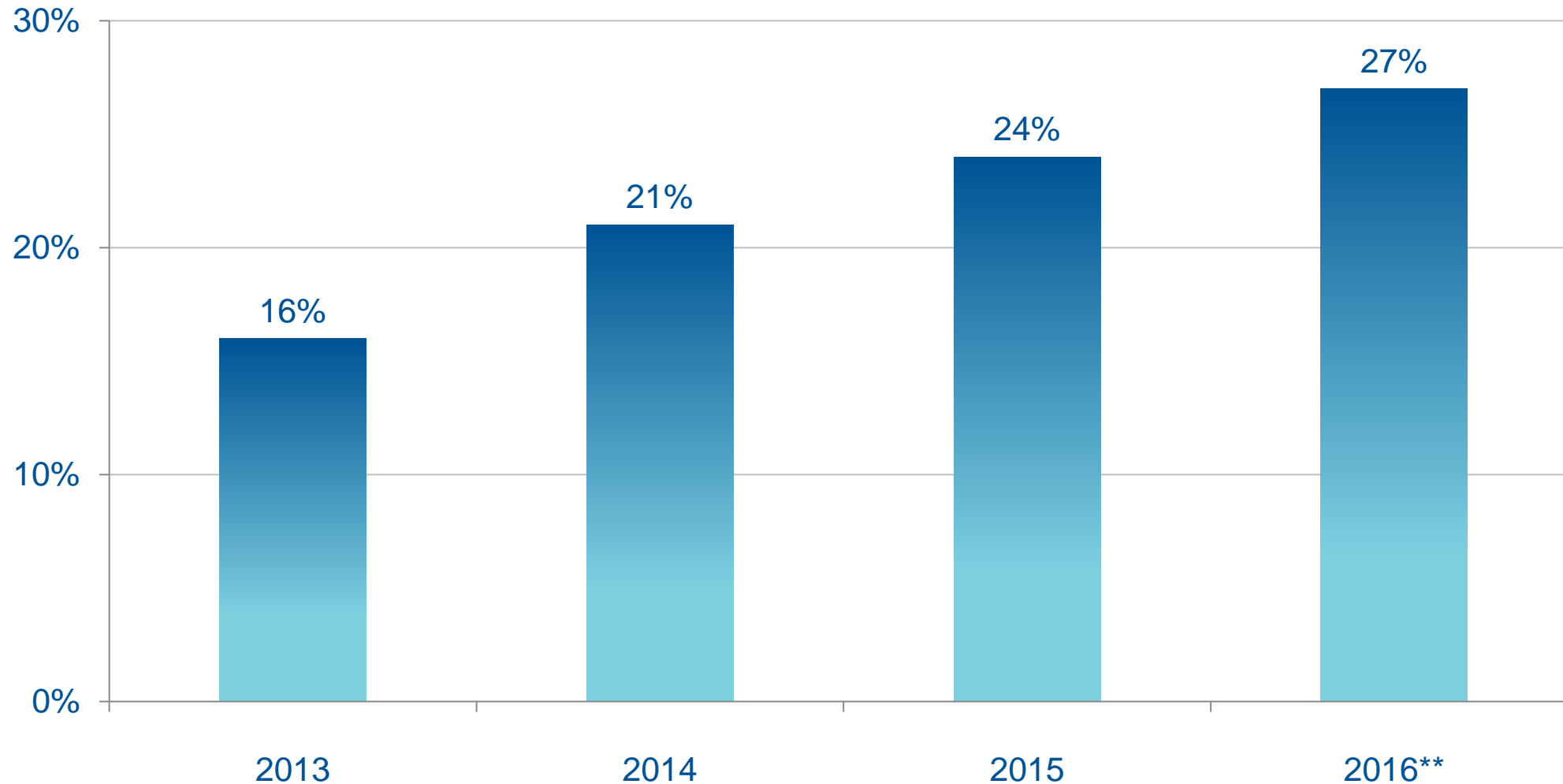
Drivers of growth



Addressable market (USD billions)



Temenos core banking market share by value of deals*



* Source: IBS league table, Temenos estimates; ** Source: Temenos estimates

2014



2015



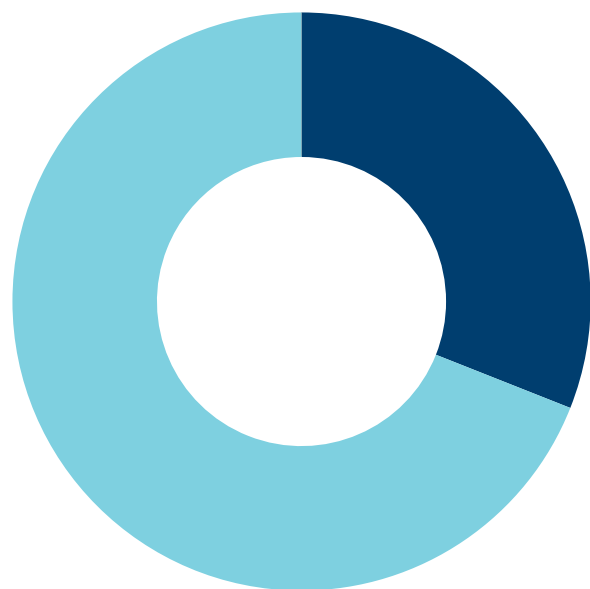
2016



Our credentials create significant barriers to entry for our competition

Non-IFRS total software licensing revenues by client tier

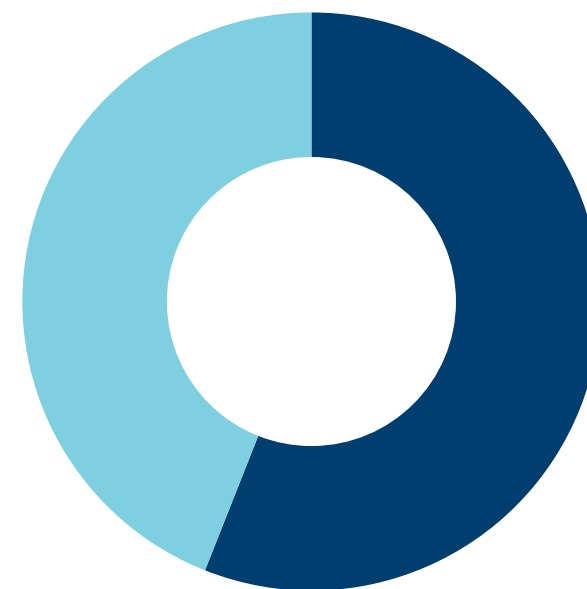
■ Tier 1 & 2 ■ Tier 3, 4 & 5



2013



2016



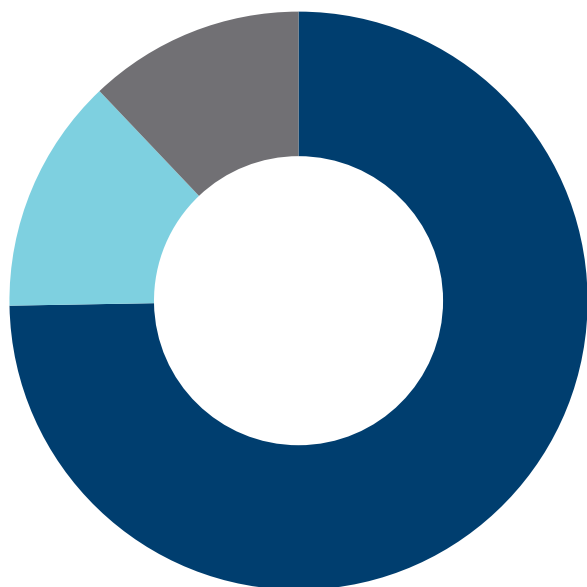
Medium term

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

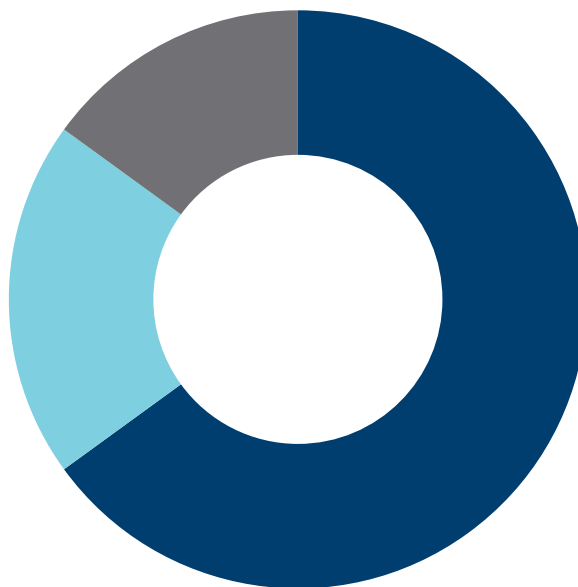
Installed base will continue to represent 60%+ of non-IFRS total software licensing going forward

Breakdown of the installed base

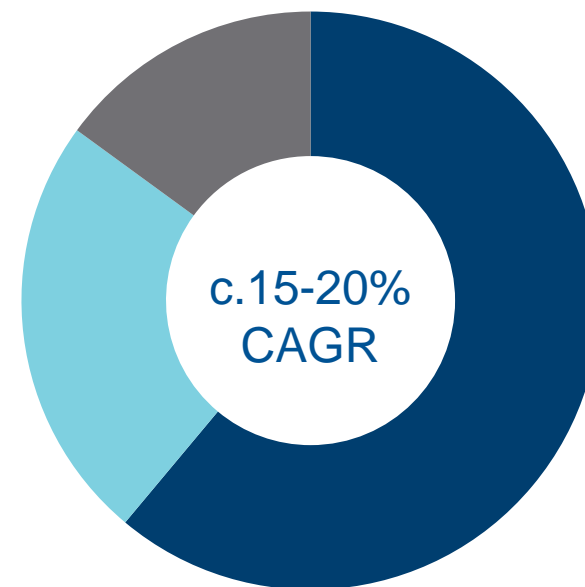
■ Cross Selling ■ Tier 1+2 progressive renovation ■ Relicensing



2013



2016

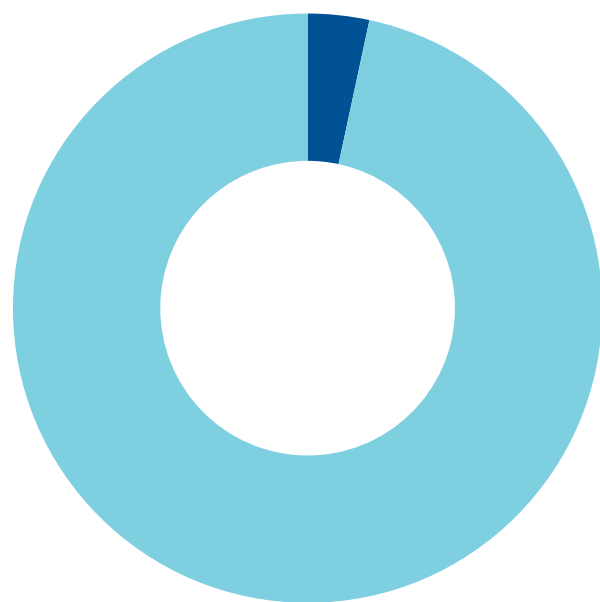


Medium term

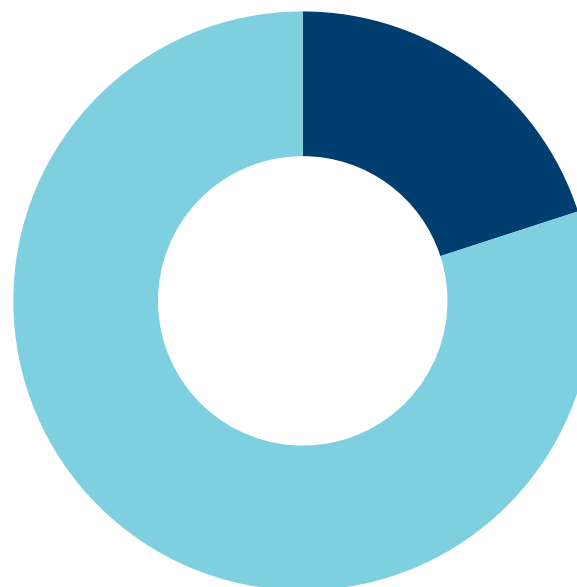
Relicensing, progressive renovation and cross-selling increase license predictability

Non-IFRS Software licensing vs. SaaS and subscription revenues

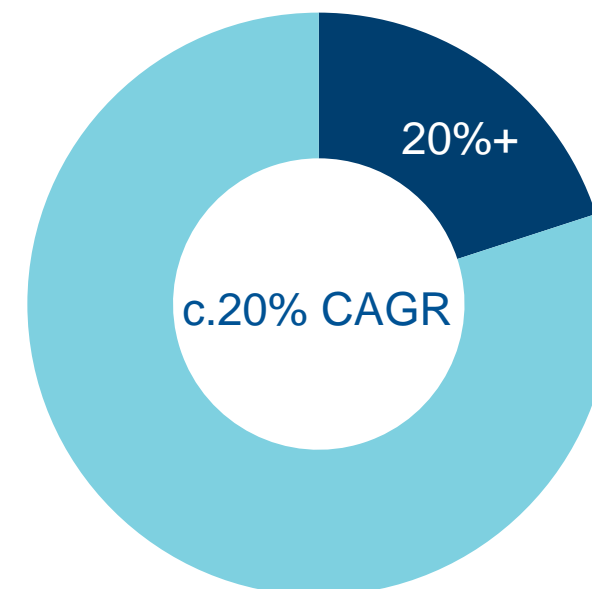
■ SaaS and subscription ■ Software licensing



2013



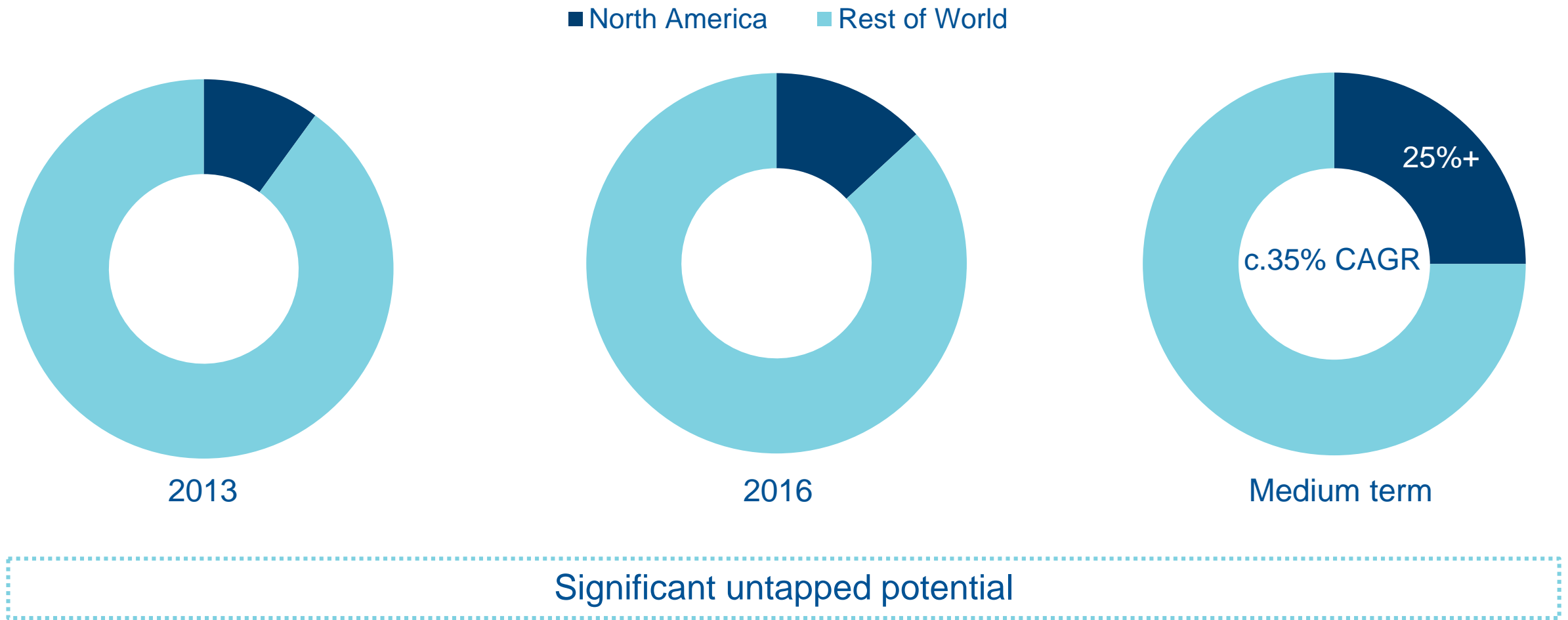
2016

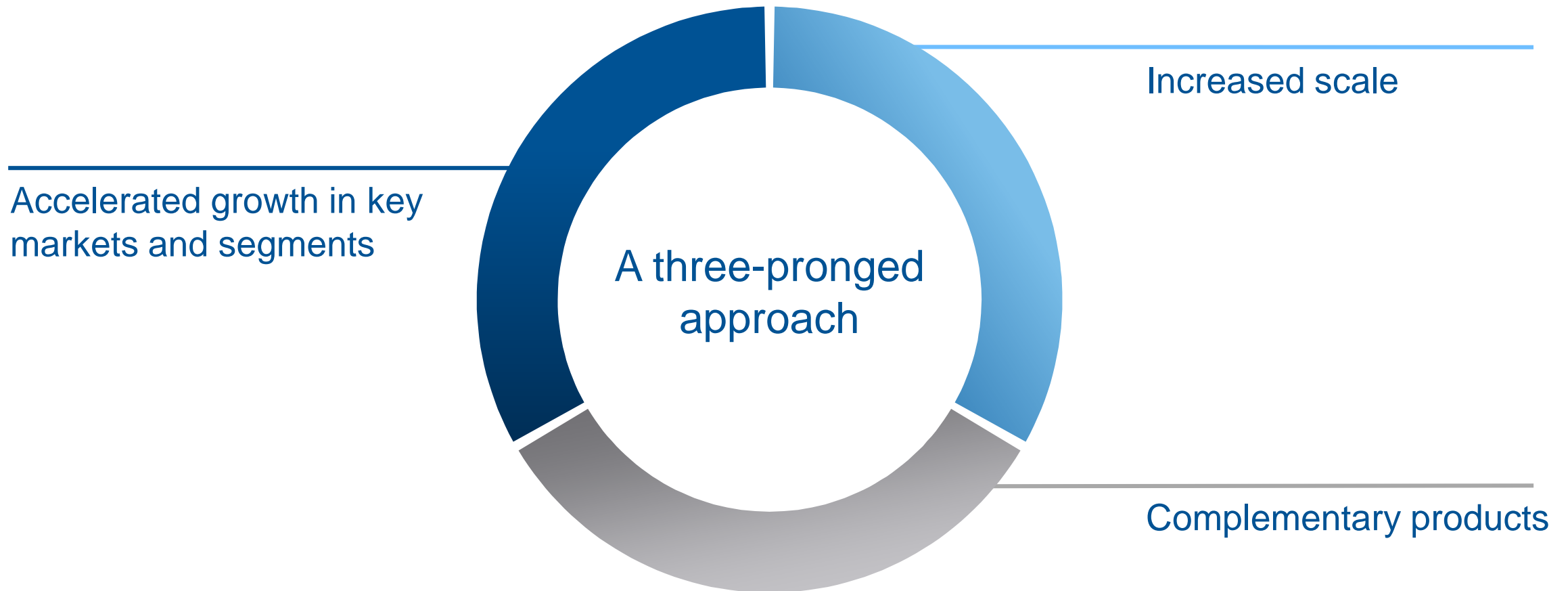


Medium term

Continued rapid growth in SaaS and Subscription revenues

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





Medium term targets



Metric (Non-IFRS)	2013-2016 performance	Medium term targets
Total software licensing	22% CAGR	15% CAGR
Total revenue	11% CAGR	10% CAGR
EBIT	176 bps p.a.	100-150bps p.a.
EPS	19% CAGR	15% CAGR
DSO reduction	24 days p.a.	5-10 days p.a.
Cash conversion	120% p.a.	100%+ of EBITDA
Tax rate	13% p.a.	17-18%

The digital pressures on banks are intensifying.

Vendor of choice for Tier 1 banks.

Digital is at the heart of our offering.

We have created significant shareholder value.

We benefit from multiple drivers of growth.



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