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THE BANKING SOFTWARE COMPANY

Emerging Asia's payments revolution is here:

Are you ready to earn a slice of $566 billion?

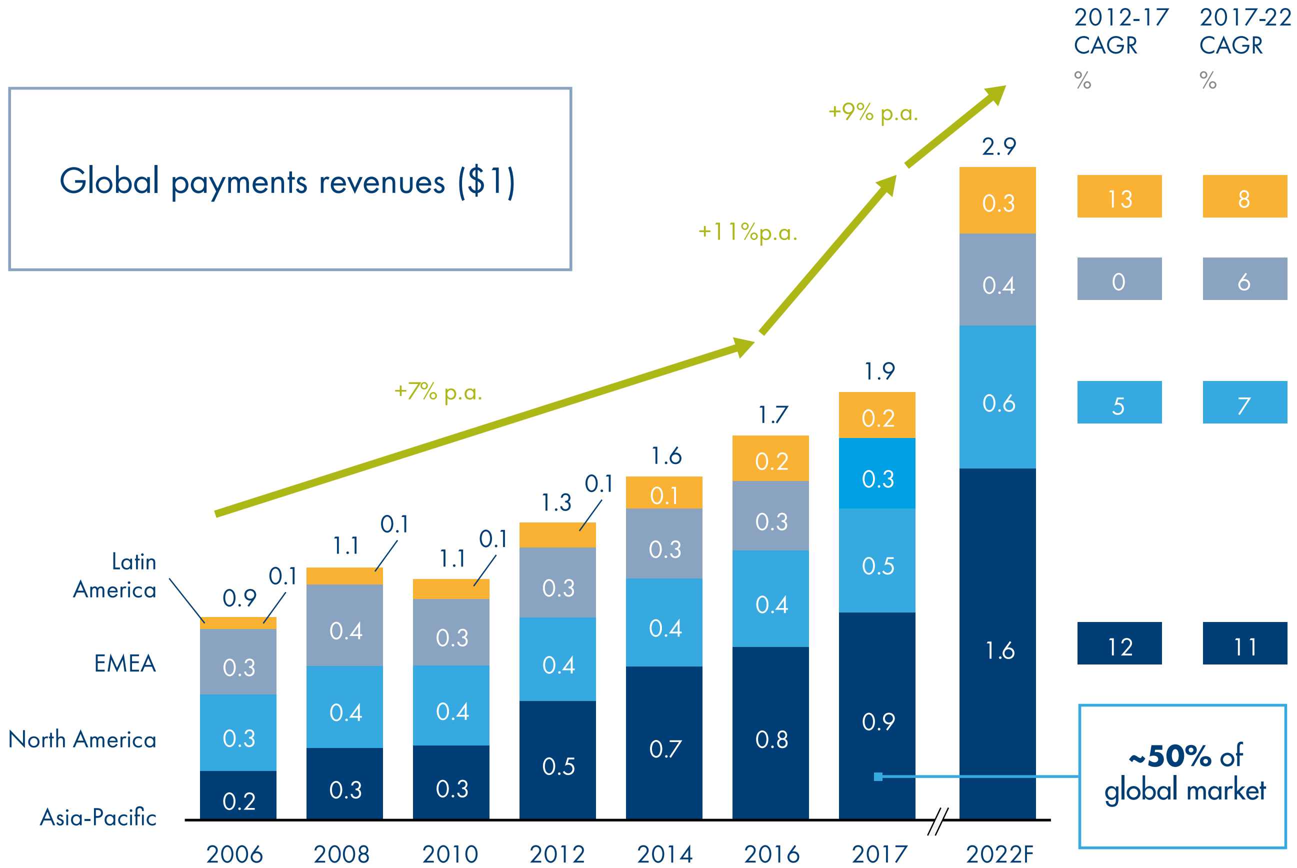
Payments across the world are evolving rapidly from a back-office function to a bona fide business for an increasing number of companies, driving revenue growth-led transformation – and one which also delivers increased operational and cost efficiencies.

The numbers are compelling: McKinsey estimates global payments revenues reached close to $1.9 trillion in 2017, and they forecast those numbers will reach roughly $3 trillion in 2022. [1]

While this is a global phenomenon, APAC is leading the charge, dominating global payments revenue in 2017 - accounting for approximately 50% ($945 billion), according to McKinsey.

1) McKinsey Global Payments Map

Global payments revenues grew 12% in 2017, the highest rate in 5 years



Markets like Vietnam, Thailand and the Philippines are leading that drive, with Emerging Asia expected to hit$566 billion in payments revenue by 2025, or 28% of projected total global payment revenues.[2] Regional giants India and China are also ahead of the curve.

Growth in the digital economy and a push for cashless societies throughout the region, particularly among its emerging economies, are just two of the major developments driving this change in payments.

According to Capgemini, Emerging Asia delivered 25.2% of growth in non-cash transactions between 2015-2016, fueled by positive macroeconomic indicators, adoption of mobile payments, and efforts by the region's regulators to increase financial inclusion.

2) Capgemini

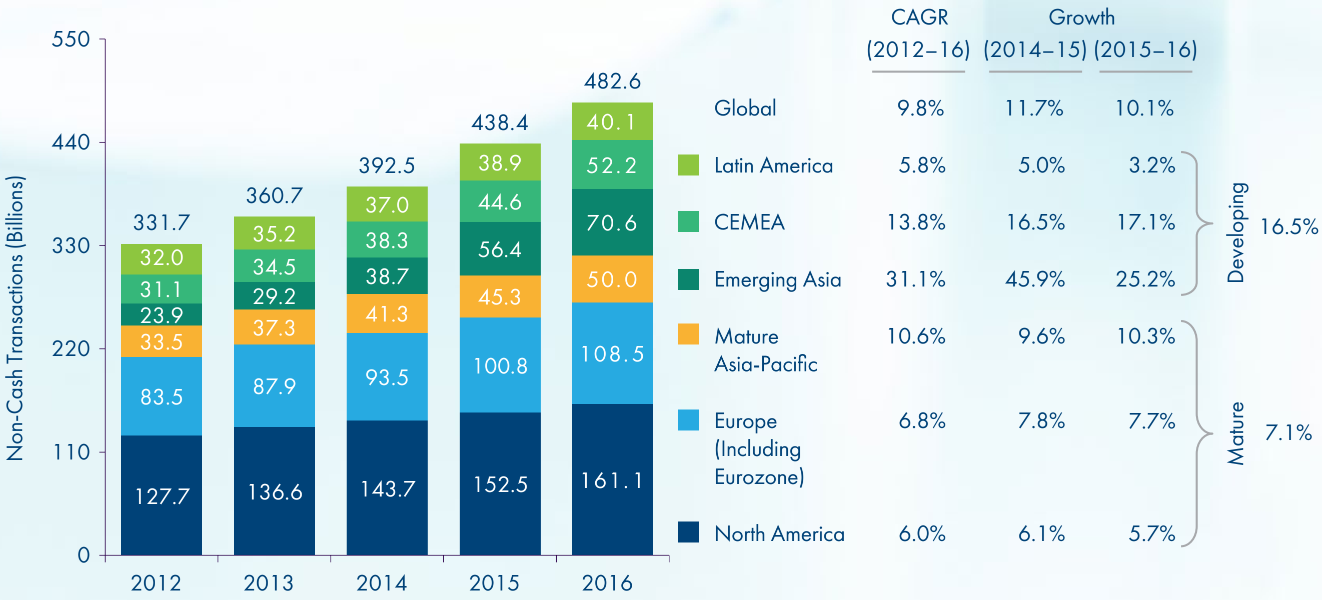


Figure 1.1 Number of Worldwide Non-Cash Transactions (Billions), by Region, 2012-2016[3]

Vietnam offers a great illustration of APAC's advanced digital adoption. The Southeast Asian nation's government is ramping up its efforts to support cashless payments, while a growing GDP, coupled with high rates of smartphone penetration and increasing financial inclusion, are laying the groundwork for a robust digital economy.

Though cash currently dominates, Vietnam's mobile payment market is expected to reach $70.9 billion by 2025, according to Allied Market Research.[4]

3) Capgemini - World Payments Report 2018
4) Allied Market Research

*Notes: CEMEA(Central Europe, Middle East, Africa) includes Algeria, Bulgaria, Croatia, Kenya, Nigeria, Egypt, Israel, Morocco, and UAE in other CE and MEA countries: Latin America includes Argentina, Colombia, Venezuela, Chile, Peru, Uruguay, Costa Rica, Bolivia, and Paraguay in other Latin American countries; Emerging Asia includes Malaysia, Thailand, Indonesia, Philippines, Taiwan, Pakistan, Sri Lanka, and Bangladesh in other Asian countries: Mature APAC(Asia-Pacific) includes Japan, Austria, South Korea and Singapore: NA (North America) includes the US and Canada; Chart numbers and quoted percentages may not add up due to rounding; Some numbers may differ from data published in WPR 2017 due to previous year data updated at the source.

Sources: Capgemini Financial Services Analysis, 2018; ECB Statistical Data Warehouse, 2016 figures released October 2017; Bank for International Settlements (BIS) Red Book, 2016 figures released December 2017; Countries' central bank annual reports, 2017.

Vietnamese Government pushing for cashless payments

On Dec 30 2016, the PM announced a scheme for promoting non-cash payments in the period 2016-2020

Key Objectives

Improve usage of non-cash

- 100% coverage of supermarkets, shopping centers and distribution agends
- 70% coverage of utilities: electricity, water and telecom
- 50% of urban households using non-cash payments

Improve Payments Infrastructure

- Upgrade and expand IBPS system
- Increase POS installations to 300,000
- Develop next-gen payments system for urban and rural needs (mPOS)
- Develop Automatic Clearing House (ACH) system for retails
- Boost Non-Cash payments volume to 200 transations yearly

Financial Inclusion

- Increase usage and penetration of banking & financial services by 2020
- Focus on increasing rural adoption of payment services
- At least 70% of citizens above age of 15 to be included in the financial system

Vietnam's successes are all part of APAC's digital commerce revolution. Globally, digital commerce exceeded $3 trillion in 2017 – a number projected to more than double by 2022, according to McKinsey. Asia Pacific already comprises more than half of this figure.

Similarly, Thailand's digital payments (transaction value) are forecast to show a compound annual growth rate (CAGR) of 13.1% over the next five years, resulting in a total amount of US$21.6 billion by 2023, Statista projects. Across the South China Sea, the Philippines boasts similar projected gains, with Statista estimating CAGR of 12.6% over the same time period, resulting in total of US$11.8 billion by 2023.[5]

And that growth is only set to accelerate over time. Due to the emerging markets' performance, and the fast-growing India and China markets, the region's share of the global digital commerce pie could grow to nearly 70% by 2022.[6]

5) Statista
6) Note to Temenos: need precise source for this statistic

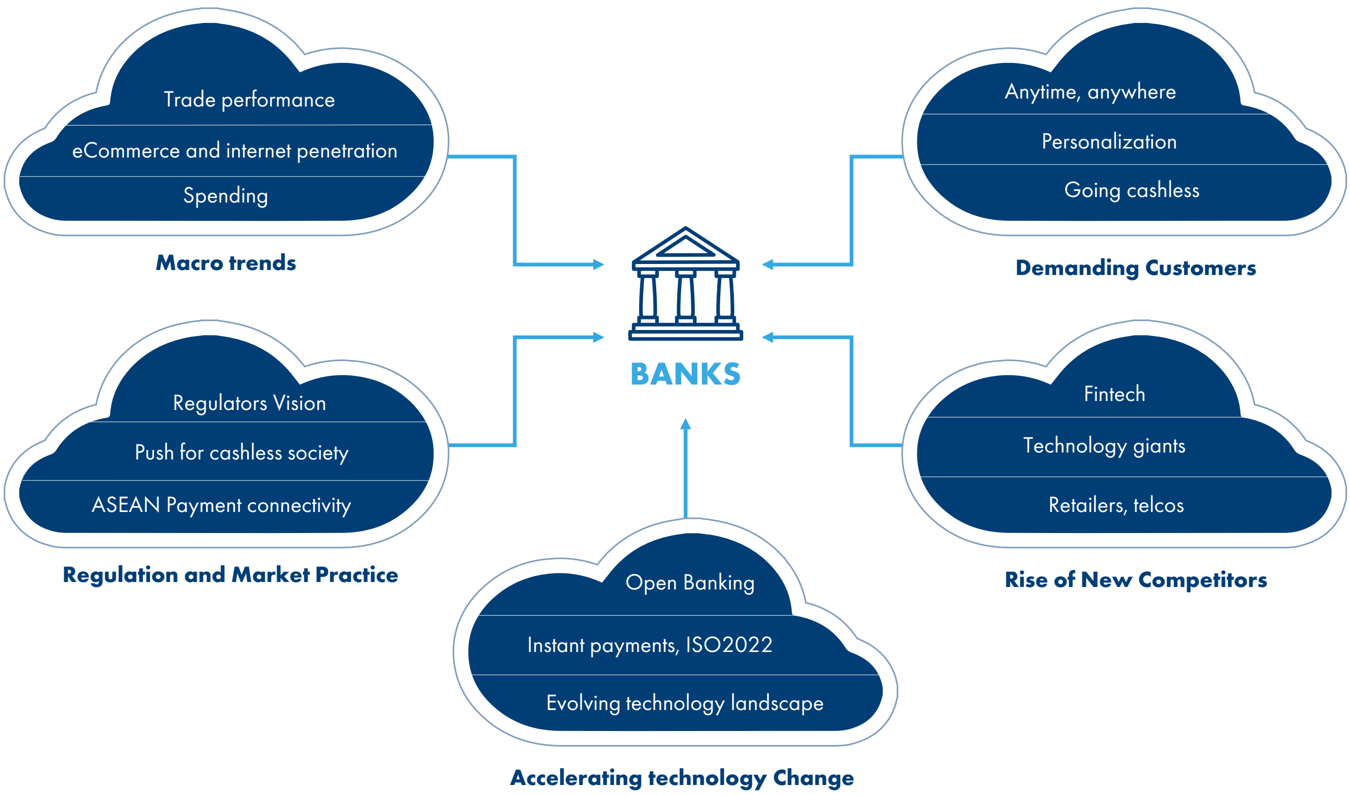
Drivers in emerging Asia

Given the sophistication of APAC's digital evolution, it's crucial for banks operating in the region to modernize to stay competitive; and to keep ahead of government policies and regulations put in place to drive towards a cashless society.

Increased economic performance and related changes in spending in Asia, coupled with a related increase in ecommerce – as well as high internet and smartphone penetration -- is changing the consumer landscape across the region.

Not only fintech firms, but other tech companies and retailers are capitalizing on these digital developments, as an increasing number of consumers demonstrate they're willing to embrace digital change.

Structural drivers



A majority of banking customers in Asia, for example, say they'd consider adopting branchless banks – just over half (54%) in emerging Asian countries and a whopping three quarters (76%) in developed Asia, according to McKinsey's 2018 Asia's Digital Banking Race survey.[7] The findings are just one example of tech-savvy Asian consumers' desire for greater convenience in their financial services, and in their lives in general.

7) McKinsey's 2018 Asia's Digital Banking Race Survey

Trackable improvements

Needless to say, banks that aim to compete in the next decade – particularly across APAC – need to ensure they have the software and systems in place to capitalize on these trends.

The adoption of modernized payment systems brings tangible metrics that banks can track. Improvements across the board in these areas provide measurable confirmation of the benefits of modernization. For example, net interest income will rise, with a mirrored drop in cost-to-income ratio.

Other benefits also accrue from modernizing payments. From growth in fee income and increased straight-through processing (STP), an overhaul of an outdated payment system is also likely to see growth in payment transactions per customer and digital payments, as well as CASA deposits – and a reduction in error rates.

By providing a suite of new and improved products – including, for example, innovative services such as instant loans and overdrafts, and value-added services such as real-time payroll – migration to a connected, universal payment hub can quickly translate to increases in revenue.

Other benefits include improved operational efficiency - through centralization and standardization - lower levels of manual intervention, and a faster time to market. These, among other factors, contribute to productivity, while reduced IT setup and running costs, as well as greater regulatory compliance and improved scalability, lead to significantly reduced capital expenditures.

Why upgrade?

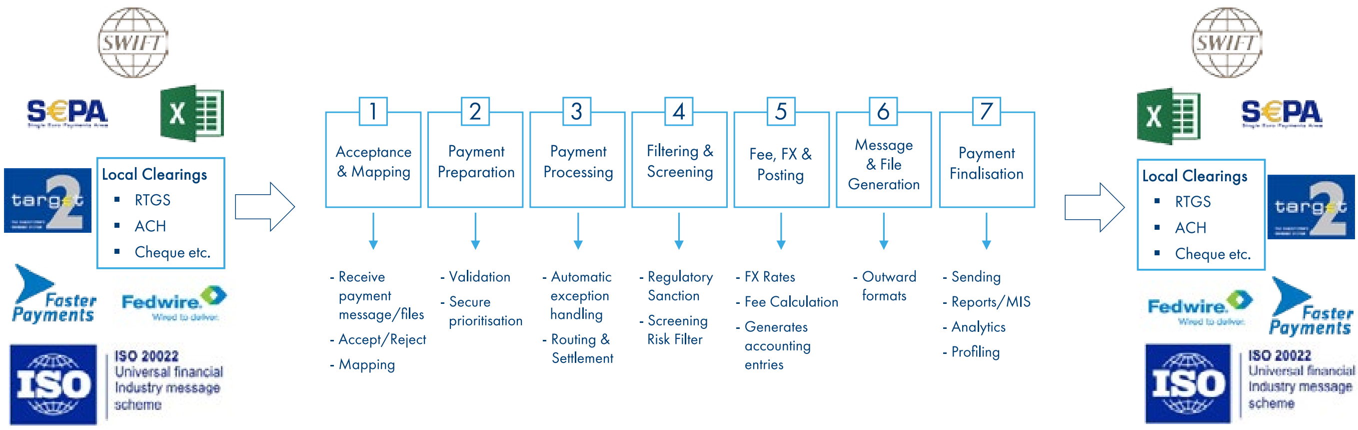
The reasons to modernize are clear: not only are upgrades to payments systems generating new revenue, they're also delivering both operational and cost efficiencies.

Centralized payments across territories, a 360° view of transactions in real time, automated alerts, greater efficiency and cost minimization are just some of the benefits of modernizing payments.

Temenos' Payment Hub is a single, channel-agnostic platform, which can process all types of payments for a variety of customers and transaction types.

Existing systems often struggle to reconcile hundreds of formats and multiple integration channels, with a plethora of combinations of formats, protocols and confusing rules between these channels. In contrast, the payment hub provides one universal solution for all payments, with liquidity management and full visibility in real time, while allowing for fast onboarding of new clients.

How Temenos Payment Hub works



Challenges

- 100s of formats
- Multiple interaction channels
- 1000s of combinations of formats, protocols, rules between channels

With TEMENOS PAYMENTS HUB

- One universal solution for all payments
- Real time liquidity management and limits
- Able to support growth in volume
- Full visibility into what is/isn't happening
- Fast onboarding of new partners/formats
- Low maintenance costs

We're proud that Temenos has been recognized across the industry for its first cloud-based combined Payments Hub, including by Kapron Asia and IBS intelligence; and it was the winner of the "Payments Innovation of the Year" award from FStech in 2018.

Is your firm equipped to earn a slice of emerging Asia's projected $566 billion payments pie?[8]

To find out more, visit www.temenos.com.

8) Capgemini

About Temenos

Temenos AG (SIX: TEMN), headquartered in Geneva, is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver consistent, frictionless customer journeys and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve industry-leading cost-income ratios of 25.2% and returns on equity of 25.0%, 2X better than the industry average. These clients also invest over 53% of their IT budget on growth and innovation versus maintenance, which is 2.5X the industry average, proving the banks' IT investment is adding tangible value to their business.

For more information please visit www.temenos.com.

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