



Invitation to the 15th Ordinary
General Meeting of Shareholders
of Temenos Group AG

to be held on Tuesday 10 May 2016,
at 11.30 a.m. (doors open at 11.00 a.m.)
at Temenos offices, 2 rue de l'Ecole-de-Chimie,
1205 Geneva, Switzerland

Chairman's Letter

Dear Shareholders,

It is my pleasure to invite you to the 15th annual shareholders' meeting of Temenos. Before turning our attention to the matters for consideration at this upcoming shareholders' meeting, I would first like to look at 2015 which was a record year in every respect. Our growth in revenues, cash flows and profitability were impressive, reflecting our position as the leading global software company for banking and finance.

Thoughts on our performance in 2015

Our clients enjoyed positive economic conditions especially in the more mature economies of Europe and North America and banks in these regions started to invest in technology in a far more strategic way than in the past. Not only are bank balance sheets in a much better position than previously, but the urgency to correct years of underinvestment became far clearer in bankers' minds as the mobile revolution has brought the deficiencies of legacy IT infrastructures into sharp focus. The Millennial generation, demanding more constant and immediate interaction in all aspects of their lives, are pushing beyond the capabilities of technology which has mostly been implemented in the 1970s or 1980s. Our clients are quickly realising that their biggest asset, their end clients' trust with their financial assets, can only be exploited successfully if combined with modern technologies that will result in real time, meaningful interactions, anywhere, anytime, and through different devices. With the new generation of clients that are far more demanding than ever before, the move towards cashless societies will increase the number of transactions that legacy systems have to process exponentially, a trend they are already struggling to cope with. In Europe it was particularly encouraging to see major banking organisations embark on the biggest projects for a generation. Temenos had a record year working with the continent's major banks, supporting them with their business transformation agendas. In Asia Pacific, investments were centered on the private wealth space, a specialisation that we are particularly excited to be the preferred partner for in the world's key projects. In North America we started making inroads by beginning to work with some of the largest banks in their progressive renovation efforts. Our product readiness and sales effectiveness meant that we continued to gain significant market share across all of our key markets.

In addition, during the year we concluded two strategic software company acquisitions. Multifonds operates in the area of fund accounting/fund administration and is a specialised provider for some of the world's biggest fund administrators, most of which also happen to be our clients in the core banking space. The second acquisition we made was Akcelerant, a US software company with more than 600 Credit Union clients of its debt collection and origination software products. Akcelerant has been instrumental in supporting our efforts to grow in the United States and Multifonds is giving us the opportunity to expand our relationships into key clients while we take advantage of the fast-growing fund management market. Both companies have been successfully integrated into Temenos and their recurring revenue models are an excellent fit with the Temenos business model.

As a result of all of this, during 2015 we generated record revenues, cash flows and profitability in the history of Temenos and we are therefore also proposing an increased dividend for 2015. Our specialisation and dedication to financial services and our relentless focus on packaged software means that our products are becoming more competitive with each year of investment. Not only can we invest more than our generalist competitors in absolute terms but our investment dollars go further, because they are rolled into packaged, upgradeable software providing value to all our customers and making in turn our product more competitive. Key banks are increasingly preferring to work with Temenos because they know that selecting a software provider is probably one of the most important decisions they will ever have to make. Our robust corporate structure and governance, our specialisation and our holistic approach to packaged software are the cornerstones of our success and we intend to keep it that way.

The 15th Ordinary General Meeting of Shareholders

Please refer to the enclosed agenda. Regarding the compensation items, the compensation report included in the 2015 Annual Report provides details of our compensation philosophy, approach and controls. It explains also that we very much prioritise performance linked compensation and have a track record of proving that we honour this. The annex attached explains in more detail the elements of the 2017 compensation.

Final thoughts

We continue to benefit from multiple structural drivers, and banks are realising that the need to renovate legacy IT infrastructure is more pressing than ever. Having had such a strong 2015, I am confident in the outlook for 2016 and the medium term.

With the strong growth in both cash flows and profitability in 2015, we have proposed a dividend of CHF 0.45 per share for 2016, a significant increase on the previous year.

I look forward to seeing as many of you as possible in Geneva on 10 May 2016.



Andreas Andreades
Chairman

Agenda and Proposals of the Board of Directors

1. 2015 Annual Report (including the compensation report), 2015 annual financial statements, 2015 consolidated financial statements and the auditors' reports

Proposal

The Board of Directors proposes that the 2015 Annual Report (including the compensation report), the 2015 unconsolidated financial statements stating a profit for the year of CHF 2,062,038 and the 2015 consolidated financial statements stating a consolidated profit for the year of USD 66,343,750 be approved.

2. Allocation of the available earnings

Proposal

The Board of Directors proposes to allocate the available earnings of CHF 59,627,038 as follows:

Appropriation to general legal reserve	CHF	103,102
Retained earnings to be carried forward	CHF	59,523,936

Explanation

As per Swiss law, 5% of the profit for the current year must be allocated to the general legal reserve until its carrying amount is equal to 20% of the paid-up share capital. The remainder of the profit for the current year is transferred to accumulated retained earnings.

3. Distribution of general reserve from capital contributions

Proposal

Based on the audited financial statements for the financial year 2015, the Board of Directors proposes to distribute an ordinary dividend in cash amounting to CHF 0.45 per share, for a total amount of CHF 31,500,000 (this amount may vary depending on the number of treasury shares and of shares created out of conditional capital as of the ex-dividend date).

This distribution shall be declared out of the disposable amount of the general reserve from capital contributions as at 31 December 2015 taking the legal form of an ordinary dividend in cash. From a tax standpoint, this ordinary dividend constitutes a repayment of part of the general reserve from capital contributions.

As a result, the general reserve from capital contributions at 31 December 2015, amounting to CHF 220,795,859 will be reduced as follows:

General reserve from capital contributions (at the disposal of the General Meeting)	CHF	220,795,859
Distribution of general reserve from capital contributions	CHF	31,500,000
Carry forward the balance of	CHF	189,295,859

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 13 May 2016 (Ex date). The dividend record date will be set on 17 May 2016 (Record date) and the dividend will be payable as of 18 May 2016 (Payment date).

Temenos treasury shares are not entitled to dividend.

4. Discharge of the members of the Board of Directors and executive management

Proposal

The Board of Directors proposes that the members of the Board of Directors and executive management be granted discharge for the financial year 2015.

5. Compensation of the members of the Board of Directors and of the Executive Committee for the year 2017

5.1 Compensation of the members of the Board of Directors for the year 2017 (1 January-31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 7.3 million as fixed and variable compensation of the members of the Board of Directors for the financial year 2017.

Explanation

Please refer to the Annex.

5.2 Compensation of the members of the Executive Committee for the year 2017 (1 January-31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 18.5 million as fixed and variable compensation of the members of the Executive Committee for the financial year 2017.

Explanation

Please refer to the Annex.

Agenda and Proposals of the Board of Directors continued

6. Elections of the members of the Board of Directors

Proposal

The Board of Directors proposes the re-election of Mr. **Andreas Andreades** as member and Chairman of the Board of Directors and Messrs. **George Koukis**, **Ian Cookson**, **Thibault de Tersant**, **Sergio Giacoletto-Roggio**, **Erik Hansen** and Ms. **Yok Tak Amy Yip** as members of the Board of Directors, each for a term of office until completion of the next ordinary annual general meeting of shareholders.

Explanation

In accordance with the Ordinance against excessive compensation in listed stock companies (OaEC) each member of the Board of Directors and its Chairman shall be elected individually each year.

6.1 Mr. Andreas Andreades, member and Executive Chairman of the Board of Directors

Cypriot, born in 1965, Mr. Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role from July 2003 until July 2011, when he was appointed Chairman of the Board of Directors. Since he joined Temenos, the Company has grown from less than 150 employees to more than 4,000 and to more than 2,000 customers and exceeding USD 500m in annual revenues, establishing it as the global leader in banking software. Mr. Andreades started his career with KPMG in London in 1988 and then with Pepsico between 1994 and 1999. Mr. Andreades holds a Master's engineering degree from the University of Cambridge and is a UK chartered accountant. Mr. Andreades is the Chairman of Temenos Nomination Committee.

The Executive Chairman supports, advises, counsels and provides guidance to the Executive Committee. He provides guidance and support directly to the CEO and CFO/COO on a regular basis. He also attends the monthly Product Board where product strategy and funding are decided and execution is monitored. The Chairman is very heavily involved in acquisitions and in key client/prospect relationships that often require the CEO and/or Chairman's participation to bring key deals to fruition. He therefore works full time in an executive capacity and is jointly responsible together with the CEO and CFO/COO to the Board of Directors for the development and delivery of the strategic plan and the annual business and financial plan.

6.2 Mr. Sergio Giacoletto-Roggio, Vice Chairman of the Board of Directors

Swiss, born in 1949, Mr. Sergio Giacoletto-Roggio serves as an Independent Director. His current portfolio of positions includes Chairman of Oberthur Technologies Holding and Operating Partner with Advent International. In December 2008, Mr. Giacoletto-Roggio retired from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. Prior to joining Oracle in 1997, Mr. Giacoletto-Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacoletto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management. Mr. Giacoletto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy. Mr. Giacoletto-Roggio is the Chairman of Temenos Compensation Committee and a member of its Audit and Nomination Committees.

6.3 Mr. George Koukis, member of the Board of Directors

Greek & Australian, born in 1946, Mr. George Koukis, as founder of Temenos, was Chairman of the Board of Directors until July 2011. Mr. George Koukis has been active in the software industry for more than 40 years, having begun at Qantas where he was heavily involved with the computerisation of the company's management accounting department. He then spent six years with Management Science America in Australia where he held various management positions, including that of the managing director. Mr. Koukis holds a degree in commerce from the University of Technology in Sydney, Australia and is a registered CPA. Mr. Koukis is currently Chairman of the Board of Trustees of the Classical Opera, a non-profit organisation based in the United Kingdom and is a Board member in seven private companies acting mainly in IT and Green Technologies. Mr. Koukis is a Fellow of King's College London and he is also an Adjunct Professor at the University of Technology Sydney, Australia.

6.4 Mr. Ian Cookson, member of the Board of Directors

Swiss, born in 1947, Mr. Ian Cookson has been active in the financial services sector for over 30 years and has built one of the most efficient IT operations in Private Banking worldwide. He is currently a member of two Boards of Directors in the EFG International Group. Chief Operating Officer of EFG International and a member of the Executive Committee until September 2007, he was previously a member of the Executive Committee of EFG Bank (since 2002). Prior to this, Mr. Cookson was the Deputy Chief Executive Officer of EFG Bank (1997-2002), Chief Operating Officer of Banque de Dépôts, Geneva (1991-1997) and the Head of Management Services of CBI-TDB Union Bancaire Privée (1986-1991). Mr. Cookson is a member of Temenos Audit, Compensation and Nomination Committees.

6.5 Mr. Thibault de Tersant, member of the Board of Directors

French, born in 1957, Mr. Thibault de Tersant is a member of the Board of Dassault Systèmes and has been executive vice president and CFO of the company since 1988 and Senior EVP since 2006. During his tenure in Dassault Systèmes, Mr. de Tersant, who manages an organisation in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M&A, has conducted more than 50 successful acquisitions totaling in excess of USD 4bn. He oversaw Dassault Systèmes' successful initial public offering on the Paris and Nasdaq stock exchanges in 1996, as well as a secondary offering in 1997. Mr. de Tersant has more than 25 years of experience in the software industry. Mr. Thibault de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris. Mr. Thibault de Tersant is the Chairman of Temenos Audit Committee.

6.6 Mr. Erik Hansen, member of the Board of Directors

Danish, born in 1952, Mr. Erik Hansen is a recognised software industry veteran with over 30 years of experience as a senior executive at leading software companies. Mr. Hansen is currently Chairman of the Board of Myriad Group AG having previously been CEO and Board Member at Day Software (2008-2011) which was acquired by Adobe in 2010. Prior to this, Mr. Hansen held several senior leadership roles at companies including TIBCO Software (2000-2004), TA Triumph Adler (1994-1997) and Apple (1990-1994), both in Europe and in the United States. Mr. Hansen holds a degree from the business college in Horsens, Denmark. Mr. Hansen is a member of Temenos Compensation Committee.

Agenda and Proposals of the Board of Directors continued

6. Elections of the members of the Board of Directors continued

6.7 Ms. Yok Tak Amy Yip, member of the Board of Directors

Chinese (Hong Kong), born in 1951, Ms. Amy Yip has over 35 years of experience in global financial markets covering different aspects of the industry. She is currently a Managing Partner of RAYS Capital Partners Limited, an Executive Director of Vitagreen, Hong Kong, an INED of AIG Hong Kong, a member of the Supervisory Board of Deutsche Börse AG, Frankfurt and a non-official member of the Commission on Strategic Development of the Central Policy Unit of Hong Kong Special Administrative Region. Ms. Yip began her career at the Morgan Guaranty Trust Company of New York (1978-1985), going on to hold progressively senior appointments at Rothschild Asset Management (1988-1991) and Citibank Private Bank (1991-1996). Ms. Yip also served as an Executive Director of Reserves Management at the Hong Kong Monetary Authority from 1996 to 2006, where she was responsible for the investment of the assets of the Exchange Fund of Hong Kong. In 2006, Ms. Yip returned to the private sector as the Chief Executive Officer of DBS Bank (Hong Kong) Limited (2006-2010), where she was concurrently Head of the Wealth Management Group at DBS Bank. Ms. Yip was awarded the Bronze Bauhinia Star in the Hong Kong Special Administrative Region in July 2000. Ms. Yip holds an M.B.A. from Harvard Business School and a BA from Brown University. Ms. Yip is a member of Temenos Nomination Committee.

7. Elections of the members of the Compensation Committee

Proposal

The Board of Directors proposes the re-election of Messrs. **Sergio Giacoletto-Roggio**, **Ian Cookson** and **Erik Hansen** as members of the Compensation Committee, each for a term of office until completion of the next ordinary annual general meeting of shareholders.

Explanation

According to the Ordinance against excessive compensation in listed stock companies each member of the Compensation Committee shall be elected individually each year.

7.1 Mr. Sergio Giacoletto-Roggio

7.2 Mr. Ian Cookson

7.3 Mr. Erik Hansen

8. Election of the independent proxy holder

Proposal

The Board of Directors proposes the re-election of the law firm **Perréard de Boccard SA** as independent proxy holder until completion of the next ordinary annual general meeting of shareholders.

Explanation

In accordance with the Ordinance against excessive compensation in listed stock companies the independent proxy holder shall be elected each year.

9. Election of auditors

Proposal

The Board of Directors proposes the re-election of PricewaterhouseCoopers SA, Geneva, as auditors for a new term of office of one year.

Documentation, Participation and Proxies

Documentation

The 2015 Annual Report (including the compensation report), annual financial statements, consolidated financial statements, auditors reports, minutes of the last Ordinary General Meeting of Shareholders as well as the current Articles of Association may be ordered at Company's headquarters and are also available on <http://www.temenos.com/en/about-temenos/investor-relations/>.

Participation

Shareholders recorded in the share register, with voting rights by **28 April 2016 at 5 p.m. CET** (record date) are entitled to exercise their voting rights at the forthcoming General Meeting and will receive by post the invitation to this General Meeting; they may then order their admission card from the share register.

Representation and proxy

Shareholders who are unable to attend in person may appoint a representative by written proxy or the independent proxy holder, **Perréard de Boccard SA** as their representative for this General Meeting. Alternatively, shareholders can provide electronically their voting instructions to the independent proxy holder using the password and as per the instructions to be indicated in the invitation to be sent to the shareholders. Any voting instructions shall be received by **9 May 2016 at noon CET** at the latest.

On behalf of the Board of Directors



Andreas Andreades
Chairman

4 April 2016

Annex

Shareholder information on the compensation votes

2015 was a successful year for Temenos, with shareholder returns of 48% for the calendar year, 210% over three years since the current management team has been in place, and 458% over ten years. Temenos is a leader in its market and its success past and future is the result of the skills and dedication of its people; recognition of the executive team in driving this success is key to our remuneration policy.

Temenos' executive compensation programmes are designed with two main goals in mind:

- To align executives' and shareholders' interests by making the major portion of executive compensation dependent on achieving increased shareholder value for the long term; and
- To enforce the ethos of a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

1. Compensation principles

1.1. Compensation elements of the Executive Chairman and the members of the Executive Committee

To attract and retain key talent, it is important that we offer competitive compensation compared to global market levels. The elements of executive compensation, together with their objectives, are:

Fixed salary	<ul style="list-style-type: none"> • To pay executives for their expected day-to-day management, leadership and contribution to the business.
Benefits	<ul style="list-style-type: none"> • To provide a level of security in health and retirement and, should it be required, in disability and death.
Variable short term incentive	<ul style="list-style-type: none"> • To make a significant portion of executive overall annual compensation variable and dependent on delivery of the Company's annual key targets of non-IFRS total software licensing, cash collection, non-IFRS EBIT and non-IFRS EPS growth. • The variable short term incentive has a 90% threshold, i.e. below 90% achievement on the said Key Performance Indicators (KPIs) the payout is zero, and a maximum cap on achievement of 150% of the target KPIs.
Variable long term equity incentive plan (LTIP)	<ul style="list-style-type: none"> • To provide potentially significant compensation via long term equity incentives, linked to long term shareholder value creation. • To incentivise sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth. • To retain executives for the long term. • LTIP's have a threshold of 85%, i.e. below 85% achievement on the said KPIs the payout is zero, and a maximum of 140% if all targets are exceeded by 20%. • LTIPs have a minimum vesting period of three years and are not issued at a discount to market price.

To ensure executive compensation is correctly set in the context of industry practice, the Compensation Committee reviews benchmark data collated from a range of organisations in the technology sector. The Temenos Comparator Group is selected based on the following criteria:

- Companies that we target for hiring talent into Temenos;
- Software organisations that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics and complexity;
- Major European software companies; and
- Financial services software companies that industry analysts rank as global top performers.

The list of companies used in 2015 is shown in the 2015 compensation report. For 2015, the Chief Executive Officer's and Executive Chairman's compensation aligns approximately with the 50th percentile, around the median of the comparator group excluding extreme outliers.

Some members are paid in currencies other than USD. The exchange rates used are:

USD/CHF: 0.9621

USD/GBP: 0.6544

The approval request is based on the above exchange rates and as a result the final USD value may differ.

1.2. Compensation elements of the members of the Board of Directors (excluding Executive Chairman)

The non-executive Directors are compensated with a fee for their Board duties, together with a supplementary fee for Audit and Compensation Committee chairs.

Annex continued

2. Explanation of proposals

Based on the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (OaEC) and on Temenos' Articles of Association, the Board of Directors proposes to hold separate votes on the compensation of the Board of Directors and the Executive Committee.

We have chosen voting on prospective compensation to support attraction, motivation and retention of global talent by ensuring that compensation is approved up front. Prospective voting also allows the Board to gain valuable feedback in advance of the compensation being committed.

Full details of 2015 compensation are provided on pages 64 – 78 of the 2015 Annual Report. The 2015 Annual Report, including the compensation report is available electronically under: <http://www.temenos.com/en/about-temenos/investor-relations/reports/>.

3. Proposed total compensation for members of the Board of Directors for the year 2017

The Board of Directors proposes to approve a maximum aggregate amount of USD 7.3 million (CHF 7.0 million) as fixed and variable compensation of the members of the Board of Directors for the financial year 2017.

The Board of Directors proposal for 2017 comprises all directors proposed for re-election, i.e.:

- Andreas Andreades, Executive Chairman

and the non-executive directors:

- Ian Cookson
- Thibault de Tersant
- Sergio Giacometto-Roggio
- Erik Hansen
- George Koukis
- Amy Yip

The table below shows the total maximum amount of compensation of USD 7.3 million for which we request approval for the members of the Temenos Board of Directors including the Executive Chairman. We have shown the evolution of compensation from 2013 to 2017 where 2016 is our maximum latest forecast in line with total shareholder approval. All figures are shown in USD thousands.

Fiscal year	Fixed fee/ salary	Variable short term incentive (Executive Chairman only) ¹	All other compensation	LTIP value (Executive Chairman only) ²	Total compensation	Employer social security charges	Total compensation including employer social security charges
2017	1,368	941	163	4,680	7,152	191	7,343
2016	1,310	632	158	3,831	5,931	181	6,111
2015	1,244	631	150	3,357	5,382	168	5,549
2014	1,205	196	151	3,542	5,095	154	5,249
2013	1,128	382	145	5,007	6,662	53	6,715

¹ The variable short term incentive is explained in further detail in section 5.1.

² The LTIP is explained further in section 5.2.

The allocation between Executive Chairman and non-executive directors for the fiscal year 2017 is as below. Non-executive directors do not receive any short term variable pay nor do they participate in LTIP programmes.

Function	Fixed fee/ salary	Variable short term incentive (Executive Chairman only)	All other compensation	LTIP value (Executive Chairman only)	Total compensation	Employer social security charges	Total compensation including employer social security charges
Executive Chairman	649	941	140	4,680	6,410	141	6,551
Non-executive directors	719	0	23	0	742	50	792

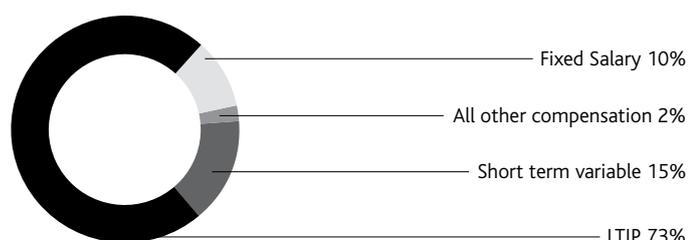
The increase from the 2016 forecast compensation to 2017 proposal of 20% (USD 1.2 million) is primarily due to a proposed increase in the LTIP which is explained further in section 5.2. The increase reflects the growth in the Company: in 2015 Temenos revenues were over USD 0.5 bn for the first time, number of employees exceeded 4,000 and we continue at the top position in the IBS league tables. In 2015 we were at median benchmark compared to our peer group, but we aim to reach the top quartile gradually as the company grows, in order to attract and retain the top talent. We continue to have a very high performance related element of our compensation.

Annex continued

3. Proposed total compensation for members of the Board of Directors for the year 2017 continued

The 2017 proposal for the Executive Chairman is reflected in the chart below, where 88% of the total compensation (LTIP and short term variable) is subject to achievement of performance measures. The Board believes that the high proportion of variable pay aligns the Executive Compensation with the long term success of the company and creation of long term shareholder value.

2017 Proposal for Executive Chairman



In order to better align the compensation for the non-executive directors to that of SMI and SMIM companies, the Board of Directors proposes to increase the basic non-executive fees from USD 100,000 in 2016 to USD 105,000 in 2017 and the Committee Chair fees (Audit and Compensation) from USD 35,000 to USD 40,000. No additional fees are paid to the Chairman of the Nomination Committee.

4. Proposed total compensation for members of the Executive Committee for the year 2017

The Board of Directors proposes to approve a maximum aggregate amount of USD 18.5 million (CHF 17.8 million) as fixed and variable compensation of the members of the Executive Committee for the financial year 2017.

As of 1 April 2016 the Executive Committee comprises the following members:

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer and Chief Operating Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director

Mike Davis, Client Director, was part of the Executive Committee until 9 March 2016.

The table below shows the total maximum amount of compensation for which we request approval of USD 18.5 million for the members of the Executive Committee.

We have shown the evolution of compensation from 2013 to 2017 where 2016 is our maximum latest forecast in line with total shareholder approval. All figures are shown in USD thousands.

Fiscal year	Salary	Variable short term incentive ¹	All other compensation	LTIP value ²	Total compensation	Employer social security charges	Total compensation including employer social security charges
2017	2,032	3,048	258	11,196	16,534	1,920	18,454
2016	2,069	2,393	263	9,631	14,356	1,877	16,232
2015	2,174	1,702	276	8,611	12,764	1,585	14,349
2014	2,243	740	298	8,069	11,349	1,634	12,983
2013	2,018	1,015	1,426	17,852	22,311	3,599	25,910

¹ The variable short term incentive is explained in further detail in section 5.1.

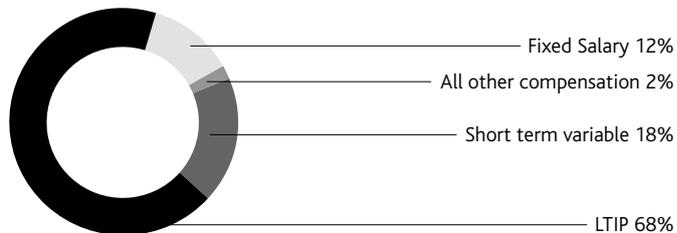
² The LTIP is explained further in section 5.2.

The increase from the 2016 forecast compensation to 2017 proposal of 14% (USD 2.3 million) is primarily due to a proposed increase in the LTIP which is explained further in section 5.2 and the promotion of Mr Max Chuard to the position of CFO/COO, offset by the departure of the Client Director from the Executive Committee. The increase reflects the growth in the Company: in 2015 Temenos revenues were over USD 0.5 bn for the first time, number of employees exceeded 4,000 and we continue at the top position in the IBS league tables. In 2015 we were at median benchmark versus our peer group, but we aim to reach the top quartile gradually as the company grows, in order to attract and retain the top talent. We continue to have a very high performance related element of our compensation.

Annex continued

The 2017 proposal is reflected in the chart, where 86% of the maximum total compensation is subject to achievement of performance targets (LTIP and short term variable). The Board believes that the high proportion of variable pay aligns the executive compensation with the long term success of the company and creation of long term shareholder value.

2017 Proposal for Executive Committee



5. Explanation of variable components of compensation

5.1. Variable short term incentive

The 2017 variable short term incentive is subject to achievement of targets. We expect to use the following KPIs for the Executive Chairman, CEO and CFO/COO:

- Non-IFRS Total Software licensing (weighting of 40%);
- Non-IFRS EPS (weighting of 30%); and
- Net Operating Cash (weighting of 30%).

The targets for the CTO and Group Product Director, which are in line with the Regional Directors of the Group, are:

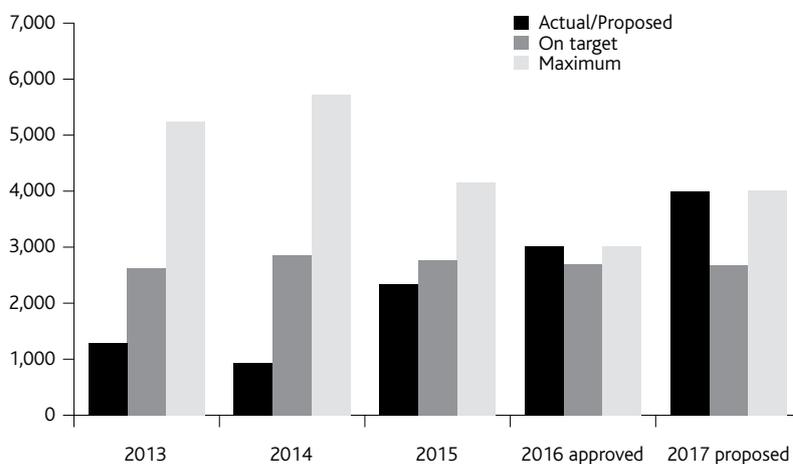
- Non-IFRS Total Software licensing (weighting of 40%);
- Non-IFRS Operating Profit (weighting of 30%); and
- Operating Cash Inflows (weighting of 30%).

The targets will be based on the 2017 budget to be approved by the Board of Directors. The Board will set challenging targets consistent with past years; for example, for fiscal years 2013 and 2014 the actual payout was much lower than the on-target and maximum possible achievement because of lower than target achievement in some or all of the measures as can be seen in the 2014 compensation report. In 2015 the Executive Chairman, CEO and CFO/COO overachieved against their targets by 8% but still this was 28% below the maximum compensation:

Financial year	Achievement vs target	Achievement vs maximum
2013	63%	32%
2014	32%	16%
2015	108%	72%

The trend for the actual achievement versus the on-target and maximum potential variable short term incentive are shown in the graphs below:

Variable compensation for Executive Chairman and Executive Committee



Annex continued

5. Explanation of variable components of compensation continued

5.2. Long term incentive plan

We propose to grant the 2017 Stock Appreciation Rights (SAR) award in 2017 after the announcement of the results for the financial year 2016. The SARs will be granted at the closing market price of the Temenos stock on the day before the grant. The number of SARs will be calculated based on an option value per SAR on that day. Please see below for an explanation of the calculation of SAR value.

Vesting of the 2017 SAR awards is subject to active employment to the end of the vesting period which is the date of approval by the Board of Directors of the financial results of Temenos for the year ending 31st December 2019 expected in February 2020. The award will be split into two parts which are independent of each other: 60% is on non-IFRS EPS targets and 40% is on non-IFRS product revenue targets for the years 2017 to 2019 inclusive.

The award will be the greater of:

- i. Annual targets being achieved, divided equally (33.3%) for achievement in each year, 2017, 2018 and 2019 of the plan. There is no overachievement element on the awards linked to annual targets.
- ii. Cumulative target achievement being greater than 85% of the sum of the annual targets.

For achievement between 85% target and 100% of target a pro-rated reduced amount will vest. No SARs will vest at lower than 85% achievement of the targets. Any overachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown:

Cumulative non-IFRS EPS or non-IFRS product revenues: Achieved as % of cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	0%	50%	100%	120%	140%

As with every prior scheme, three year 2017-2019 non-IFRS EPS and non-IFRS Product Revenue performance targets for the 2017 Executive SAR scheme will be determined by the Board of Directors when the 2017 budgets are approved.

With regard to the Long Term Incentive Plan, we set stretch targets. Targets will continue to be set at challenging levels to maintain the direct link between pay and performance. Our intention is to create benefit for the Executives if they create value for the shareholders.

Temenos accounts for long term incentive compensation under IFRS2 standards. SARs are valued on a fair value basis by an independent organisation using the Enhanced American Model which complies with IFRS2. As required by the OaEC, the full value is included in the compensation report and also in the proposal to shareholders for approval of compensation. The model uses a number of variables such as specific stock volatility in determining the fair value of the grant.

For the 2017 proposed grant, the charge of USD 4.7 million for the Executive Chairman and USD 11.6 million for the Executive Committee that we are seeking shareholder approval for, will only be realised if:

- All performance targets are met; and
- There is continued employment until February 2020.

If we assume a CAGR growth on the share price of 15% which is in line with the non-IFRS EPS CAGR growth we are assuming for 2016-2018 plan, then the growth in share price for the period of 2017-2019 would be approximately CHF30 per share. This implies a shareholder value creation of USD 2 billion or compared to the total compensation charge of USD 26 million (total of Executive Chairman and Executive Committee) that we are requesting, representing 1.3% of the shareholder value created in the vesting period.

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