

DIGITAL BANKING RELOADED

INVITATION TO THE 18TH ORDINARY GENERAL MEETING OF SHAREHOLDERS OF TEMENOS AG ("the Company")

to be held on Wednesday 15 May 2019 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

Temenos AG
Invitation to the 2019 Annual General Meeting



TEMENOS

Chairman's Letter

Dear Shareholders,

It is my pleasure to invite you to the 18th annual Shareholders' Meeting of Temenos.

Before addressing matters for consideration at this upcoming Shareholders' Meeting, I would first like to review our outstanding performance and the industry trends in 2018.

THOUGHTS ON OUR PERFORMANCE IN 2018

In November 2018, Temenos celebrated its 25th anniversary. Temenos became 25 years old or rather young as we prefer to think about it. In the past 25 years, we established Temenos as the leader in banking software and made it synonymous with banking software. We support more than 3,000 banks worldwide in conducting their daily business and servicing their customers and other stakeholders.

It has been 25 years full of successes, full of passion for what we do, industry firsts in product and technology and relentless growth in revenues and of course profitability. In the 25 years, we have had our fair share of challenges and disappointments, but even those events have only served to strengthen our resolve and character with key learnings that remain with us today. In those 25 years, we navigated three of the largest financial crises the world has ever experienced – the dot com crisis in 2001, the financial crisis in 2008 and the Euro crisis in 2011/2012, only for Temenos to come out of each one of those periods stronger and better placed to compete in the marketplace.

Application software companies that make it to 25 years and are able to keep growing their revenues at the pace we do, usually continue to become the giants of their target markets. There are two or three key reasons why this is the case. Technology cycles are incredibly fast. Building business functionality to run the worlds' premier organizations takes much longer to do. This means that software companies that are not able to dramatically change their technology while protecting business functionality, usually run out of steam and stop growing after 10 years or so. As a result, they cannot continue to invest aggressively, build client successes or Partner ecosystems. In fact, we can only think of less than ten software companies that after 25 years could still exhibit our level of growth and each one of those companies ended up taking the lion's share of their target market.

In 2018, we had another outstanding year with record growth in our revenues and profitability. Our revenue continues to accelerate. 2018 was particularly exciting as we saw broad based demand for our products, from the largest to the smallest banks, across all regions, whether in core, wealth, payments, front office or fund management. Software as a Service and cloud deployment is starting to come of age in the banking world and we have now started to see spectacular growth in this segment.

We continued to win most, if not all, the strategic deals in the market and continued to demonstrate unparalleled progress and success with our implementations.

Our superior growth, as well as the scale of our business, allows us to invest more aggressively than our competitors, providing our clients with a superior platform and a partnership model that has stood the test of time based on upgradeable packaged software.

During 2018, we focused our effort and investments amongst other things on strengthening our digital front office product with the acquisition of Avoka, a leading US-based software company in the area of customer on boarding for banks and financial institutions. With the support of the Avoka team we will be able to compete more effectively and deliver more complete and exciting solutions to our clients.

I feel that the business opportunity ahead of us is more significant than it has ever been, our target market is estimated to be USD 57 billion and we are in the enviable position of leading our market and therefore have the chance to deliver against this opportunity. Technology is rapidly changing consumer behavior and in turn, this changes the way people would like to interact with their banks. The customers of banks increasingly demand a full digital experience, innovative services with instant gratification and a user experience equal to the standards already set by the global technology companies. Open Banking initiatives, starting in Europe, are already resulting in a far more competitive market place for banking services. Fintech companies, banks and technology players are now able to take advantage of Open Banking initiatives to deliver real time, personalized services to their customers that are relevant and contextual. Banks all over the world are scrambling to take advantage of the opportunities that technology provides and put their customers' trust to work for the next generation and they expect us to be their partner in this journey.

As market leaders, we see ourselves as the catalyst for the acceleration in this conversion. We do have the best software in the world and would like to ensure that our clients deploy this software rapidly, predictably and efficiently for their use. We will increasingly bring 25 years of Temenos functionality to different consumption models, developing in the morning and deploying in the afternoon, whether this is on premise or in the cloud, and we are well on our way towards achieving this. We have launched our two new products Temenos T24 Transact for the back office and Temenos Infinity for the front office, which I expect, will become the standard in banking software for the next 25 years.

We will continue to have a sense of purpose and do business while we help our world become a better place. Whether it is helping the two billion people that are unbanked to access banking services, or helping our communities where we do business, while providing equal opportunity for all and creating an environment that promotes human endeavor and assists our people to achieve their aspirations.

Chairman's Letter continued

Our business is about building relationships, with all our stakeholders, our clients, our Partners, our shareholders and between us Temenosians. The fundamental trust we have created between our clients and Temenos will continue to be the cornerstone of how we conduct business. Our passion for innovation and for seeing things differently will ensure that we continue to develop winning products for our clients. Our determination, resolve, integrity, commitment, people focus and never-give-up attitude will ensure we remain the leading banking software company and overcome any challenges that may lie ahead of us. At Temenos, even after 25 years, we have the energy and enthusiasm of a start-up and we deal with every day as if it is our first day in the Company.

Influencing the way banking is carried out for the 21st century continues to be our end goal, one that guides our daily endeavors. With more than 3,000 banking clients in over 150 countries worldwide, we are well on our way to doing so. With a local investment mindset, we hope we also successfully contribute to the economies of the world where our clients do business.

The success of all who are involved with Temenos, be it clients, shareholders, Partners or employees, will always underpin the positive development of our business.

THE 18TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Please refer to the enclosed agenda for the items to be voted on. As always, the compensation report included in the 2018 Annual Report provides details of our approach to compensation and the targets and controls we have put in place. Our compensation structure is heavily linked to performance to align us with the long term objectives and priorities of our shareholders.

FINAL THOUGHTS

We are the leader in our market, pulling further ahead of our competition as we continue to win the lion's share of deals that come to market. We are very well positioned to capitalize on the structural growth in our end market and we are confident in our ability to deliver sustainable growth in the medium term.

We have proposed a dividend of CHF 0.75 per share for 2018, an increase of 15% on the previous year. I look forward to seeing as many of you as possible in Geneva on 15 May 2019.



Andreas Andreades
Executive Chairman

Agenda and Proposals of the Board of Directors

1. 2018 ANNUAL REPORT INCLUDING THE COMPENSATION REPORT, THE 2018 UNCONSOLIDATED FINANCIAL STATEMENTS AND THE 2018 CONSOLIDATED FINANCIAL STATEMENTS

Proposal

The Board of Directors proposes that the 2018 Annual Report including the compensation report, the 2018 unconsolidated financial statements stating a profit for the year of CHF 204,101,109 and the 2018 consolidated financial statements stating a profit for the year of USD 168,228,101 be approved.

2. ALLOCATION OF THE AVAILABLE EARNINGS

Proposal

The Board of Directors proposes to allocate the available earnings of CHF 200,629,585 as follows:

Appropriation to general legal reserve	CHF 10,205,055
Retained earnings to be carried forward	CHF 190,424,530

3. DISTRIBUTION OF GENERAL RESERVE FROM CAPITAL CONTRIBUTIONS

Proposal

Based on the audited financial statements for the financial year 2018, the Board of Directors proposes to distribute an ordinary dividend in cash amounting to CHF 0.75 per share, for a total amount of CHF 52,000,000 (this amount may vary depending on the number of treasury shares and of issued shares 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 2018 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 2018, amounting to CHF 105,051,416 will be reduced as follows:

General reserve from capital contributions (at the disposal of the General Meeting)	CHF 105,051,416
Distribution of general reserve from capital contributions	CHF 52,000,000
General reserve from capital contributions to be carried forward	CHF 53,051,416

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 17 May 2019 (Ex-date). The dividend record date will be set on 20 May 2019 (Record date) and the dividend will be payable as of 21 May 2019 (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 2018.

5. AUTHORIZED CAPITAL

Proposal

The Board of Directors proposes the deletion of the existing article 3ter of the Articles of Association and the adoption of the following new article 3ter authorizing the Board of Directors to create authorized capital until 15 May 2021. The proposed amount represents less than 10% of the registered share capital of the Company. Only the paragraph 1 of article 3ter is modified; the rest of this article remains as per the existing wording.

Proposed new article 3ter para. 1

The Board of Directors is authorized to increase the share capital no later than 15 May 2021, by an amount not exceeding CHF 35,500,000 by issuing up to 7,100,000 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

6. COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE FOR THE YEAR 2020

6.1 Compensation of the members of the Board of Directors for the year 2020 (1 January to 31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 7.8 million as fixed and variable compensation of the members of the Board of Directors for the financial year 2020.

Explanation

Please refer to the Annex.

6.2 Compensation of the members of the Executive Committee for the year 2020 (1 January to 31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 27.2 million as fixed and variable compensation of the members of the Executive Committee for the financial year 2020.

Explanation

Please refer to the Annex.

Agenda and Proposals of the Board of Directors continued

7. ELECTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

Proposal

The Board of Directors proposes the re-elections of Mr. **Andreas Andreades** as member and Chairman of the Board of Directors as well as Ms. **Yok Tak Amy Yip** and Messrs. **Sergio Giacometto-Roggio**, **George Koukis**, **Ian Cookson**, **Thibault de Tersant**, **Erik Hansen** and **Peter Spenser** as members of the Board of Directors, each for a term of office until completion of the next ordinary annual General Meeting of Shareholders.

7.1 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. In July 2012 he was appointed Executive Chairman of the Temenos Board of Directors. Since he joined Temenos, the Company has grown from less than 150 employees to more than 5,000 and to more than 3,000 clients generating in excess of USD 845 million in annual revenues and achieving a market capitalization of circa USD 10 billion, establishing it as the global leader in banking software. Since 2003 the market capitalization of Temenos has grown by approximately 225 times or a compound average of 40% per annum. 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 United Kingdom qualified chartered accountant.

Mr. Andreades is a member of the Temenos Nomination Committee.

7.2 Mr. Sergio Giacometto-Roggio, member and Vice-Chairman of the Board of Directors

Swiss, born in 1949, Mr. Sergio Giacometto-Roggio is currently an Operating Partner with Advent International, a Global Private Equity firm. Mr. Giacometto-Roggio has served since 2009 in multiple public and private company Boards, after retiring from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. He was most recently Chairman of the Supervisory Board of Oberthur Technologies Group, Paris from April 2013 until May 2017. Prior to joining Oracle in 1997, Mr. Giacometto-Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacometto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management. Mr. Giacometto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy.

Mr. Giacometto-Roggio is Chairman of the Temenos Compensation Committee and a member of the Audit and Nomination Committees.

7.3 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. Koukis has been active in the software industry for more than 40 years, having begun at Qantas where he was heavily involved with the computerization 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 managing director. Mr. Koukis holds a degree in Commerce from the University of Technology in Sydney, Australia and is a registered Certified Practising Accountant (CPA). Mr. Koukis is currently Chairman of the Board of Trustees of the Classical Opera, a non-profit organization based in the United Kingdom and is a Board member in seven private companies operating 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.

7.4 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. Mr. Cookson acted as Chief Operating Officer of EFG International and a member of the Executive Committee until September 2007, and 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 Chairman of the Temenos Nomination Committee and a member of the Temenos Audit and Compensation Committees.

7.5 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. He was named Senior executive vice-president and General Secretary in January 2018. During his tenure in Dassault Systèmes, Mr. de Tersant, who manages an organization in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M&A, has conducted more than 80 successful acquisitions totalling around USD 5bn. 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, in his capacity of General Secretary is responsible for new business models definition, corporate structure and governance, compliance and internal audit. He has more than 30 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. de Tersant is Chairman of the Temenos Audit Committee.

7. ELECTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS continued

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

Danish, born in 1952, Mr. Erik Hansen is a recognized software industry veteran with over 30 years of experience as a senior executive at leading software companies. Mr. Hansen has previously been Chairman of Myriad Group AG (2012-2018) and has served as 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), Siemens Pyramid Technology Inc. (1997-2000) 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 the Temenos Compensation Committee.

7.7 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 independent and non-executive director of AIG Hong Kong, an independent non-executive director of Fidelity Funds Board and a member of the Supervisory Board of Deutsche Börse AG. 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 a Director of Vitagreen, Hong Kong (2011 to 2018) and 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 to 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 MBA from Harvard Business School and a BA from Brown University.

Ms. Yip is a member of the Temenos Nomination and Compensation Committees.

7.8 Mr. Peter Spenser, member of the Board of Directors

British and American, born in 1954, Mr. Peter Spenser has over 35 years of experience in the financial services sector and technology. Until June 2016 he was a senior Partner at Deloitte Consulting in the US where in addition to serving a number of major clients (Global Banks, Brokerages and Wealth and Asset Managers), he led a number of practice areas including the Investment Management practice and also the Global Financial Services IT and Data Analytics practices. Prior to this he was Director of Engineering at AcquiData, Inc. which he co-founded (1985-1990), Director of Software Systems at Magnaflux, Inc. (1982-1985) and a developer/analyst at Logica (1979-1982). Mr. Spenser holds a BA and MA in Theoretical Physics from Cambridge University and a Ph.D. in Astrophysics from University College London.

Mr. Spenser is a member of the Temenos Audit Committee.

8. ELECTIONS OF THE MEMBERS OF THE COMPENSATION COMMITTEE

Proposal

The Board of Directors proposes the re-elections of Ms. **Yok Tak Amy Yip** and Messrs. **Sergio Giacometto-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.

8.1 Mr. Sergio Giacometto-Roggio

8.2 Mr. Ian Cookson

8.3 Mr. Erik Hansen

8.4 Ms. Yok Tak Amy Yip

9. ELECTION OF THE INDEPENDENT PROXY HOLDER

Proposal

The Board of Directors proposes the re-election of the law firm **Perréard de Boccard S.A.** as independent proxy holder until completion of the next ordinary annual General Meeting of Shareholders.

10. ELECTION OF THE AUDITORS

Proposal

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

Documentation, Participation and Proxies

DOCUMENTATION

The 2018 Annual Report (including the compensation report, the unconsolidated financial statements, the consolidated financial statements and the auditors reports), the minutes of the last ordinary General Meetings of Shareholders as well as the current Articles of Association may be ordered at Company's headquarters and are also available on: <https://www.temenos.com/en/about-temenos/investor-relations>

PARTICIPATION

Shareholders recorded in the share register with voting rights as of **2 May 2019 at 5 p.m. CET** (record date) are entitled to vote at the forthcoming General Meeting and will receive by post the invitation to this General Meeting. They may then order their admission card from areg.ch, the company managing the share register of Temenos AG.

REPRESENTATION AND PROXIES

Shareholders who are unable to attend in person may appoint a representative by written proxy or the independent proxy holder, **Perréard de Boccard S.A.**, as their representative for this General Meeting. Alternatively, shareholders can provide their voting instructions electronically to the independent proxy holder using the password and as per the instructions indicated in the invitation to be sent to the shareholders. Voting instructions shall be received by **13 May 2019 at 5 p.m. CET** at the latest.

On behalf of the Board of Directors



Andreas Andreades
Executive Chairman

29 March 2019

ANNEX – Information on the Compensation proposals (6.1 & 6.2)

Dear Shareholders,

2018 was another successful year for Temenos with non-IFRS total software license growth of 21% and non-IFRS EPS growth of 21%. The Company's strong financial performance was driven by excellent execution on the part of our commercial teams, coupled with strong control of our operating costs.

As of 5 February 2019, the growth in shareholder returns versus other key metrics is shown below:

Total shareholder return (05/02/2019)	3 years	3 year average	5 years	5 year average	10 years	10 year average
Temenos	199%	66%	413%	83%	1618%	162%
Swiss Market Index	26%	9%	20%	4%	188%	19%
Stoxx Euro 600	27%	9%	14%	3%	136%	14%
Nasdaq	76%	25%	96%	19%	440%	44%
Peer group average	61%	20%	104%	21%	481%	48%

Since 2013 Temenos has gone from being one of the smallest companies in its peer group to about average size today. The growth in non-IFRS total software licensing revenues and non-IFRS EBIT is impressive, 169% and 136% respectively in 5 years, and as a result, CEO compensation as a % of EBIT has been going down each year:

	2013	2014	2015	2016	2017	2018
Non-IFRS Total Software Licensing (USD million)	143	148	214	256	316	383
Percentage growth year on year		4%	45%	20%	23%	21%
Cumulative growth		4%	50%	80%	122%	169%

	2013	2014	2015	2016	2017	2018
Non-IFRS EBIT (USD million)	113	128	157	187	224	266
Percentage growth year on year		13%	23%	19%	20%	19%
Cumulative growth		13%	39%	65%	98%	136%

	2013	2014	2015	2016	2017	2018
CEO compensation as % of EBIT	8.2%	5.2%	4.3%	3.9%	3.6%	3.2%

As announced in February, following the resignation of Mr. David Arnott, we have revamped the Executive Committee, with Mr. Max Chuard being promoted from CFO/COO to CEO and with the introduction of 2 new members to the committee: Mr. Panagiotis "Takis" Spiliopoulos as CFO and Ms. Alexa Guenoun as CCO (Chief Client Officer), a new role in the committee. I am pleased that we have added the CCO role to the Executive Committee with responsibility for services, partners and cloud operations, which with the promotion of Mr. Chuard no longer had direct representation on the Committee. I am also pleased that this role has been taken by the first female on the Executive Committee and warmly congratulate Ms. Guenoun on this well-deserved promotion. We have in place a strong and motivated Executive team capable of leading the Company to the next level.

It is important that we ensure the commitment of this new team for the long term with the appropriate compensation strategy, to drive the continued profitable growth of Temenos as seen over the last 5 years, leading to an ever increasing market share. Temenos is joining a very elite group of software companies to reach USD 1 billion in revenues. Software companies that cross the USD 1 billion revenue mark and possess the right leadership invariably go ahead and become the 'category killers' in their space. The Compensation Committee and Temenos Board believe that the Temenos compensation structure and quantum continue to be the most appropriate structure to deliver the required growth by motivating the team to deliver both product revenue growth as well as EPS growth through the long term incentive plan. 87% of total compensation for the Executive Committee and 89% for the Executive Chairman is variable and subject to achievement of stretch targets and therefore aligns compensation with growth and creation of shareholder value.

Executive compensation has remained flat for 3 years in a row, and the increased size that Temenos has achieved today together with the desire of the Board of Directors to retain the Executive team for the long term, warrant an adjustment in the compensation. We are therefore requesting a total increase of 4% for the Board of Directors and the Executive Committee for the financial year 2020. The increase is being requested for the long-term (at-risk) component, which is based on challenging goals and is aligned with long-term KPIs and shareholder interests.

ANNEX – Information on the Compensation proposals (6.1 & 6.2) continued

For LTIPs to payout, achievement must be at a minimum above 85%, a high threshold compared to our peers. For overachievement, up to now we have paid up to a maximum overachievement of 120% which gives rise to a payout of 140%. As we are very much a growth focused software company in a USD 57 billion market, we believe we should target growth above else to convert the potential to revenues as fast as possible. As such, we are proposing to increase the maximum threshold for overachievement from 120% to 137.5% with 175% payout. For 120% achievement, the previous maximum, the payout remains at 140% so the payout for the same achievement is unaffected. The maximum payout of 175% is in line with our peer group, many of which go up to a maximum of 200%. The payout will follow the table below, with the amount in bold being the only change compared to 2019 and prior years.

Cumulative non-IFRS EPS or non-IFRS product revenues: achieved as % of cumulative target	85%	92.5%	100%	120%	137.5%
Proportion vesting	0%	50%	100%	140%	175%

The compensation proposals for 2020 are for the following amounts:

- > Board of Directors: USD 7.8 million (2019: USD 7.5 million)
- > Executive Committee: USD 27.2 million for 6 members (2019: USD 23.1 million for 5 members). The increase of USD 4.1 million is mainly due to the additional requirement for the new member of USD 2.9 million and USD 1.2 million (4%) being the year on year increase requested.

The Compensation Committee remains committed to dialogue with shareholders. We have addressed shareholder feedback and included product revenue targets for both 2018 and 2019 in our compensation report for 2018 for the first time. For 2020, we expect the targets to remain as challenging.

We look forward to receiving your support at the AGM in 2019.

Sergio Giacometto-Roggio
Chairman of the Compensation Committee

1. COMPENSATION PRINCIPLES

1.1. Compensation Elements of the Executive Chairman and the Members of the Executive Committee (the “Executives”)

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	> To pay Executives for their expected day-to-day management, leadership and contribution to the business.
Benefits	> To provide a level of security in health and retirement and, should it be required, in disability and death.
Variable short term incentive	<p>> 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, SaaS annual contract value, cash collection, non-IFRS EBIT and non-IFRS EPS growth.</p> <p>> 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. The maximum cap on achievement is 150% of the target payout if all targets are exceeded by 25%.</p>
Variable long term equity incentive plan (LTIP)	<p>> To provide a significant portion of compensation via long term equity incentives, linked to long term shareholder value creation.</p> <p>> To incentivize sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth.</p> <p>> To retain Executives for the long term.</p> <p>> LTIPs have a threshold of 85%, i.e. below 85% achievement on the said KPIs the payout is zero. The maximum cap on achievement is 140% of the target payout if all targets are exceeded by 20%.</p> <p>> LTIPs have a minimum vesting period of three years and are issued at market price.</p>

1.2. Comparator Group

To ensure executive compensation is correctly set in the context of industry practice, the Compensation Committee reviews benchmark data collated from a range of organizations in the technology sector.

Temenos comparator group is selected based on the following criteria:

- > Companies targeted for hiring talent into Temenos;
- > Software companies 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.

Fidessa was acquired during 2018 and has been replaced by Workday. All other companies are the same as those used in 2017. Temenos is close or about at the median market capitalization of our comparator group of USD 10 billion and is approaching the median revenue of our comparator group with USD 0.8 billion of revenues in 2018.

A large part of our comparator group are companies based in the USA. This is due to the fact that the majority of the global software players are based in the USA (73 of the top 100 global software companies are based in the US according to research by PwC in 2014) and therefore they represent a significant part of our direct competitors.

As a result, the following 17 companies have been selected for the benchmark:

Organisation	Country	Organisation	Country
ACI Worldwide	USA	Quality Systems	USA
Broadridge Financial Solutions	USA	SDL	UK
Citrix	USA	Simcorp	Denmark
Fidelity National Information Services	USA	Software AG	Germany
Fiserv	USA	SS&C	USA
Jack Henry & Associates	USA	The Sage Group	UK
Intuit	USA	Wirecard	Germany
Logitech International	Switzerland	Workday	USA
Micro Focus International plc	UK		

1.3. Foreign exchange impacting the compensation

The largest part of the on-target compensation relates to the long term equity incentive plan. The stock appreciation rights (SARs) price and hence LTIP value is quoted in dollars and as such there is no impact of exchange. However, some Executives are paid fixed and short term variable in currencies other than USD. The exchange rates used for 2020 are the closing rates of December 2018:

USD/CHF: 0.98421
USD/GBP: 0.78528

The amounts proposed for approval are based on the above exchange rates and as a result, the actual USD cost may differ.

1.4. 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 – Information on the Compensation proposals (6.1 & 6.2) 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 of Directors to gain valuable feedback in advance of the compensation being committed.

The proposed amounts of compensation for both the Board of Directors and for the Executive Committee are for the full calendar year 2020.

Full details of 2018 compensation are provided on pages 104-119 of the 2018 Annual Report (compensation report). The 2018 Annual Report is available electronically under: <https://www.temenos.com/en/about-temenos/investor-relations/reports/>

3. COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2020

The Board of Directors proposes to approve a maximum aggregate amount of USD 7.8 million (CHF 7.7 million) as fixed and variable compensation of the members of the Board of Directors for the financial year 2020.

The Board of Directors proposal for 2020 compensation comprises all directors proposed for re-election, i.e.:

the Executive Chairman:

> Andreas Andreades

and the Non-Executive Directors:

> Sergio Giacoletto-Roggio, Vice Chairman

> Ian Cookson

> Thibault de Tersant

> Erik Hansen

> George Koukis

> Amy Yip

> Peter Spenser

The table below shows the total maximum amount of compensation of USD 7.8 million for which we request approval for the members of the Board of Directors including the Executive Chairman. The compensation for both 2019 and 2020 is based on our maximum forecast. All figures are shown in USD thousands.

Fiscal year	Fixed fee/ salary	Variable short term incentive (Executive Chairman only) ¹	All other compensation	LTIP (Executive Chairman only) ²	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval
2020	1,487	960	132	5,147	7,726	54	7,780	7,800
2019	1,461	955	131	4,679	7,226	53	7,279	7,500

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.

Temenos is not requesting any increase in the salary for the Executive Chairman but proposes an increase in the LTIP which is subject to achievement of stretch targets and dependent on an increase in the Temenos share price, as such highly aligned with shareholder interest. We are requesting an increase of 3% for the Board of Directors fees representing an inflationary increase and alignment to other companies.

The allocation between Executive Chairman and Non-Executive Directors for the fiscal year 2020 is as below. Non-Executive Directors do not receive any short term variable pay nor do they participate in LTIP programmes. All figures are shown in USD thousands.

Function	Fixed fee/ salary	Variable short term incentive (Executive Chairman only) ¹	All other compensation	LTIP (Executive Chairman only) ²	Total compensation	Employer social security charges	Total compensation including employer social security charges
Executive Chairman	640	960	132	5,147	6,878	9	6,888
Non-Executive Directors	848	0	0	0	848	45	893

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.

3. COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2020 continued

The 2020 proposal for the Executive Chairman compensation is reflected in the chart below, where 89% of the total compensation (short term variable and long term equity incentive) is subject to achievement of performance measures. The Board of Directors 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.

2020 EXECUTIVE CHAIRMAN



4. COMPENSATION FOR MEMBERS OF THE EXECUTIVE COMMITTEE FOR THE YEAR 2020

The Board of Directors proposes to approve a maximum aggregate amount of USD 27.2 million (CHF 26.8 million) as fixed and variable compensation of the members of the Executive Committee for the financial year 2020.

Effective as of 31 March 2019, the Executive Committee comprises the following members:

- > Max Chuard, CEO (Chief Executive Officer)
- > Panagiotis "Takis" Spiliopoulos, CFO (Chief Financial Officer)
- > Jean-Michel Hilsenkopf, COO (Chief Operating Officer)
- > André Loustau, CTO (Chief Technology Officer)
- > Mark Winterburn, CPO (Chief Product Officer)
- > Alexa Guenoun, CCO (Chief Client Officer)

The table below shows the proposed total maximum amount of compensation for the members of the Executive Committee of USD 27.2 million. The compensation for both 2019 and 2020 is based on our maximum forecast. All figures are shown in USD thousands. The average compensation per member is decreasing from 2019 initial approval to 2020.

Fiscal year	Salary	Variable short term incentive ¹	All other compensation	LTIP ²	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ ³ approval	Number of members	Average per member
2020	2,799	4,199	316	16,998	24,312	2,867	27,179	27,200	6	4,530
2019 forecast incl. CCO for 10 months and previous CEO notice period	2,922	4,273	330	15,452	22,978	2,742	25,720	32,340	6	4,287
2019 as approved	2,499	3,748	282	14,430	20,959	2,024	22,983	23,100	5	4,597

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.

3 The Articles of Association allow for a 40% increase in the aggregate amount of compensation for a new Committee member, i.e. up to USD 32.3 million for 2019.

Mr. Max Chuard's annualized compensation in 2019 is the same as the compensation received by Mr. David Arnot. The total 2019 compensation of the new CEO, CFO, COO, CPO and CTO is the same as the total 2018 compensation of the 5 same roles. The increase in 2019 compared to 2018 is wholly for the addition of the CCO and the notice period for Mr. Arnot. The increase of 4% in 2020 is due to the request to increase the LTIP for all members. The LTIP is subject to achievement of stretch targets and dependent on an increase in the Temenos share price, as such highly aligned with shareholder interest.

The 2020 proposal is reflected in the chart below, where 87% of the maximum total compensation is subject to achievement of performance targets (short term variable and long term equity incentive). The Board of Directors 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.

2020 EXECUTIVE COMMITTEE



ANNEX – Information on the Compensation proposals (6.1 & 6.2) continued

5. EXPLANATION OF VARIABLE COMPONENTS OF COMPENSATION

5.1. Variable short term incentive

The 2020 variable short term incentive is subject to achievement of targets. We expect to use the following KPIs for the Executive Chairman and Executive Committee although this may be subject to change depending on business priorities set in the 2020 budget:

- > Non-IFRS Total Software licensing (weighting of 40%)
- > Software as a Service (SaaS) Annual Contract Value (weighting of 15%)
- > Non-IFRS EPS (weighting of 20%)
- > Operating Cash (weighting of 25%)

SaaS continues to be a high priority for the business and hence the addition of this KPI in 2018 will be continued in 2019 and we expect this to continue also in 2020.

The targets will be based on the 2020 budget to be approved by the Board of Directors. The Board of Directors will set challenging targets consistent with past years; for fiscal years 2013 and 2014, the actual payout for the Executive Chairman, CEO and CFO/COO was 63% and 32% respectively. 2015, 2016, 2017 and 2018 have been very successful years for Temenos and the achievement was respectively 104% (payout at 108%), 104% (payout capped at 100%), 108% (payout at 114%) and 109% (payout at 114%). This success was reflected in the share price growth and returns for shareholders during those years.

5.2. Long term equity incentive plan

Temenos Long term equity incentive plan is based on SARs. A SAR is an incentive given to employees that aligns their interest with that of shareholders and is equal to the appreciation of the Company's share price over a time period. Similar to employee stock options, SARs are beneficial to the employee when Company share prices rise; the difference with SARs is that employees do not pay the exercise price but receive only the amount of shares corresponding to the value of the difference between grant price and share price on exercise. The employee may choose to sell the shares and receive cash or hold the shares. This means that the dilution on outstanding SARs is only known at the time of exercise as it is dependent on the share price at that time. As an example, if 1,000 SARs at a grant price of USD 140 are exercised when the share price is USD 200, then the gain is USD 60,000 (equivalent to 300 shares).

When issuing SARs the Compensation Committee reviews the planned dilution to ensure that it remains within our target of less than 2% pa on a CAGR basis. The dilution for the period 2015-2018 on a CAGR basis was 1.4% pa (2014-2017: 1.6%) even including 3 SARs schemes which paid out over target. This compares to an EPS growth of 19.5% pa on a CAGR basis for the same period.

We propose to grant the 2020 SARs award in 2020, the day after the announcement of the results for the financial year 2019. The SARs will be granted at the closing market price of the Temenos share on the day of the grant. The number of SARs will be calculated based on an option value per SAR on that day.

Vesting date of the 2020 SARs award will be the date of approval by the Board of Directors of the financial results for the year ending 31st December 2022 expected to take place in February 2023. We expect that the award will be split into two parts, which are independent of each other: 40% is on non-IFRS EPS targets and 60% is on non-IFRS product revenue targets for the years 2020 to 2022 inclusive.

The award will be the greater of:

- i. Annual targets being achieved, divided equally (33.3%) for achievement in each year of the plan: 2020, 2021 and 2022. 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. We are proposing to increase the maximum payout from 140% to 175%, however, in order to achieve the previous 140%, the same overachievement of 120% must still be attained, i.e. the payout remains the same for the same overachievement as prior years. The under or 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%	120%	137.5%
Proportion vesting	0%	50%	100%	140%	175%

As with every prior scheme, three year 2020-2022 non-IFRS EPS and non-IFRS product revenue performance targets for the 2020 SARs scheme will be determined by the Board of Directors. Targets will continue to be set at challenging levels to maintain the direct link between pay and performance. Our intention is that the Executives benefit if they create value for the shareholders. The targets for the 2020-2022 plan will be set when the 3 year plan is approved towards the end of 2019, however, as an indication, the targets for non-IFRS EPS for 2019-2021 are based on a CAGR of 15% for the 3 year period and the targets for non-IFRS product revenues are based on a CAGR of 14%. The exact targets are considered commercially sensitive and it would be detrimental to the interests of the Company to disclose them in advance. The performance against those measures will be disclosed on vesting subject to sensitivity no longer remaining.

Temenos accounts for long term incentive compensation under IFRS2 standards. SARs are valued on a fair value basis by an independent organization using the Enhanced American Model which complies with IFRS2. The on target 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 stock volatility in determining the fair value of the grant.

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