



TEMENOS
The Banking Software Company

Invitation to the 14th Ordinary General Meeting of Shareholders of Temenos Group AG

to be held on Wednesday, 6 May 2015, 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 14th 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 2014 which was the most profitable year for both profits and margins in the history of Temenos. Not only was the profitability growth impressive but also the absolute levels of margins achieved in 2014 puts Temenos amongst the very best in class of global software companies.

Thoughts on our performance in 2014

We made great progress in 2014. The value of competitive deals won grew by about 50% which underscores our improving competitive positioning and our focus on gaining market share. Customer wins in the private banking and wealth management space are confirming we are becoming the undisputed market leader, offering an unparalleled product portfolio while supporting our customers to transform their businesses in a controlled and low risk manner. Industry analysts tracking our industry, such as Forrester and IBS, have placed Temenos firmly in the lead position amongst our competitors, with a growing gap between us and the closest competitor, corroborating our market success.

Our model bank and progressive renovation methodology are unique industry differentiators as banks seek to renovate the front office from the back office in sequence rather than at the same time. Following our investment in Edge in 2012, our products for the digital bank are state of the art and innovative and enable our clients to deliver disruptively fast service to their customers in areas like internet and mobile banking at a fraction of the cost of their current deployments enjoying a unique productivity advantage. Our payments product is becoming mature and has now been taken by a handful of early adopter clients and I look forward to broader adoption in the years to come.

Our public cloud offering, a first in our market, now services a small number of community banks around the world offering low cost of deployment while bringing banking to the less banked and unbanked. Our plans to extend our cloud offering are very exciting for the future of Temenos as we see Software-as-a-Service models gain adoption even within our relatively conservative customer base.

Our growth initiatives in the US are making solid progress and we are now at the point where I expect that our market presence and client wins will accelerate significantly as we are constantly adding new clients on to our Software-as-a-Service platform.

The 14th Ordinary General Meeting of Shareholders

The Ordinance against excessive compensation in listed stock companies (OaEC) came into effect in Switzerland in 2014. In line with these requirements, in this 14th Ordinary General Meeting of Shareholders, we are asking Temenos shareholders to vote on the remuneration of the Board of Directors and of the Executive Committee for the first time.

The changes to the articles of association were voted on last year including the decision to vote on prospective compensation. 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 Compensation Report included in the 2014 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 2016 compensation together with the reason for the movements since 2014.

Final thoughts

Our clients around the world enjoy a better financial position today compared to one year ago. The deleveraging process, building capital buffers and restoring financial health, is progressing well in mature economies. In contrast, in emerging markets most participants are busy managing explosive growth. We had a number of examples of clients making long term, multi-million dollar decisions during the past 12 months in an effort to stay relevant in the digital world.

Our strong profitability and cash flows in 2014 allow us to be in a position to propose a significantly increased dividend for 2015 and the progress we have made on our key initiatives bodes well for an acceleration in our revenue growth for the future. I look forward to seeing as many of you as possible in Geneva on 6th May 2015.

Andreas Andreades
Chairman

Agenda and Proposals of the Board of Directors

1. 2014 Annual Report (including the compensation report), 2014 annual financial statements, 2014 consolidated financial statements and the auditors' reports

Proposal

The Board of Directors proposes that the 2014 Annual Report (including the compensation report), the 2014 unconsolidated financial statements stating a profit for the year of CHF 843,061 and the 2014 consolidated financial statements stating a consolidated profit for the year of USD 91,631,000 be approved.

2. Allocation of the available earnings

Proposal

The Board of Directors proposes to allocate the available earnings of CHF 125,495,969 as follows:

| | | |
|---|-----|-------------|
| Appropriation to general legal reserve | CHF | 42,153 |
| Retained earnings to be carried forward | CHF | 125,453,816 |

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 2014, the Board of Directors proposes to distribute an ordinary dividend in cash amounting to CHF 0.40 per share, for a total amount of CHF 26,247,201 (this amount may vary depending on the amount of treasury 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 2014 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 2014, amounting to CHF 150,653,858 will be reduced as follows:

| | | |
|---|-----|-------------|
| General reserve from capital contributions (at the disposal of the General Meeting) | CHF | 150,653,858 |
| Distribution of general reserve from capital contributions | CHF | 26,247,201 |
| Carry forward the balance of | CHF | 124,406,657 |

Provided that the proposal of the Board of Directors is approved, the last trading day with entitlement to receive the dividend will be 8 May 2015. The shares will be traded ex-dividend as of 11 May 2015 (Ex date). The dividend record date will be set on 12 May 2015 (Record date). The dividend will be payable as of 15 May 2015 (Payment date).

Temenos treasury shares are not entitled to dividend.

4. Capital reduction

Proposal

The Board of Directors proposes to cancel the 3,270,794 shares repurchased under the 2014 share buyback program, to reduce its share capital accordingly and therefore to amend Article 3 of the Articles of Association as follows:

Proposed new Article 3

The share capital of the Company amounts to CHF 333,087,840 ~~CHF 349,441,810~~ and is divided into 66,617,568 ~~69,888,362~~ registered shares with a nominal value of CHF 5 per share. The share capital is fully paid-in.

5. 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 2014.

6. Authorised 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 authorising the Board of Directors' to create authorised capital until 6 May 2017, which represents less than 20% of the registered share capital of the Company.

Proposed new article 3ter para. 1

The Board of Directors is authorised to increase the share capital no later than 6 May 2017, by an amount not exceeding CHF 69,500,000 by issuing up to 13,900,000 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

The rest of article 3ter remains as per the existing wording.



Agenda and Proposals of the Board of Directors continued

7. Compensation of the members of the Board of Directors and of the Executive Committee for the year 2016

7.1 Compensation of the members of the Board of Directors for the year 2016 (1 January-31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 6.3 million as fixed and variable compensation of the members of the Board of Directors for the financial year 2016.

Explanation

Please refer to the Annex.

7.2 Compensation of the members of the Executive Committee for the year 2016 (1 January-31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 17.5 million as fixed and variable compensation of the members of the Executive Committee for the financial year 2016.

Explanation

Please refer to the Annex.

8. 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 Giacometto-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.

8.1 Mr. Andreas Andreades, member and 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 installations and approaching USD 500 million 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.

8.2 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 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.

8.3 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 a number of Boards of Directors in the EFG International Group and provides consulting services to EFG notably in the area of Executive Remuneration. 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.

8.4 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 organization in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M & A, has conducted more than 50 successful acquisitions totalling in excess of USD 4 billion. 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 the Chairman of Temenos Audit Committee.

8.5 Mr. Sergio Giacometto-Roggio, vice-chairman of the Board of Directors

Swiss, born in 1949, Mr. Sergio Giacometto-Roggio serves as an Independent Director. His current portfolio of positions includes Chairman of Oberthur Technologies Holding, Senior Independent Director at Colt Technologies SA and Operating Partner with Advent International. In December 2008, Mr. Giacometto-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. 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 is the Chairman of Temenos Compensation Committee and a member of its Audit and Nomination Committees.

Agenda and Proposals of the Board of Directors continued

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

8.6 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 is a member of Temenos Compensation Committee.

8.7 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 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 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 M.B.A. from Harvard Business School and a BA from Brown University. Ms. Yip is a member of Temenos Nomination Committee.

9. 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.

9.1 Mr. Sergio Giacoletto-Roggio

9.2 Mr. Ian Cookson

9.3 Mr. Erik Hansen

10. Election of the independent proxy holder

Proposal

The Board of Directors proposes the 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.

11. Re-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 2014 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/>.

Participation

Shareholders recorded in the share register, with voting rights by **24 April 2015 at 5 pm 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, **Poncet Buhler Lacin & Vallery** 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 **5 May 2015** at noon at the latest.

On behalf of the Board of Directors

Andreas Andreades
Chairman

27 March 2015

Annex

Shareholder Information on the Compensation Votes

At Temenos, our mission statement is to extend our product leadership supported by both a professional services group and a strong partner ecosystem, delivering success for our customers, consistent, profitable growth for our Company and providing a great place for our employees to realise their ambitions.

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.
- 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 for our Executive Chairman and Executive Committee Members

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 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 3 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;
- Financial services software companies that industry analysts rank as global top performers.

The list of companies used in 2014 is shown in the 2014 Compensation Report. For 2014, 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 (USD being the Group accounting currency). The exchange rates used are:

USD/CHF: 0.93

USD/GBP: 0.6075

1.2. Compensation Elements of the Members of the Board of Directors (excluding Executive Chairman)

The non-executive directors were compensated in 2014 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.

As this is the first year we are requesting shareholder approval, and since we have adopted the prospective approach, 2015 is a bridge year. As such, we are comparing 2016 to 2014 and 2013 which have been reported in the 2014 Compensation Report.

Full details of 2014 Compensation are provided on pages 66 – 82 of the 2014 Annual Report. Details of targets for 2015 Compensation are provided on pages 82 – 83 of the 2014 Annual Report. The 2014 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 2016

The Board of Directors proposes to approve a maximum aggregate amount of USD 6.3 million as fixed and variable compensation, including employer social charges, of the members of the Board of Directors for the financial year 2016. This is equivalent to CHF 5.8 million using an exchange rate of USD/CHF 0.93.

The Board of Directors proposal for 2016 comprises all directors proposed for re-election, i.e.:

- Andreas Andreades, Executive Chairman

and the non-executive directors:

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

The table below shows the total maximum amount of compensation of USD 6.3 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 2016. All figures are shown in USD thousands.

| Fiscal year | Salary/ Fixed fee | 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 |
|----------------------|----------------------|---|---------------------------|---|-----------------------|-------------------------------------|---|
| 2016 proposal | 1,365 | 1,043 | 158 | 3,542 | 6,108 | 170 | 6,278 |
| 2014 actual | 1,205 | 196 | 150 | 3,542 | 5,095 | 154 | 5,249 |
| 2013 actual | 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 2016 is as below. Non-executive directors do not receive any variable pay nor do they participate in LTIP programmes.

| Function | Salary/ Fixed fee | Variable short term incentive | All other compensation | LTIP value | Total compensation | Employer social security charges | Total compensation including employer social security charges |
|-------------------------|----------------------|----------------------------------|---------------------------|------------|-----------------------|-------------------------------------|--|
| Executive Chairman | 695 | 1,043 | 141 | 3,542 | 5,421 | 124 | 5,545 |
| Non-executive directors | 670 | 0 | 17 | 0 | 687 | 46 | 733 |

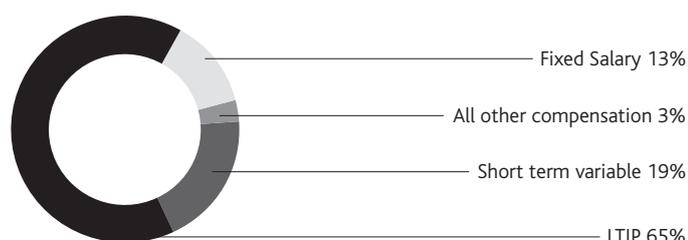
The increase from the 2014 actuals to the 2016 proposal is 20% (USD 1.0 million). This is primarily due to a proposed increase of 5% in fixed salary for the Executive Chairman and in Board fees described below (USD 0.2 million) and 15% (USD 0.8 million) due to the fact that in 2014 the variable short term incentive targets for the Executive Chairman were only partly achieved (32% achievement) while the 2016 proposal is put together under OaEC guidelines to assume the maximum possible payout at an achievement of 150% of targets.

Annex continued

3. Proposed Total Compensation for Members of the Board of Directors for the Year 2016 continued

The 2016 proposal for the Executive Chairman is reflected in the chart below, where 84% 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.

2016 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 95,000 in 2015 to USD 100,000 in 2016 and the Committee Chair fees (Audit and Compensation) from USD 32,500 to USD 35,000. 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 2016

The Board of Directors proposes to approve a maximum aggregate amount of USD 17.5 million as fixed and variable compensation, including employer social charges, of the members of the Executive Committee for the financial year 2016. This is equivalent to CHF 16.3 million using an exchange rate of USD/CHF 0.93.

As of 6 May 2015 the Executive Committee comprises the following members:

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director
- Mike Davis, Client Director

The table below shows the total maximum amount of compensation of USD 17.5 million for which we request approval for the members of the Executive Committee.

We have shown the evolution of compensation from 2013 to 2016. All figures are shown in USD thousands.

| Fiscal year | Fixed 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 |
|----------------------|--------------|--|------------------------|-------------------------|--------------------|----------------------------------|---|
| 2016 proposal | 2,405 | 3,608 | 320 | 8,982 | 15,315 | 2,190 | 17,505 |
| 2014 actual | 2,243 | 740 | 297 | 8,069 | 11,349 | 1,634 | 12,983 |
| 2013 actual | 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.

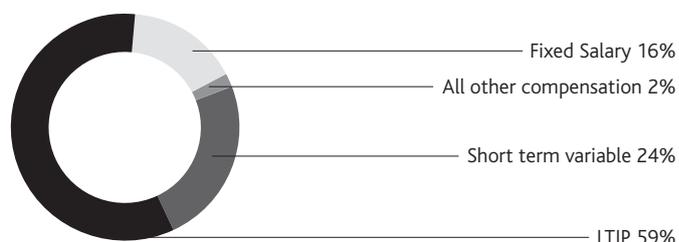
The increase from the 2014 actuals to the 2016 proposal of 35% (USD 4.5 million) is due to a proposed increase in fixed salary of 5% (USD 0.1 million) and 22% (USD 2.9 million) due to the fact that in 2014 the variable short term incentive targets were only partly achieved (32% achievement) while the 2016 proposal is put together under OaEC guidelines to assume the maximum possible payout at an achievement of 150% of targets. Furthermore, the LTIP for the 2014 Scheme was primarily a grant for the CEO and CFO and the award to the remaining members of the Executive Committee equalised the amount that had been given in the 2013 grant. In 2016 we expect to grant LTIPs to all members. This results in a further increase of 7% (USD 0.9 million) from 2014 to 2016. The remaining difference of USD 0.6 million is an increase in employer social security charges as a result of the above changes.



Annex continued

The 2016 proposal is reflected in the chart, where 83% of 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.

2016 Proposal for Executive Committee



5. Explanation of Variable Components of Compensation

5.1. Variable Short-Term Incentive

The 2016 variable short-term incentive is subject to achievement of targets. We will use the same Key Performance Indicators (KPIs) as used in 2014:

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

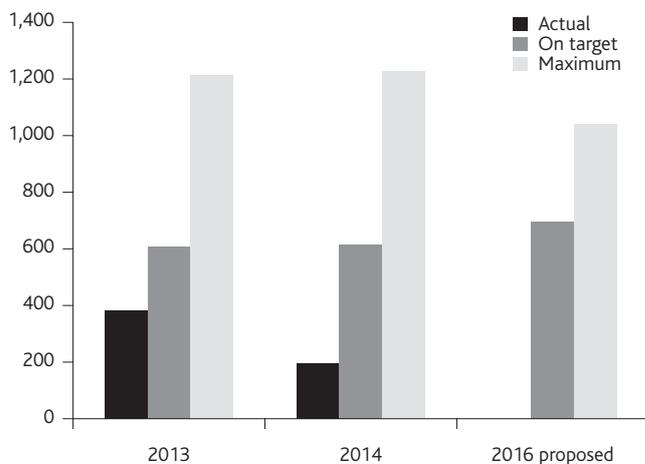
The targets will be based on the 2016 Budget to be approved by the Board of Directors in November 2015. The Board will set challenging targets consistent with past years; for example, for fiscal years 2013 and 2014 the actual payout was much lower than the on-target and maximum possible achievement because of lower than target achievement in some or all of the measures as can be seen in the 2014 Compensation Report.

| Financial year | Achievement vs target | Achievement vs maximum |
|----------------|-----------------------|------------------------|
| 2013 | 63% | 32% |
| 2014 | 32% | 16% |

In previous years, a maximum variable of 200% could be achieved if there was an overachievement of 100% over the agreed targets. In 2015, the maximum was reduced to 150%. The Board of Directors believes that the new maximum better manages the overall cost of variable plans to the company without restricting the potential for over achievement of targets and creation of long term shareholder value.

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

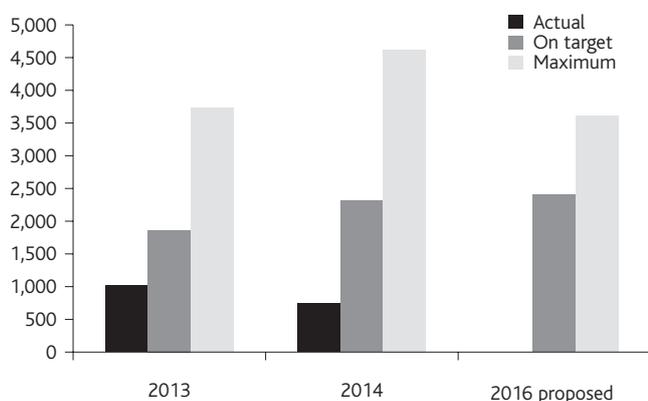


Annex continued

5. Explanation of Variable Components of Compensation continued

5.1. Variable Short-Term Incentive continued

Variable Compensation for Executive Committee



It can be clearly seen that the maximum proposed compensation for 2016 actually represents a reduction on the maximum compensation that could have been earned in 2014.

5.2. Long-Term Incentive Plan

We propose to grant the 2016 Stock Appreciation Rights (SAR) award in February 2016 after the announcement of the results for the financial year 2015. We request approval for the on-target USD value of the grant. The SARs will be granted at the closing market price of the Temenos stock on the day of announcement of the 2015 results. The total value of the grant is fixed as per the current proposal to shareholders (USD 3.542 million for the Executive Chairman and USD 8.982 million for the Executive Committee). The number of SARs will therefore be calculated based on IFRS 2 value per SAR on that day. (Please see below for an explanation of the calculation of SAR value).

Vesting of the 2016 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 31 December 2018 expected in February 2019. The award is 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 2016 to 2018 inclusive.

The award will be the greater of:

- Annual targets being achieved, divided equally (33.3%) for achievement in each year, 2016, 2017 and 2018 of the plan. There is no overachievement element on the awards linked to annual targets.
- 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 a lower than 85% achievement compared to the 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 2016-2018 non-IFRS EPS and non-IFRS Product Revenue performance targets for the 2016 Executive SAR scheme will be determined by the Board of Directors in November 2015. The targets will be disclosed in the Compensation Report each year where not commercially sensitive to do so. Non-IFRS EPS is calculated after deduction of the IFRS2 charge.

With regard to the Long Term Incentive Plan, we set stretch targets. Our intention is to create benefit for the Executives if they create value for the shareholders.



Annex continued

The targets for the 2013 Executive Scheme (that is for the first two years 2013 and 2014) as set out in the compensation report have been met, meaning two sixths of the grant will vest subject to continued employment with Temenos until February 2016. The remainder is subject to achievement of 2015 objectives.

For the 2014 Executive Scheme the target for 2014 has been met as set out in the compensation report, meaning one sixth of the grant will vest subject to continued employment with Temenos until February 2017. The remainder is subject to achievement of 2015 and 2016 targets. However, the targets have often not been met. The historical trend of vesting is shown in the table below.

| SAR Scheme | Proportion vested based on targets |
|------------|------------------------------------|
| 2007 | 100% |
| 2008 | Forfeited |
| 2009 | 60% |
| 2010 | 30% |
| 2011 | Forfeited |
| 2012 | 12.8% |

Targets will continue to be set at challenging levels to maintain the direct link between pay and performance.

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.

For the 2016 proposed grant, the charge of USD 3.542 million for the Executive Chairman and USD 8.982 million for the Executive committee that we are seeking shareholder approval for, will only be realised in cash if:

- all performance targets are met AND
- there is continued employment until February 2019 AND
- there is an increase in the share price of approximately 30% per share between the price on the date of the grant, i.e. the price in February 2016, and the price at the date of vesting in February 2019. This represents a CAGR growth in share price of 10%.

In order to understand the relativity of the charge versus the creation of shareholder value, we illustrate below an example based on a share price of CHF 35.5 (which was the share price at 31 December 2014). The 30% increase in the Temenos share price implies a share price growth of CHF 11 over the three year period of the vesting. This implies a shareholder value creation during this period of approximately USD 750 million or compared to the charge of USD 12.5 million (total of Executive Chairman and Executive Committee) that we are requesting, representing 1.8% of the shareholder value created in the vesting period.

The cash compensation generated by the 2016 SAR plan will reduce at lower stock price increases and percentage of shareholder value will stay constant at approximately 1.8%. For example if the stock price increase between February 2016 and February 2019 is only 15% or CHF 5.5 per share (assuming the same example as above), i.e. the shareholder value increase is USD 325 million, the cash generated by the instrument will be USD 6.2 million. If there is no stock price increase or there is a stock price decrease, then the grant will not have any value.

