TEMENOS

Solutions for a connected world

Annual Report and Accounts 2015

Temenos: the software specialist for banking and finance

Who we are

Founded in 1993, Temenos is the market-leading provider of mission critical software to financial institutions globally with more than 2,000 customers in over 150 countries worldwide. Temenos partners with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace.

Our vision

Every financial institution to run on packaged, upgradeable software, to create a better and more inclusive world of banking and finance.

Our mission

Build real-time, integrated and open software for the banking and finance industry.

Temenos provides mission critical software to 38 of the top 50 banking institutions in the world.

Headquartered in Geneva, Switzerland, the Company has 62 offices in 41 countries and had non-IFRS revenues of USD 559m for the year ended 31 December 2015. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001.

Over 4,400 professionals

4,400+

Serving clients in over 150 countries

150+

Over 2,000 clients

2,000+

Processing the daily transactions of more than 500m banking customers

500m+

Business review

Governance

Financial statements

A year of strong growth in revenue and profitability

2015 non-IFRS financial highlights

Total software licensing growth of 45%

Maintenance growth of 5%

Recurring revenues now contributing 51% of group revenues

3.4 percentage points improvement in services margin, taking margin to 8.5%

EBIT margin of 28.1%, up 0.8 percentage points

EPS of USD 1.73, up 20.1%

Cashflows of USD 227.2m, up 19%

Cash conversion of 133%, with DSOs down 27 days in the year

Strength of cash flows and growth in profit support 2015 dividend of CHF 0.45 per share, an increase of 12.5% (2014: CHF 0.40 per share)

2015 operational highlights

Outstanding year driven by high levels of client activity, particularly in developed markets

Significant growth across all products, in particular Retail, Private Banking and Channels

Strong progress on larger deals and the US, major growth drivers for the future

Progressive renovation opening up significant opportunities with Tier 1 banks

Signing of Nordea – a landmark for Temenos as the largest deal ever in Europe

Strong pipeline generation in 2015 giving confidence for 2016

Partner ecosystem expanding, increase in joint go-to-market activities

Highest total revenue visibility ever by year-end, driven by high recurring revenues and progressive renovation

For the most up-to-date Investor Information and Press Releases, please refer to our website.

www.temenos.com

TOTAL SOFTWARE LICENSING GROWTH

+45.0%

2015	USD 214.0m
2014	USD 147.6m

NON-IFRS REVENUE

+19.2%

2015	USD 559.0m
2014	USD 468.7m

NON-IFRS EBIT MARGIN

28.1%

2015	28.1%
2014	27.3%

CASH CONVERSION

133%

2015	133%
2014	113%

NON-IFRS MAINTENANCE REVENUE

+5.4%

2015	USD 235.4m
2014	USD 223.4m

NON-IFRS EARNINGS PER SHARE

+20.1%

2015	USD 1.73
2014	USD 1.44

DIVIDEND PER SHARE

+12.5%

2015	CHF 0.45
2014	CHF 0.40

Unblinking focus

First and foremost, Temenos is a product company. Our software provides financial institutions with a single, real-time view across the enterprise, enabling them to maximise returns while streamlining costs.

Our values

> **We place clients at the core of what we do**
Everything starts and ends with our clients' goals

> **We see things differently from everyone else**
Average people see difficulties, exceptional people see opportunities

> **We inspire, through living up to our full potential**
We dream big and pursue our goals fearlessly

> **We believe in the power of people**
People make things happen. People define our destiny

Suites

RetailSuite
WealthSuite
CorporateSuite
UniversalSuite
IslamicSuite
MicroBankingSuite
FundSuite

Read more on > 12

Products

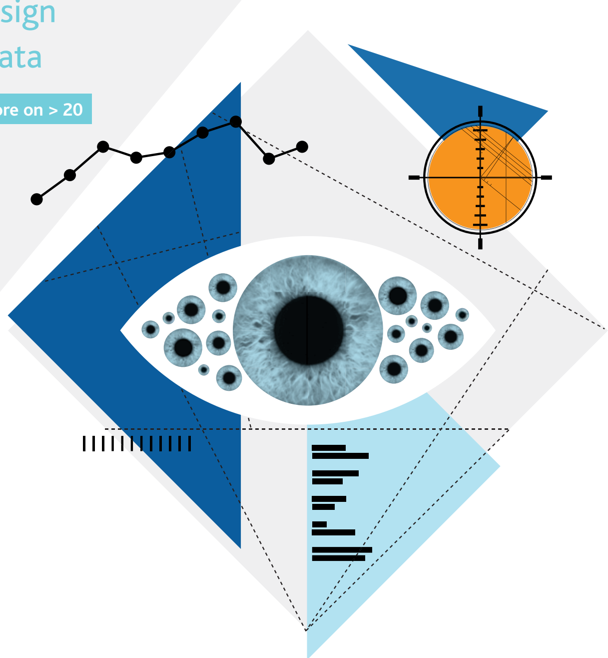
Core Banking
Analytics & Reporting
Front Office
Channels
Risk & Compliance
Financial Crime
Payments
Funds & Securities

Read more on > 16

Technology

Integration
Interaction
Platform
Component
Design
Data

Read more on > 20



It's a fact: Temenos customers are more profitable

Our products are open, integrated, componentised and upgradeable, supported by a dedicated professional services organisation and a strong partner ecosystem.

Specialist
Temenos only creates software for banking and finance. And we've been doing it for more than 20 years. This makes us true specialists with deep domain knowledge and razor-sharp focus. We place our clients at the core of what we do. Everything starts and ends with our clients' goals – we can't meet our goals without meeting theirs.

Over 2,000 firms across the globe, including 38 of the top 50 banks, rely on Temenos to process the daily transactions of more than 500m banking customers.

Unrivalled customer success
We make packaged and upgradeable software. We commit to spending 20% of our revenues annually on R&D. As such, our software gets functionally richer and more technologically advanced with every new release.

Temenos customers significantly outperform their peers. Over the period 2008-2014, Temenos clients enjoyed on average a 31% higher return on assets, a 36% higher return on equity and an 8.6 percentage point lower cost to income ratio than financial institutions running legacy software.

The benefits of using modern software are clear. Temenos customers are more agile, able to offer more personalised products and services, to operate at lower unit costs, to react quicker to market opportunities and to manage risk better.

Unique business model
Our success has proven that packaged software with the highest levels of flexibility can meet the exacting requirements of the world's largest financial institutions, without source code modification. With enhancements rolled into an annual upgrade programme, banks can now focus on their true differentiators, whilst we focus on delivering best-in-class systems.

Market leader
Temenos is the leader in its market. In 2015, Temenos topped both the Forrester and IBS Intelligence league tables for sales of mission-critical software for the banking and finance industry (See IBS Intelligence's 2015 core banking systems league table and Forrester's 'Global Banking Platform Deals 2015'.)

Ecosystems for growth
We strongly believe in the importance of collaboration to achieve growth and the best customer outcomes.

This is evident in our large ecosystem of partners. We partner with other firms to give our clients access to a large pool of system integration resources as well as choice over the technology platforms they run.

In addition, we open up our software to third parties to foster innovation. The Temenos MarketPlace is our digital store where clients can browse, discover, download and deploy an ever-growing range of apps. These apps are developed by MarketPlace providers using more than 11,000 APIs and business events that we make available to them.

People-powered
We pride ourselves on seeing things differently from everyone else. We embody a culture of openness and meritocracy that allows us to attract the best people and to set them free to make things happen. This culture is at the root of the company's pioneering record on innovation.

Temenos employs over 4,400 people across 62 offices.

Sustainably lower costs

Economies of scale

→

Low-cost, highly automated, scalable systems

Rapid launch of personalised products across multiple channels, single view of customer, real-time customer intelligence

←

Greater wallet share

Lower asset provisions

Market development

Highly rated by industry analysts

Gartner

"Leader" for 7th consecutive year.

Forrester

"Leader" in Forrester Wave.
Sole vendor classed "Global Power Seller" (for new business) for 10th year, and "Top global player" (for new and existing business) for the 4th consecutive year.

International Data Corporation

"Leader" in Core Banking and Wealth Management.

CEB

"Best-in-class" honours for customer-centricity.

IBS Intelligence

Ranked top position for the past four years. Top two positions for the past 17 consecutive years.

OVUM

"Market Leader" in core banking and digital channels.

Banking Technology

Readers' Choice "Best Core Banking Product/Service", "Best Funds/Asset Management Product/Service" and "Most Innovative Use of Technology".

Source:
Gartner – 'Magic Quadrant for International Retail Core Banking', Don Free and Ethan Wang, November 2014.

Forrester – 'The Forrester Wave™: Customer-Centric Global Banking Platforms, Q3 2014', Jost Hoppermann, August 2014.

Forrester – 'Customer-Facing Solutions Are Driving Banking Platform Deals', Jost Hoppermann, June 2014.

IDC – 'IDC MarketScape: Worldwide Core Banking Solutions 2015 Vendor Assessment', Karen Massey, Andrei Charniauski, Michael Araneta, Jerry Silva, January 2015.

IDC – 'Worldwide Wealth Management Front- and Middle-Office Solutions 2014 Vendor Assessment', Thomas Zink, January 2015.

CEB TowerGroup – 'Core Banking Systems for the Large Bank Market', Robert Hunt, December 2013.

IBS – 'Annual Sales League Table 2016', IBS Intelligence, March 2016.

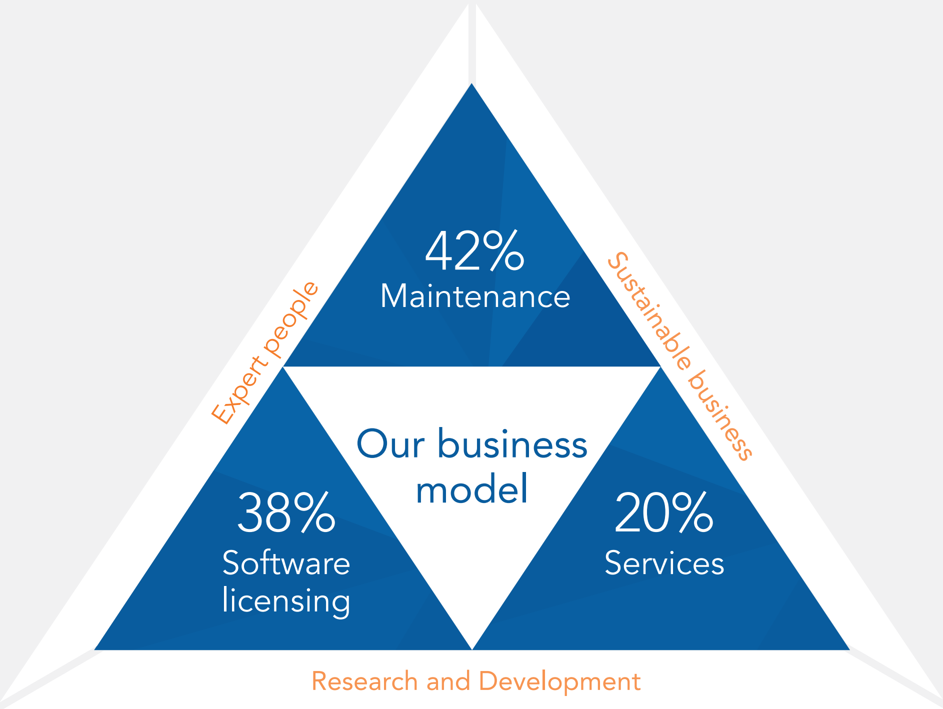
Ovum – 'Ovum Decision Matrix: Selecting a Next-Generation Banking Digital Channel Platform', Jaroslaw Knapik, December 2013.

Ovum – 'Ovum Decision Matrix: Selecting a Core Banking System in the European Market, 2016–17', Noora Haapajärvi, March 2015.

Banking Technology Awards, November 2014, Banking Technology Awards, November 2015.

Our purpose is to help our clients prosper

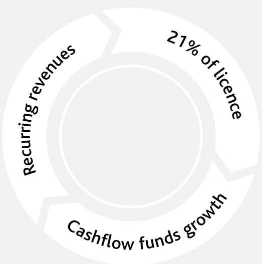
The sales of software licences of our award winning products drive growth in both maintenance and services.



Maintenance

Maintenance is charged on our licence sales and provides our customers with access to the full ongoing support of Temenos together with product upgrades.

> Revenue stream grows with licence sales;
> Five year contracts, then renewable annually;
> Paid annually in advance; and
> CPI indexed.



Software licensing

An initial licence fee (or recurring fee in the case of Software-as-a-Service and subscription revenues) is payable for use of our award-winning products spanning Core Banking, Analytics & Reporting, Front Office, Channels, Risk & Compliance, Financial Crime, Payments and Funds & Securities.

> Rich product suite;
> Regularly upgraded;
> New and existing clients;
> Geographic spread; and
> Referencability.

Services

Software is only part of the Temenos equation. Implementation, performance optimisation, integration, administration, maintenance, upgrades, training and support are all part of the comprehensive service package when our customers invest in a Temenos software solution.

> Process led implementations;
> High level consultancy; and
> Direct client feedback for benefit of wider business.

Research and Development

Outspending our peers on R&D

We annually invest around 20% of revenue in R&D, significantly more than our peers, into a single fully packaged, upgradeable software release, which ensures all Temenos customers benefit from modern technology and support indefinitely.

Read more on > 24

Expert people

Investing in our talented people

Our people's visions and aspirations are central to the culture of Temenos. By fostering a culture of innovation and collaboration, and by investing in our people's development, we are able to retain the best talent and ensure we continue to deliver unrivalled customer success.

Read more on > 46

Sustainable business

Focusing on our environment, people, community, and clients

We are committed to a sustainable business model that makes us proud of how we interact with our people, our customers and our marketplace. We believe that this is the only way to deliver long term business success for our Company.

Read more on > 48

A three-pronged approach to M&A

Accelerated growth in key markets and segments

Increased scale

Complementary products

2007	2008	2009	2010	2011	2012	2013	2015
Actisbsp	Financial Objects Lydian Associates Informer	Viveo Group	Fe-mobile Odyssey	Primisyn	edge IPK	TriNovus	Akcelerant Multifonds

Read more on > 6-7

Strategic fit

Multifonds

In March 2015, Temenos acquired Multifonds, a leading global provider of fund administration software.

The acquisition gives Temenos additional scale, access to highly complementary products, client relationships with more than 30 of the world's largest financial institutions, and exposure to the fast-growing fund administration market. Following the acquisition, Temenos provides mission critical software to 38 of the top 50 banking institutions in the world.

Multifonds' global platform for fund administration is extremely well regarded in the industry and is used by a host of Tier 1 financial institutions, such as J.P. Morgan, Citi, BNP Paribas and Credit Suisse. The acquisition of Multifonds reinforced Temenos' position as the leader in mission critical software for financial institutions as well as providing significant opportunities for operational synergies.

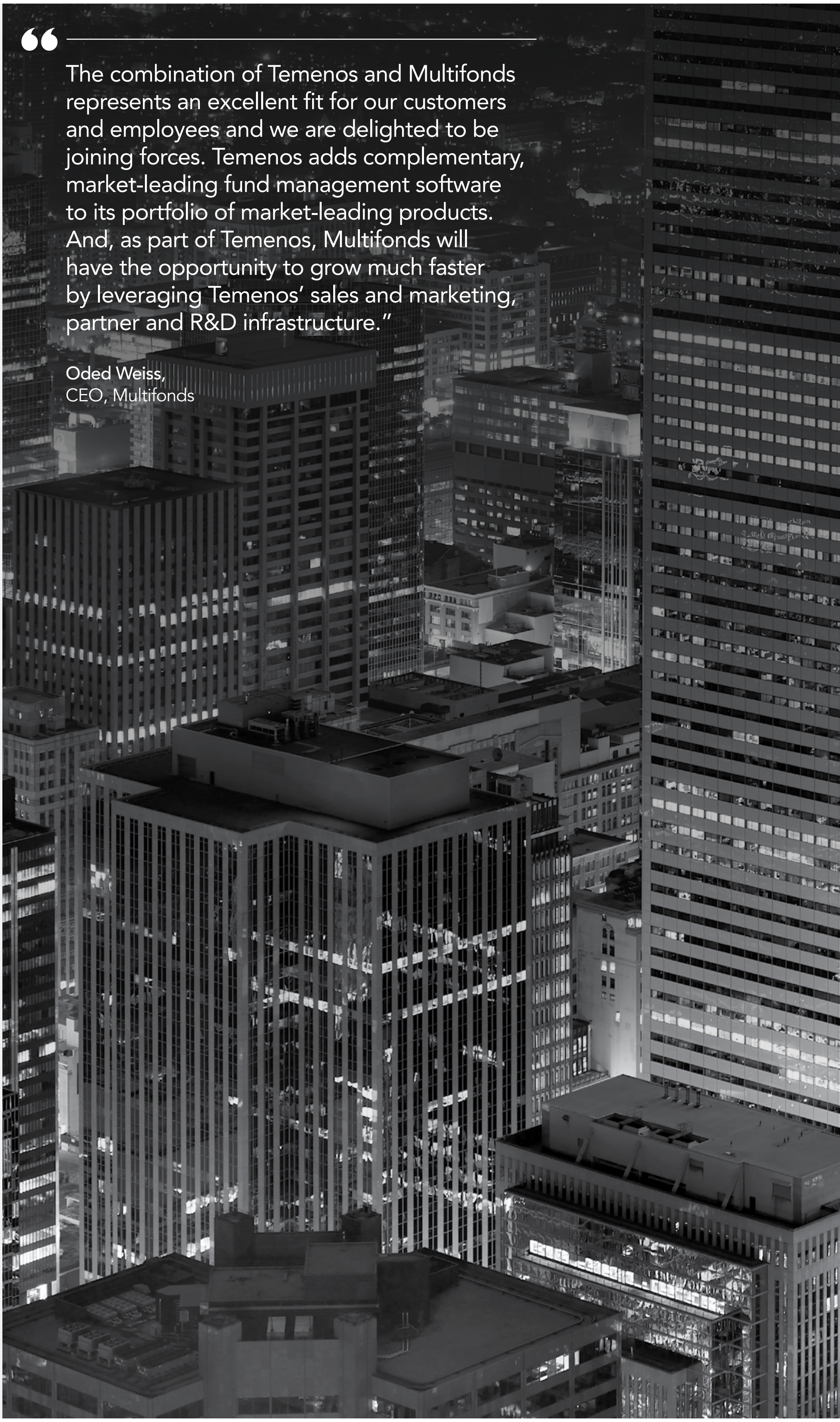
Multifonds is a supplier to 9 of the world's top 15 fund administrators and enjoys very high levels of client retention. Multifonds has global coverage with 470 employees in 12 offices worldwide and its products are available in over 30 regulatory jurisdictions.

Multifonds has achieved strong historical revenue and profit growth. Its 'sticky', mission critical products and subscription revenue model leads to high levels of recurring revenues and revenue visibility.

The company has an experienced and highly knowledgeable management team with a deep understanding of the fund management industry. The CEO of Multifonds, Oded Weiss, and his executive management team continue to drive the growth of the business.

Assets processed by Multifonds

USD 5trn



"The combination of Temenos and Multifonds represents an excellent fit for our customers and employees and we are delighted to be joining forces. Temenos adds complementary, market-leading fund management software to its portfolio of market-leading products. And, as part of Temenos, Multifonds will have the opportunity to grow much faster by leveraging Temenos' sales and marketing, partner and R&D infrastructure."

Oded Weiss,
CEO, Multifonds

Akcelerant

In February 2015, Temenos acquired Akcelerant, a leading US-based financial software provider.

Founded in 2000, Akcelerant offers multiple software solutions to over 600 financial services institutions in North America, predominantly in the Credit Union space in the US.

Based in Philadelphia, Akcelerant has provided Temenos with critical mass in the US, enabling us to drive growth in the regional banking segment by bringing our products to a market that represents half of global banking spend on software. It also gives us an entry point into the North American Credit Union market, bringing over 600 clients including 18 of the top 25 US Credit Unions, creating the opportunity to cross-sell Temenos products.

Akcelerant's existing products allow financial institutions to grow new loans and accounts, control risk, and operate more efficiently and profitably, all while providing superior in-branch or remote consumer experiences. Akcelerant's technology improves relationships between a financial institution and an account holder during every phase of the account life cycle. This includes origination, account servicing and collections, where it is the market leader for US Credit Unions.

The acquisition widens the Temenos product offering, including a market-leading collections product. In addition, Akcelerant has already developed the interfaces and reports required for collections and consumer lending in the US.

Akcelerant has seen strong revenue growth since incorporation with high levels of recurring revenue driven by its subscription revenue model.

Akcelerant employees based in Philadelphia

130

Clients brought in by Akcelerant

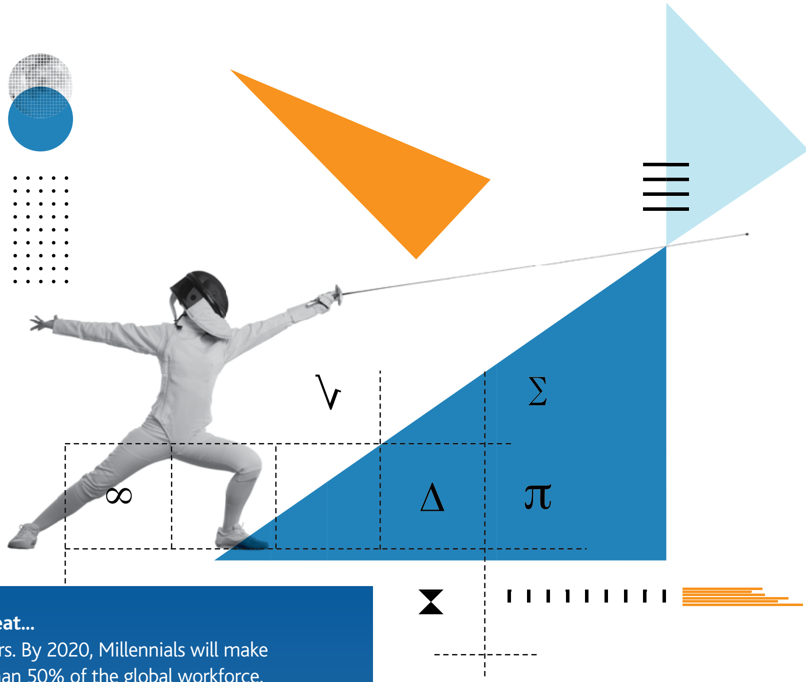
600+

“The combination of Temenos' North American business with Akcelerant represents an excellent fit for our customers and employees. While Temenos is a global market leader in banking software, there remains great potential to improve our market share in the Americas. Akcelerant will help to achieve this potential, adding market-leading product capabilities spanning loan and account origination, service, collections, recovery and profitability.”

Jay Mossman,
CEO, Akcelerant

The future of banking

33% of Millennials believe they won't need a bank at all in five years. We think different. Let's make no mistake, the world of banking is changing fast.



Changing customer behaviour – led by Millennials (those born between the 1980s and 2000s) – is a major factor. As is exponential technology change. But, while banking will be very different in 2020, we still think banks can be at the heart of it.

Customer in control
As banking has moved online, it has become easier for consumers to compare banking products, banking experiences and get more transparency around pricing. And customers now have much more choice.

New competition
While making it easier for consumers to compare products, technology has also made it easier for new players – including many non-banks – to enter the market.

The increased use of digital channels has increased competition in the banking sector; new entrants don't need a branch network – plus they can also reach a wider audience.

Changing expectations
Customer expectations are changing too, in part because of the level of experience consumers have grown used to from online retailers such as Amazon.

Millennials, in particular, are displaying very different behaviours than traditional banking consumers. Young and digitally savvy, they are much more likely to use new technologies for banking – more than 72% of Millennials are active users of mobile banking, while 92% are active users of social media.

And they are also much less loyal. For example, the likelihood of Millennials to use the same wealth manager as their ancestors is only around 10%. And they increasingly question the need for banks, with 33% of Millennials believing they won't need a bank at all by 2020.

A real threat...
This matters. By 2020, Millennials will make up more than 50% of the global workforce. More generally, increasing competition could see banks lose significant revenue and margins – our partner Accenture estimates that up to 30% of banks' revenues could be lost.

...but an opportunity as well
Banks still have plenty of competitive advantages – the trust established through hundreds of years safekeeping customers' assets, access to customers' transactional data, to name just two.

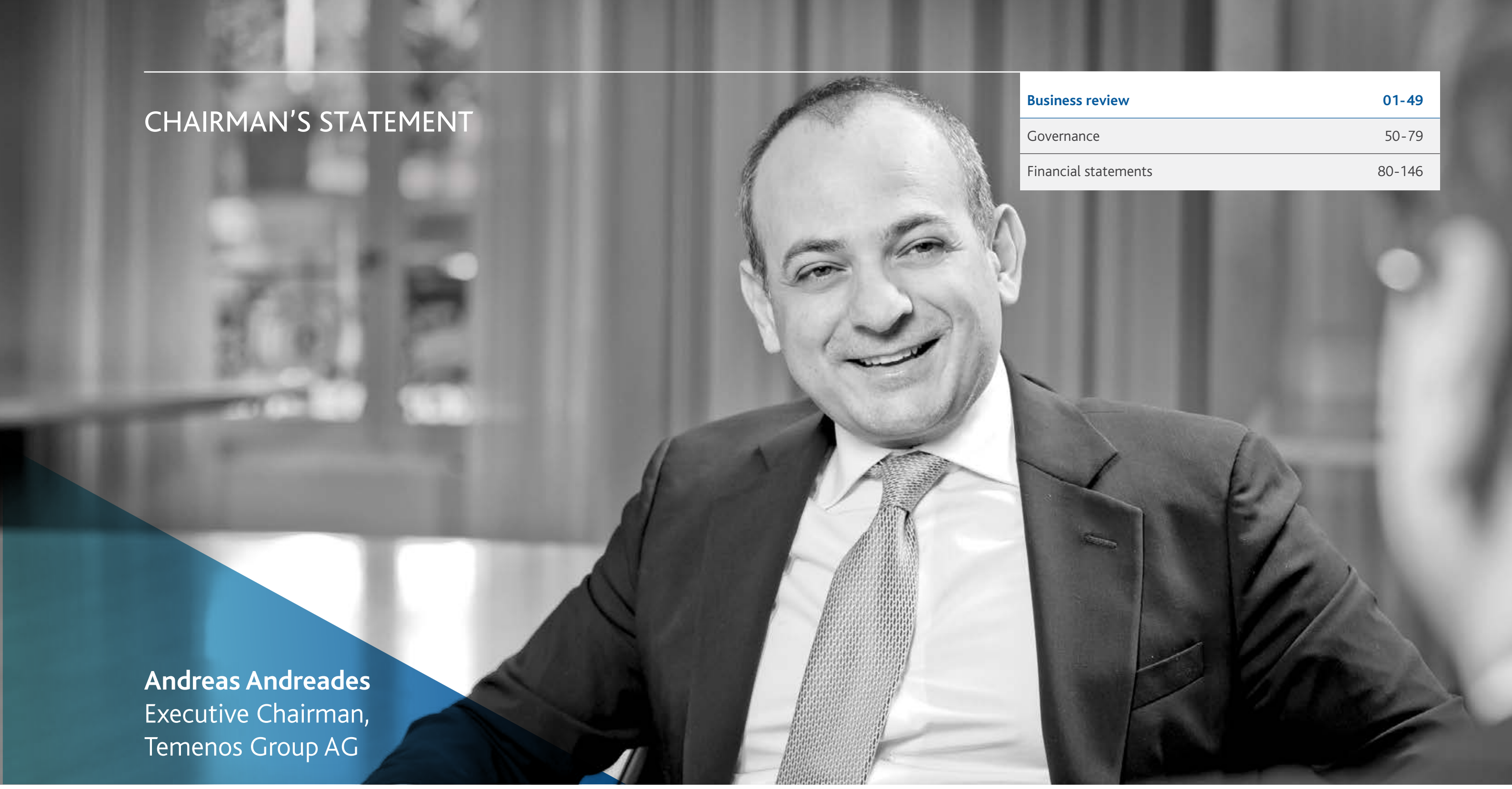
If banks can capitalise on these advantages, they have an opportunity to redefine themselves and their role in customers' lives. Shifting the focus from customer account acquisition to customer experience.

Experience-driven banking
At Temenos, we refer to this opportunity as experience-driven banking.

We see digitisation as an opportunity for banks to become more involved in customers' commercial and financial lives. Banks should analyse customers' transactional data, marry it with locational and contextual information to be able to deliver the right products and services, personalised to individual customers' circumstances, at the right time and over the right channel.

Practically, this will mean becoming a trusted advisor to give customers expert advice, find ways for them to save money and proactively recommend products and services they actually need.

What is needed
Change is needed. Part of this change will be cultural. Banks must move from being data custodians to become data analysers, serving up the insights to improve customer outcomes. They must realise that the route to success lies in cannibalising their business, opening it up to financial and non-finance partners, in order to retain a direct customer relationship.



CHAIRMAN'S STATEMENT

Andreas Andreades
Executive Chairman,
Temenos Group AG

It is with great pleasure that we present our annual report for 2015 to our stakeholders. Not only was 2015 a record year in every respect, it was also a very busy and very productive year.

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 centred 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 on 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.

I am more convinced than ever that in Temenos we have all the ingredients to continue to build a great company, a company that will define success in banking software and will influence banking for the 21st century. With more than 2,000 clients using our software in more than 150 countries, our impact is already visible and in doing so, we hope we also contribute successfully in 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.

Andreas Andreades
Executive Chairman,
Temenos Group AG

> "I am more convinced than ever that in Temenos we have all the ingredients to continue to build a great company, a company that will define success in banking software and will influence banking for the 21st century."

A race banks can win

Digitisation of financial services has brought banks into competition with a different set of challengers. To stay ahead, banks must recast their role in customers' lives, using analytics to provide helpful, value-added advice and services. Failure to act quickly will have profound consequences for the status and profitability of the industry.

Overview

Digitisation is changing financial services, empowering customers and opening up the industry to new competitors and business models. But, as well as threats, digitisation also provides opportunities, most notably the chance for banks to recast their customer relationships.

To gain a competitive edge, banks must seize the opportunity to become more involved in customers' commercial and financial lives, analysing their transactional data to provide them with expert advice, find ways for them to save money and proactively recommend products and services they actually need.

The most successful companies will be those that are able to marry this analysis with analysis of customers' locational and contextual information to be able to deliver the right products, personalised to individual customers' circumstances, at the right time and over the right channel – what we are calling experience-driven banking.

Delivering experience-driven banking is a race against time. Banks have access to customers' transactional data. But big technology companies such as Google and Apple have a deeper reach into customers' lives. And, through initiatives like Apple Pay and Google Wallet, they are fast building data on customers' financial transactions.

So, banks need to act fast – to put in place the conditions to be able to deliver experience-driven banking, ranging from cultural change to technology renewal.

It is a race banks must win. Banks won't disappear, but if they aren't able to deliver the value-added services that customers want, then others will – with profound consequences for the role and profitability of the industry.

The challenge

Increasingly, banks will be defined by the user experience that they offer discerning clients and data is playing an increasingly integral role in delivering this differentiated experience. A number of financial firms – from challengers such as Moven to established names like Barclays – are making important strides in this area.

The process is under way, but it's still early days. European retail banks, for example, have digitised only 20-40% of their processes, while 90% of European banks invest less than 0.5% of their total spending on digital, according to an analysis by the consultancy McKinsey.[1]

However, the pressure is on. Accenture estimates that digital transformation will put about 30% of bank revenues at risk by 2020.[2] A survey by Capgemini, meanwhile, found that only 37% of customers believed banks understood their preferences adequately.[3]

At Temenos, we believe banks have a bright future. To get there will entail a migration from the high street to the online world. Banks will have to be nimble, flexible and responsive to a new set of customer demands, and immerse themselves digitally. There is no shortage of interlopers willing and able to step into the banking market and take a slice of the profits. Or as J.P. Morgan's Chief Executive, Jamie Dimon, told investors earlier this year, a new breed of competitors, mainly based in Silicon Valley, "all want to eat our lunch".[4]

Experience-driven banking

Experience-driven banking involves using digital channels and data to analyse the behaviour, demands and transactions of customers. Thus informed, banks are able constantly to predict what their customers will need and want next, and can offer relevant products and services in the right place at the right time, via the right channel.

Increasingly, to retain customers – especially younger ones, the so-called 'Millennials' – banks will need to use data and analytics to provide value-added service. An EY banking customer survey found that people would expand their relationship (or pay more) in return for providers giving expert advice, finding ways for them to save money and rewarding their loyalty.[5] Accenture found that 58% of Millennials would like their banking providers to proactively recommend products and services that they need.[6] And the success of new banking ventures such as Simple (acquired by BBVA), built around the concept of helping people to achieve their financial goals, demonstrates that consumers would like their banks to be more involved in their financial and commercial lives.

When financial providers are able to combine this kind of personalised service with other information, such as context and channel preferences, we begin to enter the realm of experience-driven banking. Imagine, for instance, receiving a text message to remind you of your daughter's birthday with suggestions of top-rated gifts along with the location of the nearest store with these gifts in stock as well as advice on the best way to finance the purchase.

Experience-driven banking isn't just a retail banking phenomenon. All banking customers want their banks to become more involved in their financial circumstances, helping them to make better financial decisions. A BCG study of the wealth management market, for instance, found that more than 60% of customers were demanding services – made available across all types of devices – that helped them to understand their financial situation better and offered tailored recommendations. A growing proportion – between 20 and 60% – wanted social interaction built in too.[7]

1 'The Rise of the Digital Bank', McKinsey, July 2014.
2 'Everyday Bank: How Digital is Revolutionizing Banking and the Customer Ecosystem', Accenture, June 2014.
3 'Big Data Alchemy: How Can Banks Maximize the Value of their Customer Data?', Capgemini Consulting, April 2014.
4 'Annual Letter to Shareholders', Jamie Dimon, April 2015.
5 'Winning Through Customer Experience: EY Global Consumer Banking Survey 2014', E&Y.
6 'The Digital Disruption in Banking: 2014 North America Consumer Digital Banking Survey', Accenture.
7 'Boston Consulting Group, Wealth Managers Face a Digital Dilemma', June 2014.
8 'The Three Rs of Retail Banking; Regulate, Revise, Re-envisage', Temenos, March 2015.

Necessary components

Banks will need some critical software components, as well as having the right architecture, to be in a position to deliver experience-driven banking. Clearly, having responsive channels through which to publish relevant content is important, as are the analytical capabilities to gain insight into customers' lives and make targeted recommendations.

What is often overlooked is the importance of modernising legacy. So much of bank data is still not real-time – it is split across multiple systems and organised around products not customers. It will be impossible in these old systems to generate the right levels of analysis. Further, the simplification of processes and increases in automation needed to fulfil customer demands for instant gratification will not be possible against such a backdrop.

React or be left behind

The race is on to offer experience-driven banking, but banks do at least seem to be alive to the need to react quickly. The second Temenos annual survey of retail banks, conducted by the Economist Intelligence Unit, reinforced the view that banks face an uncertain future and will need to digitise to thrive. It also showed that banks are aware that technology firms are breathing down their necks.[8]

For bankers, creating a responsive digital strategy has become the most important priority this year, up from fourth in 2014. The survey showed that 35% of the 200-plus executives asked thought that new entrants and competitors would have a major effect on the market – eating into profits – in the next five years, and that disruptors would grab market share from current accounts and savings.

Conclusion

Technology and data are the new battlefields in finance, and if banks want to retain customer loyalty they will need to invest, break down silos and pursue a more holistic approach to customer service and retention.

Banking customers of all types are demanding that their banks become more involved in their financial and commercial lives, helping them to make better decisions and offering the right products at the right time and across the right channels.

Those banks that do not improve their handling and usage of data risk falling by the wayside, ceding the advantages they have spent decades accumulating to start up technology competitors. A common yet flexible software architecture, underpinned by the right software components, can accommodate these pressures across all lines of business.

Banks will need to be bold and adapt a flexible channels strategy that addresses scalability, security and privacy issues. The only place where they can realistically do this, while remaining profitable in the face of their new rivals, is the cloud.

The next chapter in customer service, which will offer clients the kind of experience that they are already used to receiving elsewhere, is just starting to be drafted. With the right partners, banks can build on this beginning, overcome the shocks of the financial crisis and thrive in a new world of growing customer expectations.

Equitable Bank launches new digital bank, EQ Bank, on **Temenos RetailSuite**

EQ Bank, the new digital banking operation of Canada's Equitable Bank, offers a completely digital way of banking, one that combines seamless customer experience with transparent and value-added services – what Temenos refers to 'experience-driven banking'. Among the features of EQ's first product, the Savings Plus Account, are:

> Savings goals, helping customer to save faster for their purchases;

> A high everyday interest rate, which is higher than most market rates as the bank can pass on the benefits of branchless delivery and an integrated, scalable technology infrastructure; and

> Interest earned on every dollar, without the hassle of transferring money between a chequing and savings account since the bank and bank customer both have a single view of all accounts.

Delivering experience-driven banking requires cutting-edge technology, which is why Equitable Bank selected Temenos. The Temenos RetailSuite offers Equitable Bank real-time, complete customer information, rich predictive analytical capabilities for understanding customer behaviour as well as extremely high levels of openness and integration to deliver instant customer fulfilment at scale. In addition, Temenos channels software, underpinned by a User Experience Platform (UXP) and SmartHybrid™ technologies, allows the bank to deliver both rich experiences and to stay ahead of technology change since apps, user agents and user interfaces can be written once and deployed across multiple operating systems and devices.

Equitable Bank decided to launch a digital bank and offer Canadians a different option in the marketplace. Developing a digital-only bank within the parameters of many banks' existing systems infrastructure is complicated and requires significant re-engineering. As such, Equitable, like many other banks, opted to start from scratch. Working together with Temenos and its partner Deloitte, Equitable was able to implement the technology platform, design the processes, hire the people and launch a new digital bank in 18 months.

Suites

One of our latest innovations has been to move all of our product families into open, integrated offerings for the different vertical markets we serve. Called suites, these provide our clients with a real-time, end-to-end platform.

RetailSuite

The world's leading retail banking solution designed for the new banking landscape.

RetailSuite is an integrated banking software solution for retail banks of all sizes across the globe.

It combines a modern, agile core with powerful analytics and a single platform for distribution across all digital and assisted channels. It enables banks to provide convenience and choice to customers in how they want to bank and manage their finances. It extends their reach to customers using any device today and in the future. Banks are able to harness the wealth of data to better understand customers and develop products and services that they want and need quickly and easily.

RetailSuite addresses our clients' technology, regulatory and market challenges of today and tomorrow. Through Temenos, retail banks leverage technology innovation to drive competitor differentiation and advantage, operational efficiencies, reduce costs and boost profitability.

Whether a new start up looking for its first solution, or a large scale multi-country bank, RetailSuite provides a solution which enables banks to scale, onboard, reduce attrition and deliver a market-leading service to their customers.

WealthSuite

WealthSuite is an integrated software solution for wealth managers. Its highly scalable technology offers integrated, multi-channel, front-to-back office capabilities.

WealthSuite empowers our clients' business. The solution industrialises the investment process allowing banks to efficiently manage investments for large numbers of complex portfolios and achieve maximal investment performance. Combining back office efficiency with front office differentiation, WealthSuite offers sophisticated portfolio management functionality to mass affluent and UHNW clients, allied with CRM capabilities, mobile and internet banking capabilities and comprehensive back office support.

For banks looking for a single vendor solution, with the associated benefits of centralised support, WealthSuite transforms their business. WealthSuite offers:

- Increased performance and revenue growth;
- Stronger customer loyalty;
- Advanced digital capabilities; and
- Cost and risk reduction.

CorporateSuite

CorporateSuite provides one system, one view for all corporate banking needs; today and tomorrow.

CorporateSuite, with its scalable, innovative technology, provides superior features for corporate banks, supporting profitability, customer acquisition and retention. Now bank customers can benefit from quality digital solutions to equal their retail experiences for all their business banking needs.

Our CorporateSuite clients continue to see the benefit of our advanced modules, with Techcombank having won several awards for Trade Finance and Supply Chain activities. Temenos' CorporateSuite clients benefit from increased efficiency and profitability through:

- A complete, single solution;
- Transparent, single view offering a 360° view of accounts;
- Agile, parameter driven platform flexibility;
- A product builder to quickly create segment customer level products;
- Full control;
- Insight into customer profitability, loyalty, attrition risk and number of products for targeting activity;
- A massively scalable, straight through processing solution;
- Comprehensive business functionality and a modern, advanced, secure, open, modular architecture; and
- An automated, electronic solution without the need for cumbersome paper based processes.

UniversalSuite

The world's leading universal banking solution designed for the new banking landscape.

UniversalSuite is an integrated banking software solution for universal banks with market-leading retail, corporate and wealth management functionality.

It combines an agile core with powerful analytics and a single platform for distribution across all channels. It enables banks to be competitive with customer-centric, relevant products and an optimised user experience whatever channel the customer chooses to use. This drives customer loyalty, decrease attrition, increase wallet share and improve profitability. With UniversalSuite, banks can drive efficiency at the same time as building customer intimacy.

UniversalSuite will address the banking technology, regulatory and market challenges of today and tomorrow. Through Temenos banks can leverage technology innovation to drive competitor differentiation and advantage, operational efficiencies, reduce costs and boost profitability.

Whether for a retail bank looking to target the mass-affluent segment or a multi-segment, multi-country bank, UniversalSuite provides a solution which enables banks to scale, onboard, reduce attrition and deliver a market-leading service to customers regardless of the segment.

IslamicSuite

IslamicSuite, with its scalable innovative technology, provides superior features for Islamic banks to offer their customers Shari'ah compliant products and services that rival their Islamic or conventional counterparts.

IslamicSuite services the Islamic banking community with Shari'ah compliant, flexible solutions that have been specifically designed to support wealth, retail, corporate and treasury bank needs. This range of highly scalable, established solutions means that Islamic institutions can now easily and efficiently create new Islamic banking products, offering world class services that rival Islamic or conventional counterparts.

Temenos' IslamicSuite customers benefit from increased efficiency and profitability through:

> Adopting a pre-configured solution based on Shari'ah industry standard;
> Offering advanced Shari'ah wealth management services;
> Full automation and increased straight through processing rates;
> Reduced development time by 40%; and
> Quality customer products and services available quickly and cost effectively.

Bank Leumi selects Temenos for core system replacement

Leading universal bank kicks off multi-year progressive renovation program to replace its IT systems.

Bank Leumi, one of the world's top 200 banks, is commencing a major project to replace its existing outdated core systems with Temenos' Core Banking and Channels software.

With this move the bank will progressively renovate its technology over a number of years, starting with a one year project to launch a digital bank in Israel. The project is expected to result in several million dollars a year in IT maintenance cost savings.

Dan Yerushalmi, COO at Bank Leumi, said: "Our existing banking technology is built on multiple, complex outdated systems and is very expensive to operate. The move will give us a simple, flexible solution that will allow us to launch new services faster and at lower cost across our entire portfolio. Starting with the digital bank project in Israel gains us competitive edge in a greenfield market, while at the same time prepares us to roll out a global solution across all business lines."

David Arnott, Chief Executive Officer at Temenos, said: "In an industry where the cost of maintaining legacy systems takes the majority of banks' budgets, replacing existing systems with a modern, packaged digital platform allows banks to simplify their infrastructure, make massive efficiency improvements, and drive down costs. It also gives them the right real-time, customer-centric foundations to be able to offer rich, interactive customer experiences. The choice by Bank Leumi to progressively renovate legacy systems is an excellent way to speed up time to value while reducing risk."

Suites

MicroBankingSuite

MicroBankingSuite is an integrated banking software solution built upon 20 years' experience serving retail community banking.

MicroBankingSuite is an integrated banking software solution for microfinance institutions (MFIs) and banks of all sizes active in both group and individual microfinance lending.

It provides MFIs with world class banking capabilities that usually are only accessible to larger commercial banks with significant IT budgets. MicroBankingSuite, which can be exploited in the cloud on a SaaS basis, provides a modern, agile and highly scalable core banking system, as well as a single platform for distribution across all digital and assisted channels, and powerful business analytics.

MicroBankingSuite enables MFIs to significantly reduce operating costs even when business is growing fast, and to pass on these efficiencies to their end customers in the spirit of financial inclusion. At the same time, it enables MFIs to clearly differentiate themselves with highly responsive service, tailored products and a truly customer-centric experience – giving every customer the same quality service anywhere regardless of their financial worth.

> Cost-efficiency: Cloud deployment and SaaS model, low-cost of ownership, high STP levels;
> Innovation: Easy product configuration and launch, powerful customer analytics;
> Multichannel: Efficient multichannel distribution of banking services and products;
> Flexibility: Supports various group types, individual rates, standard payment channels;
> Scalability: Preserves transaction and query performance when growing fast;
> Operational resilience: Nonstop 24/7 business, scalable data centres with SLAs and controls; and
> Business security: Biometrics, customer mnemonics.

FundSuite

FundSuite is Multifonds; the award winning fund administration software providing fund accounting, portfolio accounting and investor servicing and transfer agency on a single platform.

With FundSuite, clients have the capability to manage all the asset classes and jurisdictions that they are involved with now or in the future, from a single accounting and investor servicing platform. FundSuite:

> Delivers long-only control and efficiency with alternatives flexibility on one platform to support convergence between long-only and alternative funds;
> Reduces total cost of ownership by consolidating functions and systems on one platform across multiple geographies, asset classes, jurisdictions;
> Delivers increased efficiency through sophisticated workflow and exception management;
> Syndicates analysis/product development across clients so that development costs are shared and all clients benefit from changes made to one code base;
> Supports both middle office and back office and delivers the Investment Book Of Records (IBOR) and Accounting Book Of Records (ABOR) from one platform; and
> Provides ease of data access based on an open Oracle architecture.

> "We are delighted that Nordea is now live with WealthSuite. It offers the bank a cutting-edge, integrated platform that will enable them to increasingly differentiate their customer proposition in a market undergoing significant regulatory, competitive and customer changes. We're excited to see the results."

Steen Jensen
Regional Director Europe,
Temenos Group AG

Nordea Bank Luxembourg goes live with Temenos WealthSuite

Integrated solution will drive efficiency while transforming customer experience.

Nordea Bank S.A., the international private banking arm of the Nordea group, has gone live with Temenos' award-winning WealthSuite.

This successful system modernisation project will help transform the bank's business. By implementing WealthSuite, Nordea will be able to drive efficiency in its operations at the same time as transforming its customers' banking experience, providing an ideal platform for growth.

WealthSuite is helping to transform customers' banking experiences. The bank has replaced its complex 'multi-system' front office workspace in favour of a single workstation giving a 360° client view, leading to better relationship management and client service efficiency. In addition, WealthSuite gives customers complete access to their banking information, which they will soon be able to access across any device and, since fully integrated, in real-time.

WealthSuite has also significantly reduced complexity in Nordea's operations. The platform offers integrated functionality across back office, front office, e-banking and client reporting. As such, Nordea has been able to more than halve the number of separate systems and interfaces it runs, allowing for much higher levels of automation as well as significantly reduced IT maintenance expenditure.

The bank was supported in its implementation of WealthSuite by a team comprising consultants from Temenos and its partners Deloitte and Syncordis.

"This success is the result of true teamwork between Nordea, Temenos and their implementation partners. Considering the scope of what has been achieved, to deliver such a level of transformation in three years 'from decision to production' is a remarkable result. We have paved the way for ongoing client service innovation while running the bank in a simpler and cost-effective way, in full compliance with present and future regulatory requirements. We are developing the future 'relationship bank', and our aim is to stay connected with our customers in all touchpoints, allowing us to engage with them anywhere, anytime."

Jean-Philippe Bailly
COO, Nordea Bank S.A.

Products

Temenos software is the world's most comprehensive, integrated and fully upgradeable solution for the transformation of the banking and finance industry.

Our software

A complete and integrated software platform for banks.

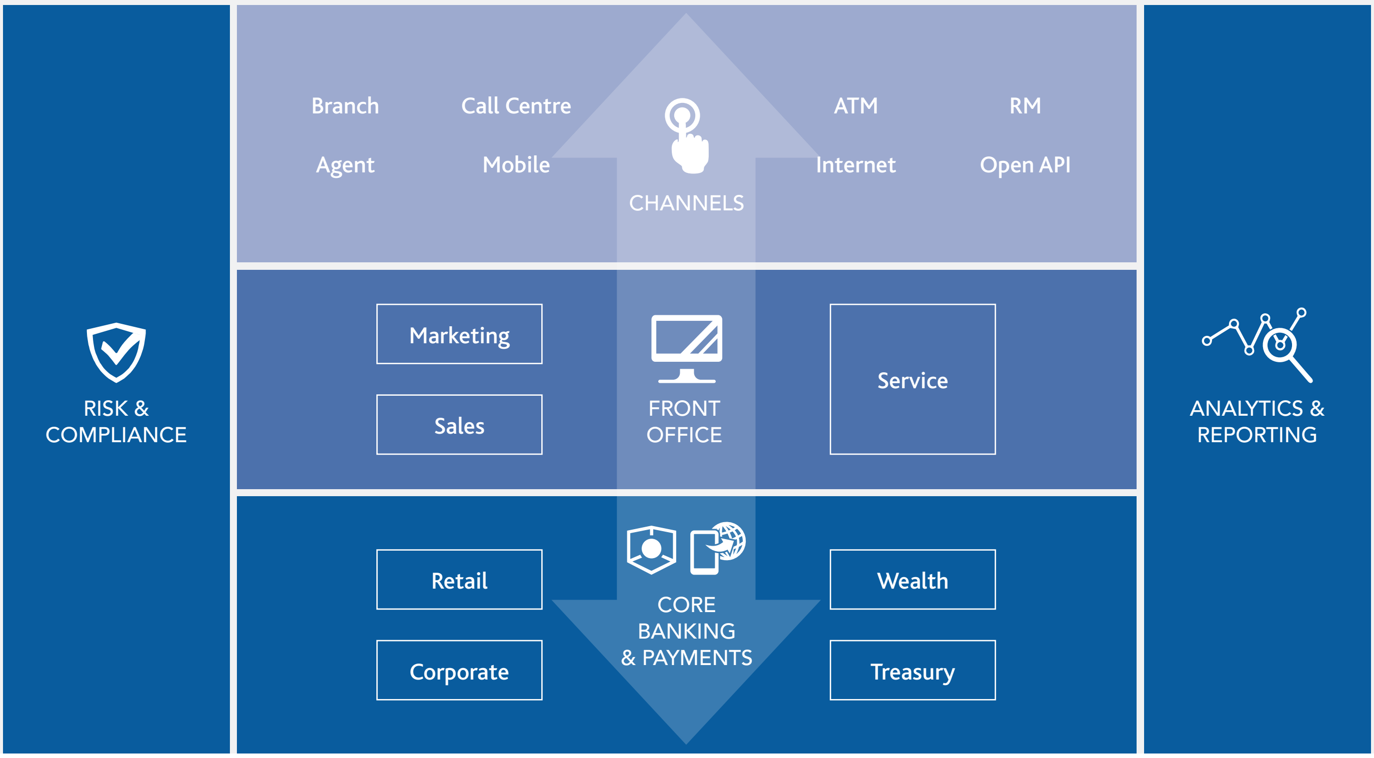
Temenos builds and supports the world's leading software platform for banking. Our software covers the full range of activities of banks and similar financial institutions from front to back and across all types of bank and banking activity. The same software is pre-packaged into a series of suites adapted for all the major banking business verticals including retail, private, corporate and treasury. Suites are also available for the more specialist areas of banking including Islamic and microfinance. In this way our industry leading levels of investment in our software benefit all our clients in all types of banks.

Our clients can take a complete solution based on our platform or alternatively implement specific modules to address specific issues or requirements. This approach lends itself well to larger banks who wish to conduct a lower risk, phased migration to our platform; an approach called progressive renovation.

We strive to ensure that all of our modules are market leading in their own right and able to compete with 'best of breed' competitors. At the same time we invest in full integration of our modules so banks who choose to implement a full Temenos solution gain significant additional benefit.

We invest heavily in our software platform to ensure that it remains fully up to date regarding banking practice, regulation and technology. Our clients are able to benefit from this investment because of our disciplined package approach where all our software is fully upgradeable.

Front to back



Core Banking

The Temenos Core Banking platform has been the best selling solution on the market for 15 years, used by over 600 financial institutions.

It combines rich functionality with cutting-edge technology in an easily upgradeable application. Clients benefit from real-time embedded analytics, a sophisticated product builder and technology that allows for easy integration and infinite scalability, in turn enabling them to significantly outperform their peers.

The Temenos Core Banking solution is an open, integrated and real-time platform providing:

> Real-time, complete customer information – enabling financial institutions to offer their customers the right products at the right time;

> Product builder – allows for extremely quick time to market for new products as well as the ability to personalise products and services to individual customers – a market of one;

> Infinite scalability – the solution runs on any software stack and is engineered to be linearly scalable, allowing clients to generate significant economies of scale;

> Extremely low TCO – against the industry average of 78.8% of IT budgets being spent on maintenance, Temenos clients spend 44.3%; and

> Zero risk of obsolescence – Temenos spends more than 20% of revenues annually on R&D, continually developing software based on customer requirements and innovation from our labs. We make this available to our clients through regular releases, ensuring once they've caught up, they never fall behind again.

Country Model Banks

With our extensive experience of customer implementations in more than 150 countries, we have packaged all country specific localisations, including compliance with regulations and local payments systems, into reusable country platforms, to provide our customers with software that fully supports local requirements.

We currently offer country model platforms for over 30 major countries.

Analytics & Reporting

We unlock the power of banks' data to become analytically driven and drive profitability and efficiency improvements throughout their entire organisation.

Temenos Analytics & Reporting enables banks to harness a wealth of data and transform it into valuable business intelligence to support better decision making across the enterprise and to enrich all interaction with their customers.

By using banking specific, high-value, analytical applications in every department including Finance, Marketing, Operations, Treasury, and Risk Management banks are able to transform into being analytically driven. This gives banks a significant competitive edge in this new banking landscape and digital world.

By using analytics our clients are able to:

> Empower business users with self-service access to accurate data providing a single version of the truth driving smarter decision making faster with better business outcomes;

> Gain deep customer insight into behaviour and buying trends to drive a customer-centric approach to delivering products and services;

> Embed intelligent analytics into core systems to enrich every customer interaction and boost customer engagement with a superior user experience;

> Integrate real-time data and embed predictive analytics to drive real-time risk and marketing activities;

> Provide customers with contextual, relevant product offers and advice at a time when they are most likely to buy – improving cross-selling, value of customer and customer loyalty;

> Integrate analytical capabilities directly into Core Banking and other applications, making those applications, and the users of them, smarter and more efficient;

> Better understand and predict performance and drive strategies to improve operational efficiency and financial processes to minimise risk and drive profitable growth; and

> Improve ROA (return on assets) and profitability up to 30 basis points.

Front Office

Front Office is an integrated, role-specific, multi-channel solution, designed to support banks' daily interactions and long term relationships with their retail, corporate, mass affluent and UHNW customers.

Front Office is a key enabler of digital engagement throughout the customer's life cycle with both staff and customers benefiting from the product's multi-channel capabilities. Through the system's powerful data analytics, financial institutions can gain valuable insights into customers' lifestyles and transactional behaviours enabling them to offer a personalised customer experience through timely and relevant advice, customised offers and rewards and relationship based pricing.

Temenos' Front Office clients benefit from increased productivity and efficiency through:

> Industrialisation of key on-boarding and revenue-generating processes;

> High STP levels, enabling 'self-service' models via digital channels; and

> A single integrated platform.

Front Office integrates seamlessly with both back office data and self-service channels to provide a consistent customer experience. It is completely compatible with the existing banking systems, enabling organisations to deploy and control a flexible range of multi-channel, next generation banking services for their customers – efficiently, securely, cost effectively and profitably.

Products

Channels

Banks can accelerate time to market of all their products and services across all self-service and assisted channels and extend their reach to customers using any device today and in the future.

Temenos' ground breaking Channels solutions enable our clients to deliver products and services for any business line, across all self-service and assisted channels, for both bank staff and customers, in any language and optimised for any device. Temenos is the only provider currently in the marketplace that can deliver all of this from a single user experience platform (UXP).

Banks can support branch transformation as branches look to become more customer engagement focused with self-service kiosks and face to face financial advisors. Contact centres will be able to leverage digital technologies such as social media, video, chat and instant messenger as emerging channels for providing customer service and support. And all from a single platform.

A dynamic, rich UX responsive design is delivered providing consistency across all channels. Banks can provide choice and convenience to their customers and the optimum user experience whatever channel or device they choose to use at that time.

Temenos Channels solutions offer:

> A single, consistent UXP reducing complexity and improving productivity;
> Accelerating speed to market of new products and services by up to four times;
> Using components to providing maximum business reuse and business agility;
> An underlying UXP that can be extended across the enterprise further reducing total cost ownership;
> Seamless integration to Temenos' Core Banking with open integration to third party systems and applications;
> Maximum flexibility and agility to respond to market opportunities and changing conditions, by being highly customisable and configurable;
> Being future-proofed to embrace new innovative technologies and devices thereby protecting your investment; and
> Low total cost of ownership and reduced maintenance costs by up to 95%.

Risk & Compliance

Enabling financial institutions to navigate the complex regulatory landscape in order to remain focused on serving customers, creating innovative products and improving profitability.

The Risk and Compliance product family offers software and services for:

> Compliance advice;
> Audits;
> Social media monitoring,;
> Vendor management;
> Enterprise risk management; and
> FATCA compliance.

With our solutions, organisations are able to reduce exposure to risk and minimise losses while complying fully with regulatory mandates.

In this challenging environment, there is tremendous pressure to maintain and grow profit margins despite challenges associated with new consumer demands, non-traditional competitors, and heavy regulatory burdens. Proper compliance practices, supplemented by products and services from Temenos, can help financial institutions avoid penalties, fines, and reputational risk, ultimately ensuring profitability and success.

Financial Crime

A uniquely flexible range of intelligent, versatile solutions for banks, large and small, to combat financial crime.

The Financial Crime product family is a range of intelligent, analytical detection engines that are accurate, fast, easy to configure and simple to use. Its sophisticated approach ensures increased efficiency by saving time and lowering data-mining costs for enhanced decision making and improved collaboration, ultimately completely mitigating against risk. Banks choose the solution they need, whether it be to combat money laundering, accurately screen against sanctions lists or ensure customer enhanced due diligence.

Our Financial Crime clients benefit from increased efficiency and profitability through:

> Safe and accurate algorithms;
> Complete control and clarity;
> 25 years of experience;
> Full automation;
> Intelligent analysis;
> Ready and easy integration; and
> Stand alone or integrated into Temenos core solution.

With our solutions, organisations are able to reduce exposure to risk and minimise losses while complying fully with regulatory mandates.

Payments

A uniquely flexible payment offering full, real-time control and a harmonised customer service experience.

Our Payments product family is a uniquely flexible payment offering that not only gives banks full, real-time control but also a harmonised customer service experience and centralised for cost efficiencies and risk management. Our payment hub is designed to process domestic and international payments in one solution in any region as defined by analysts as 'a vision for the payment architecture'. It was designed in collaboration with a leading international bank to meet a gap in the market and with its rule and data driven approach, allows instant changes. Our auto-repair solution allows reaching STP rates of 97% and higher.

Our Payments clients benefit from increased efficiency and profitability through:

> A complete, single solution;
> Transparent, 360° view of transactions;
> Unique weight based processing supporting payment prioritisation;
> Agile, parameter driven platform flexibility;
> Full operational and technical control;
> Conditional rules; avoiding the complexity of multiple connections and high risk programming; and
> Stand alone or fully imbedded within Temenos core modules.

Funds & Securities

FundSuite is Multifonds; the award winning fund administration software providing fund accounting, portfolio accounting and investor servicing and transfer agency on a single platform.

Today more than USD 5 trillion in assets for both traditional and alternative funds are processed on FundSuite in more than 30 jurisdictions for the world's leading global custodians, third-party administrators, insurance companies and asset managers.

Solutions for the US market

In addition to our main software, Temenos also provide a number of complementary products especially suitable for the US market.

Life Cycle Management Suite
The Life Cycle Management Suite offers five primary solutions addressing new account origination, loan origination, service, collection, recovery and profitability. It provides common services such as dashboards, views, reports, workflows, business rules and security that are packaged with business specific functionality to create solutions.

Compliance Services
Compliance Services is our market-leading compliance solution for the US market, used by over 6,000 individuals at more than 1,300 financial institutions to keep them abreast of a fast changing regulatory environment. The solution has multiple components, such as a compliance knowledgebase listing all regulations and answering questions about the same. In addition, users receive a weekly newsletter and a quarterly journal, both with contributors from the leading practitioners in the field.

Social Media Compliance
Social Media Compliance is a solution enabling financial institutions to monitor and log what is being said about them on social media channels, such as Facebook and YouTube. Moreover, it also gives the functionality for institutions to contribute and engage in these discussions in a way that is controlled and compliant with internal polices.

An interview with Soficam CIO, Alejandro Hatchett Cruz

Sociedad Financiera Campesina SA de CV (Soficam) is a specialist Mexican lender established in 2008 and focused on small producers in the agricultural and fishing industries in 19 states.

How has Temenos' Model Bank helped you to deliver your products to market?

Our role is to act as an intermediary for the Mexican Central Bank, distributing funds to the agricultural and fishery sectors. Having access to a high quality IT system means that we can deliver a much better experience for our customers and give them faster access to the government funding that they need.

Temenos' Model Bank allows us to create lending products that are tailored to the particular requirements of our customers such as loans that allow for irregular repayments to reflect the seasonality of the agricultural sector.

What are the operational benefits for Soficam of using this system in the cloud?

We don't need to own our IT infrastructure, which means we don't need in-house staff to run our database and provide IT support. The cloud system gives us a very high level of security and higher availability so we run less risk of outages. On the regulatory and compliance side it offers us robust accounting and reporting functions.

How about cost and financial benefits?

Paying for our key IT infrastructure as a subscription service means we can get the benefits of using a modern and efficient system from day one without having to commit a big up-front investment as we would have to if we were building our own. It also allows us to grow our business without having to invest in heavily expanding our IT systems. On an ongoing basis, it brings us material gains in terms of cost efficiencies.

Technology

Technology is strategy. We say this because our technology products make banks more competitive and profitable by helping them evolve easily and cost-efficiently with fast-changing market and user requirements. These products also boost the scalability and resilience of the banking platform, enabling banks to perform well in the midst of complex, risky and low-margin environments.

Integration

Be more agile and competitive with real-time event based integration.

Temenos' Integration offering makes banks more agile by enabling them to integrate systems much faster and more cost-efficiently, and more competitive by enabling real-time, highly scalable, self-assisted and multi-channel banking 24/7.

This technology enables banks to offer a superior customer experience, one that is much more timely as well as more easily attuned to evolving customer needs, even when business is growing fast. The key business benefits of our Integration products are:

> Agility: the ability to integrate any business system up to 3x faster, without detailed vendor-specific coding work, enabling banks to respond much faster to evolving business needs;

> Competitiveness: the ability to provide multi-channel banking services in near-real-time 24/7, enabling banks to be competitive in the era of real-time digital business;

> Profitability: the ability to sustainably reduce the costs of performing and maintaining integration, and the ability to exploit cloud based applications;

> Scalability: the ability to preserve the performance of integrated business services and straight through processing as business volumes grow; and

> Reliability: reduce the risk of batch processing glitches and provide protection against regulatory scrutiny and reputational damage.

Interaction

Opening banking platforms to accelerate the pace of innovation around services.

Temenos' Interaction offering accelerates the pace of innovation around banks' services by enabling them to easily expose their services to innovation partners and to any user-interface (UI). It also lets the bank create innovative combined services and efficiently manage UIs across multiple channels/devices/roles/ languages.

This technology enables our clients to easily build and maintain an outstanding digital customer experience that can evolve fast and cost-efficiently. The key business benefits of our Interaction products are:

> Innovation: the ability to make banking services readily available in a standard way to innovation partners and to any third-party UI of their choosing, which will accelerate the pace of innovation around services;

> Competitiveness: the ability to efficiently distribute innovate services, including combined (banking and/or non-banking) services, via outstanding UIs and via multiple channels/devices;

> Flexibility: make it much easier to evolve UIs at a faster pace than underlying business systems without incurring substantial costs (from 'ripping out' and 'rewiring'); and

> Cost-efficiency: reduce dependence on vendor-specialised experts and on lengthy coding cycles to make banks services readily available and to build their own UIs; enhance the re-usability of APIs and UIs that they create, and pre-empt data openness regulatory requirements.

Platform

Reduce the cost of growth and complexity with a highly scalable, efficient and flexible platform.

Temenos' Platform offering helps banks run and scale their business systems much more efficiently and to minimise total cost of ownership (TCO). It does this by letting banks run their core banking system in an application server and, when required, in a multi-tenant or cloud-based set-up. In all cases, business functionality is totally preserved.

This technology enables banks to minimise the TCO of their banking business solution while delivering outstanding service to their customers and business users. The key business benefits of our Platform products and framework are:

> Scalability: enables banks to preserve the performance of their core banking system at all stages of growth, while keeping operating expenses in check, by fully exploiting app server technology and the possibility of using a virtually unlimited number of app server instances arranged to work together (clustering); and the ability to undertake comprehensive reviews of their system's health without impacting performance;

> Cost-efficiency: the ability to significantly reduce infrastructure and administrative costs of running and growing a complex organisation by letting multiple entities ('tenants') share a same instance of the core banking system on a single set of platform resources; and the ability to automate multi-tenancy management to a large extent; and

> Flexibility: at an operational level, the ability to choose which operating system and application server a bank wishes to use to run their banking systems; and, at a strategic level, the ability to easily create and manage new tenants in the system, increasing business agility.

Component

Stay at the leading edge 24x7x365 by enabling progressive renovation and online updates.

Temenos' Component technology helps banks benefit from new business system features at any time and in line with specific business priorities, by enabling them to easily perform incremental upgrades and updates without interrupting or affecting service in any way.

This technology enables banks to easily upgrade and update selected parts of their business system at any time without interrupting or impacting service in any way. The key business benefits of our Component technology are:

- Agility: the ability to undertake progressive renovation of their core business system in line with business priorities, deploying exactly and only the modules needed, without having to replace the entire core banking system, and without affecting the quality of service;
- Maintainability: the ability to implement updates to your core banking system without interrupting or affecting operations in any way, ensuring 24x7x365 system uptime and seamless user- and customer-experience; and
- Cost-efficiency: simplification of the implementation and testing process, and reduction of the risk associated with renovating and maintaining the system, as upgrades and updates are done in smaller, faster and simpler steps.

Design

Adapt banking system functionality and business processes better, faster and more frequently.

Temenos' Design offering boosts banks' responsiveness to changes in business requirements while reducing cost-per-change, by enabling banks to adapt the functionality of their Temenos business systems and to adapt their business processes in a productive, cost-efficient and low-risk manner.

This technology enables banks to easily make high quality adaptions to systems' functionality to stay abreast with evolving business requirements and customer journeys. The key business benefits of our Design products are:

- Responsiveness/Productivity: the ability to respond to evolving business requirements by adapting functionality and processes much faster and much more frequently, possibly multiple times a week or even per day, without increasing costs;
- Quality: the ability to build and run a highly industrialised and institutionalised change-the-bank process which encourages high-quality development work and eliminates the risk of faulty changes affecting business operations; and
- Cost-efficiency: reduce dependence on vendor-specialised experts, legacy in-house tools and complex coding cycles, and maximise the level of automation of the change-the-bank process.

Data

Turn the lead weight of data into a golden opportunity: manage it, unlock it and extract value from it.

Temenos' Data products provide banks with a unified data platform that helps them deal with the massive data volumes of the digital banking era by efficiently managing their data, unlocking and better accessing their data, and extracting value from their data.

This technology enables banks to strengthen their customer-centricity and support business decisions even when the volume of business data is growing fast. The key business benefits of our Data products and framework are:

- Scalability: the ability to efficiently process massive volumes of both transactions and reporting queries without increasing costs, thereby preserving the quality of the customer and business user experience as the business grows;
- Productivity: the ability to support advanced reporting capabilities that provide business decision-makers with value-adding perspectives, and to provide customers with fast responses to online queries; and
- Competitiveness: the ability to exploit business analytics solutions to their fullest capabilities, enabling banks to action valuable insights and offer highly tailored and proactive products and services to customers.

Change is inevitable, and banks must embrace it

If banks are open to cultural and technological change and prepared actively to collaborate with the fintech community, then they can capitalise to deliver much better customer outcomes.

What is fintech?

Fintech is an umbrella term used to describe the fast-expanding group of companies that are trying to use technology to deliver superior financial products and services. For the purposes of this discussion, we'll limit the word 'fintechs' to start ups and challenger banks, although it could be applied more broadly.

Why is it getting so much attention?

The fintech movement is getting a lot of attention for two main reasons.

Firstly, because – rightly – many people see that digitisation of the banking industry opens it up to new competitors and business models.

Secondly, the sector is attracting a great deal of investment. According to CB Insights, the sector has attracted almost USD 14bn of corporate and VC money over the last 12 months. This represents year-on-year growth of about 40%. There are now more than 12,000 fintechs operating around the world.

Are fintechs disrupting incumbent banks?

The fact is that fintechs have so far failed to land any really major blows.

There are 25 fintech unicorns according to Business Insider. Looking through the list, these are still far from household names and the scale of their operations is still immaterial in the markets in which they operate – we calculate, for example, TransferWise has a 0.0003% share of global daily FX volumes.

Furthermore, with few exceptions, the fintechs run on the existing banking rails. So far, fintechs have concentrated their efforts on those areas of the banking value chain where there is one or all of: high friction, high profitability and high regulatory arbitrage. This has led them predominantly to tackle areas such as (un)secured lending, which in itself accounts for c.45% of investment, and payments, accounting for c.25% of investment.

And in many cases the fintechs, rather than disrupt the status quo, actually serve to extend and reinforce it. Take Square, which is basically aimed at increasing merchant adoption of credit card payments.

This is not to trivialise or minimise what fintechs have achieved. Fintech start ups are making big progress in reducing friction and lowering the cost of banking services, to the benefit of society in general. The two start ups, True Wealth and Fundbase, are doing great work in democratising wealth management, allowing the general public access to funds and portfolio management services that were once the sole preserve of the very rich.

But, having said that, neither has yet achieved widescale adoption, and it would – for now – be relatively easy for banks to partner, build or buy similar capabilities. BlackRock recently did just that with its acquisition of FutureAdvisor. Goldman Sachs, meanwhile, is creating its own marketplace lending platform.

The situation is changing

The market is of course fluid and changing quickly for various reasons:

> **Growth** – the successful companies are growing very quickly. Lending Club, one of the few listed fintechs, is guiding for revenue growth this year of about 90%. Clearly, it won't take many years of compounded growth at these levels for the company to generate meaningful market share.

> **Expanding value proposition** – until now, fintechs have focused chiefly on providing discrete services. But, it is becoming increasingly clear that their ambitions don't stop there. Take Prosper's recent acquisition of BillGuard. This shows a clear intention to offer additional, value-added services to its customers: a cross-sell opportunity as well as a way to differentiate in a commoditised market.

> **Moving beyond payments and loans** – we see the reach of fintechs going beyond payments and loans into other, often more heavily regulated, parts of banking such as trading, trade finance, current accounts, capital raising and risk management.

> **Moving further into the middle and back office** – as well as expanding horizontally, there is increasing evidence of fintechs delving deeper into the vertical stack. There are lots of fintechs working in areas such as virtual exchanges, alternative due diligence, market information as well as the blockchain.

Displacing banks?

Given all of the above, it is possible that in time we could see the emergence of alternative financial ecosystems consisting entirely of alternative players, which would not rely on banks.

Can't banks use regulation to protect themselves?

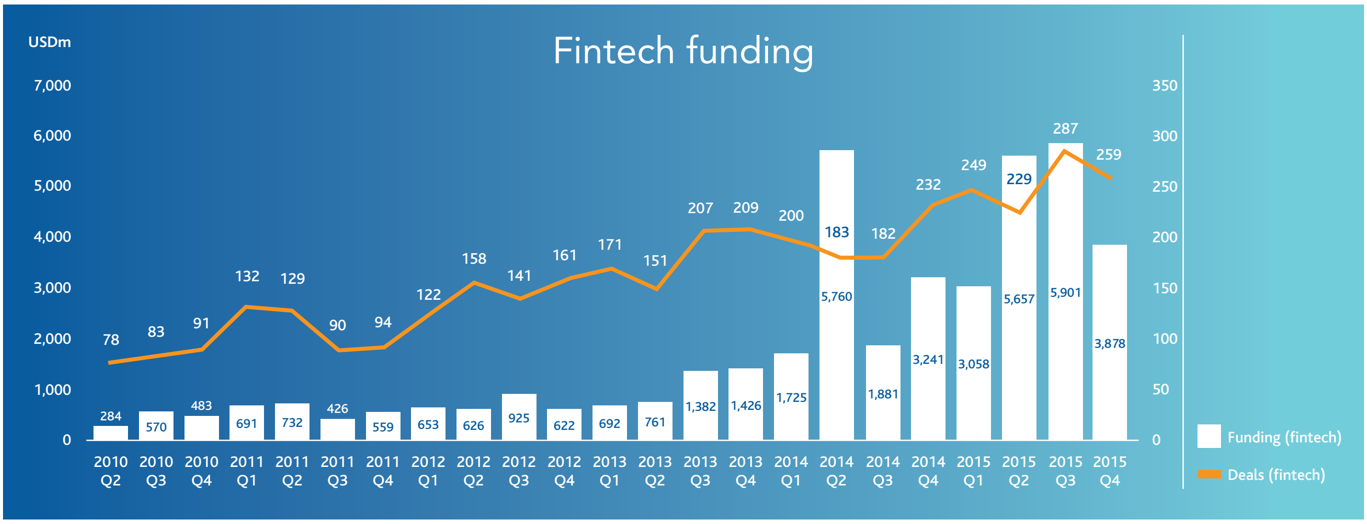
The rationale for this question is basically as follows: regulation has been a highly effective barrier to entry in the past and since banks can influence the regulator, they should lobby to protect themselves from further market share erosion.

In this context, it is interesting to see the growing number of calls from banks such as HSBC and Santander for tougher regulation of alternative players. And, indeed, there does seem to be some movement on the part of the regulators, such as their investigation into the P2P market.

But, in fact, so much of regulatory activity is actually moving in the other direction, towards lowering entry barriers and opening up competition. Consider the European Commission's moves on MFID II, capping interchange fees or PSD II, the last having potentially massive implications in terms of neutralising one of banks' biggest sources of competitive advantage by making customer transactional data available to third parties.

Also, even if it were possible to use regulation to bolster protection in the short term, it is doubtful whether such an approach is sustainable. The music industry's experience with getting Napster shut down would be suitable warning. It didn't stop the way people wanted to consume music: they first gravitated to iTunes, and in the process turned Apple into the world's largest music distributor, and then moved on to widespread music streaming.

The fact is that change is inevitable, and banks must embrace it.



Collaboration is the answer

On the one hand, fintechs are small, nimble and innovative.

On the other, banks have large distribution networks and large balance sheets.

Collaboration between banks and fintechs is therefore a win-win, improving the former's capacity for innovation and giving the latter scale and route to market.

This is why initiatives such as bank-sponsored accelerators, open APIs and app stores represent great opportunities. They are likely to increase in popularity.

Collaboration between banks is also important to build the standards that will allow for many new technologies to be exploited commercially. Take the Blockchain, for example, which everyone is talking about: it will generate significant value only if banks are able to agree on the use cases and a set of common protocols. This why recent announcements, such as the 22 banks which have agreed to work together on R3's distributed ledger initiative, are so important.

Fintechs aren't the biggest risk

As all industries digitise, the pinch point in the value chain always becomes distribution; a battle to control the point of customer interaction.

It seems much more likely that it will be the tech giants, such as Apple or Amazon, as opposed to fintechs, who have the potential to control the distribution of banking products.

They already have a deep reach into consumers' lives. And their advancement into banking is already seen. Apple Pay and Android Pay are clear strategic plays for Apple and Google to become gateways into financial services, while also enabling them to gather more transactional data.

This is why it is so strange to see so many banks advertising Apple Pay. The analogy is of the victim inviting the killer into their home. For if banks lose the customer interaction, they'll be reduced to product manufacturers, competing against fintechs – but with substantially higher cost bases.

How do banks hold on to distribution?

Not all is lost for banks. They still have many competitive advantages. Consumers still trust banks more than other providers to safeguard their assets. Banks can offer integrated services. And banks have access to customer transactional data.

What banks need to do is to turn themselves into trusted virtual advisors. Practically, this will mean drawing insights from customers' transactional, contextual and locational data, and serving them up in the form of expert advice, opportunities to save money and product recommendations they actually need.

It will also mean opening a marketplace for banking and non-banking services, where fintechs supply many of the banking products.

Cultural change is the biggest barrier

There is definitely a danger around complacency. The IT re-platforming required to become true digital banks is also a challenge, but clearly a surmountable one.

The biggest challenge is cultural. Too few banks are mining their customer data. Too few banks appreciate that to keep distribution will mean giving away many existing services to competitors.

And too few banks are collaborating with fintechs, recognising the friend they could become.

The fintech sector has attracted almost USD 14bn of corporate and VC money over the last 12 months.

USD 14bn

Accelerating Innovation

Technology	Windows GUI	SOA	XML	Open database	Multi-entity	24/7	Process workflow	Model banks	Cloud

1993

Functionality

- Retail banking, Corporate banking, Treasury, Lending, Payments, Securities
- Trade finance
- Internet banking
- Product Builder
- Financial Crime
- Mobile banking
- Risk & Compliance
- Analytics & Reporting
- Relationship-pricing, loyalty & rewards
- Payments
- MarketPlace
- Funds

Constantly expanding functionality; constantly evolving technology

Helping banks reinvent themselves and stay relevant

Banks need to adjust their business models to respond to the threat of losing the customer connection.

Option 1

Best of breed digital engagement (UX provider, online marketing, digital native)

Option 2

Pivot to an affiliate model or clever use of white labelling (a third party becomes the engagement provider into new customers, banks retain the brand, but the third party drives the digital portion)

Option 3

Become the dominant transaction provider (offer a better service at a lower cost)

Option 4

Become a disruptor (innovator / inventor new capability)

In 2015, Temenos directed a portion of its R&D investment into Banking APIs and the creation of a B2B marketplace. We've seen many of the top banks attempt to hire the best and brightest to build compelling user experiences, launch hackathons and innovation style events, streamline internal processes, and in some cases 'Uberise' their business models. Through the creation of APIs and a marketplace Temenos is providing its customers with a new way to quickly and easily address new requirements across the banking value chain. By bringing together our banking customers and a broad community of fintech companies, we put our clients in a position to be first to market with the best user experience, the widest range of solutions, the most efficient processing, and the latest banking capabilities from wherever they arise.

According to research published during 2015 the total investment into fintech crossed USD 20bn. Temenos has a unique opportunity to connect this investment with its customer requirements through its Fusion incubator, bring them to market through the Temenos

SmartHybrid™ | Reporting database | Online upgrades | Partial upgrades | In-memory | Instant COB

2015

Compelling and unrivalled product roadmap

- Graphical product builder
- Real-time campaigns
- User agents
- Gamification
- Componentised origination
- USD 100m general improvements

MarketPlace, and provide feedback on new ideas and early stage inventions through its community initiatives. With more than 2,000 customers, Temenos has the size and scale to leverage this opportunity and fintech companies are producing software that solves many existing requirements in a new way. This mutually beneficial ecosystem presents a bright future for banking and financial services.

Temenos' latest initiative to bring fintech companies into its ecosystem is the Innovation Jams. They are regionalised, demo-based events focused on Fintech innovation and are supported by an industry expert guest speaker. The Innovation Jams are based on the success of the initial Innovation Jam at TCF (Temenos Community Forum) 2015 in Istanbul. This year's events will be held in Miami, Singapore, London and Dubai in March and April, and the winners of these regional events will be invited to participate in the grand finale at TCF 2016 in Barcelona.

Connecting fintech with banks and financial institutions

One of the main challenges for an established organisation is getting ideas from the drawing board to market. Developed as a self-service, online digital store, the Temenos MarketPlace provides a showcase platform for both Temenos and its wider community of fintech providers. The store platform leverages cloud technologies and Software-as-a-Service (SaaS) provisioning to enable banks and financial services organisations to immediately experience the latest innovations in financial services technology. The Temenos MarketPlace has an ever-growing range of widgets, integrations, security, financial solutions and much more that will in years to come provide a 'build your own' bank platform.

"Temenos MarketPlace provides a unique platform for both Temenos and its wider community of fintech providers to help financial institutions experience the latest innovations in financial services technology."

Source:
'Where's That App? The Rise of Banking App Stores', Kristin R. Moyer, Gartner Research VP, April 2014.

R&Deep

R&D at more than twice the level of our competitors plus deep domain knowledge mean software that never becomes legacy.

Outspending our peers on R&D...
Temenos consistently spends 20% of its revenues on R&D. To put this in perspective, this is more than twice the level of our closest competitors. And because we only make software for banking and finance, all of this money goes into our concentrated product portfolio. As a result, we are able to leverage all of the work we do together with our 2,000+ clients as well as all of the innovation from our labs.

...channeled into regular releases
Our software is packaged and easily upgradeable. The software that we are continuously building is made available to our customers as part of regular releases. What is more, we offer partial upgrades. So, our customers can upgrade whatever part of their solutions they want, whenever they want. And so they never fall behind and they never risk running legacy software.

Sticking to core principles
Temenos sticks to core principles around its R&D. We keep to principles of re-use, openness and technology agnosticism. This means that all developments are made available to all customers. It means giving our customers choice over what technology they run and never locking them into a particular stack. And it means allowing third-parties to develop on our platform to accelerate innovation and ensure our customers always have access to the best technology and functionality.

A proud record of innovation
Our philosophy could be summed up as constant functional enhancements coupled with constantly evolving technology. We are proud for example that we were the first fintech vendor to run on open systems, to have a true 24x7 platform (with no batch), the first to put core processing into the public cloud and to have all services as RESTful.

Opening up
Past success is no guarantor of future success, nor can any company ever hope to have a monopoly over great ideas. With this in mind, the company set up an Innovation Board in 2015 to spearhead creativity. This is the group that oversees the company's internal ideas portal, its participation on customer innovation committees, its involvement with the Fusion accelerator, its hackathons and other external innovation events and lastly that incubates early stage ideas.

One such early-stage idea that the Innovation Board incubated in 2015 was the Temenos MarketPlace (see page 25). This is our digital store where clients can browse, discover, download and deploy an ever-growing range of apps. These apps are developed by MarketPlace providers using more than 11,000 APIs and business events that we make available to them.

Solutions for a connected world
One of our latest innovations has been to move all of our product families into open, integrated solutions for the different vertical markets we serve. Called Suites, these solutions provide our clients with real-time, end to end solutions. They allow for maximum operational efficiency with maximum front office differentiation. They enable financial institutions to offer the instant fulfilment that customers expect in a digital world. They also enable rich, seamless customer experiences where the right services, personalised to individuals, are offered at the right time and through the right channel.

Temenos Innovation Jam

The Temenos Community Forum (TCF) in Istanbul was a great success, with partners showcasing their latest applications.

The morning session on the second day included an 'Innovation Jam', during which Temenos and partners presented their latest technology offerings.

Temenos showed products based around voice control, analytics and our new MarketPlace. EFS Technology offered Autoform UX, an enhancement for the Temenos Core Banking system that helps convert and store data and documents. Deloitte focused on creating a more compelling customer experience with the Temenos Channels platform.

We are now launching a series of global jams in 2016 to find the best fintech solutions available and help make banking better by cutting development costs and speed up the pace of innovation.

With banks focusing on innovation, and increasing their budgets for innovation, we are seeing a rise in banks investing in fintech – either by financing incubators, creating their own fintech start ups, partnering with fintechs, launching their own subsidiaries or by acquisition. Fintech companies can certainly benefit from the investment – there is no doubt that there is a lot to gain for both sides, from collaborating together.

The power of partnership

Our record of successful delivery continued in 2015 with 137 financial institutions going live on Temenos software.

We continued our record of successful delivery in 2015, and have now driven a 54% increase in the number of successful annual go-lives over a four year period, rising from 89 in 2012 to 137 in 2015. The number of clients upgrading their platforms highlights a commitment to continue using Temenos software and taking advantage of the new features available in the latest releases.

The Temenos Implementation Methodology (TIM) describes the full end-to-end project delivery cycle and has been developed over a number of years using best practice from hundreds of implementation projects. Recent updates have supported Temenos' multi-product approach and ensure consistency of implementations, allowing projects to be reviewed and assessed more easily.

Nothing is more powerful than a partnership, and partners remain at the core of the Temenos strategy. Temenos has made significant progress with its partner programme during 2015 and these strategic relationships have been instrumental in developing our business within the Tier 1 banks, specifically in the retail sector.

The ongoing focus on the certification of partner consultants across the full Temenos product portfolio supports the continuous improvement of the delivery ecosystem. The Governance service is an excellent example of how Temenos and its partners are working very closely together to deliver successful projects and reduce implementation risk. The technology partners provide excellent support to the stack strategy, whilst the complementary solution providers' products are certified to work with Temenos software that offers additional functionality to clients.

The Temenos partner programme is continuously reviewed to ensure it provides value to both our customers and partners. In response to market demands and to address the need to have a state of the art go-to-market strategy, Temenos launched MarketPlace in 2015 which will showcase the innovation created by our partners using Temenos products.

DNB Luxembourg goes live with Temenos

DNB Luxembourg completes full core banking replacement in less than a year, on time and on budget.

One year ago, DNB took the decision to replace its legacy infrastructure with Temenos solutions based on a number of key business drivers. First, the existing system was becoming obsolete, failing to meet the current requirements of the bank, and not allowing it to efficiently manage the assets of its growing customer base. Second, DNB recognised that having a modern core banking system in place was essential for it to be able to offer new products to customers quickly. Third, the cost of maintaining the existing system was high. Fourth, DNB wanted to provide its customers with a better user experience, giving them access to banking services at the time and over the device of their choosing.

This successful project, delivered together with Luxembourg services partner Syncordis, was implemented on time and on budget. As well as reaffirming the strength of the Temenos partner model, the projects also underlines the strategic importance of Temenos Model Bank approach to mitigate project risks and speed up time to value.

"This project has been a great collaborative effort between the bank, ourselves and our partner Syncordis. The investments we have made in the Luxembourg Model Bank have delivered a full front-back, integrated solution that can be delivered highly cost-effectively and in under a year. We are setting new benchmarks for delivery, which we continually strive to beat in our quest to deliver better and faster customer value creation."

Steen Jensen,
Regional Director Europe, Temenos

> We have continued to build on the successes of previous years, and in 2015 took 137 projects live with our customers and partners. Our consistent approach to delivery, coupled with ever-reducing project timescales has driven our customer success and their satisfaction to new levels. Temenos' diverse and highly skilled partner network, coupled with our ever-improving range of Expert and Productised services, gives us the ability to add real value to our clients."

Mike Davis
Client Director, Temenos Group AG

Successful annual go-lives over a four year period increased by

54%

Seamless implementation

The implementation of Temenos software is often performed in part or wholly by service delivery partners, whose involvement has increased year-on-year through the evolution of the partner program as well as committed resources of the customer playing an important role in delivering success.

The complex nature of componentised products makes it necessary to provide training and education as Temenos expands its growing product offerings through R&D and acquisitions. The reliance on third party capabilities, the complex nature of product customisation and installation requirements mean that there is a potential for unforeseen events to occur impacting the progress of implementations. Temenos focuses heavily on training the staff and partners responsible for implementation of software to ensure a strong mix of qualified project managers and product expertise. Temenos ensures high levels of expertise and skills by requiring certification of staff and partners in Temenos Implementation Methodology and products.

In 2015, implementation teams have been certified on new product technologies to effectively manage multi-product deployments, using a suite of management tools that are under constant review to improve the monitoring and tracking of potential issues which may adversely impact the successful installation of software. The success of this programme is proven by the year-on-year increase in our customer go-lives. Project governance boards are held monthly to oversee the delivery of the implementation against key milestones. Temenos Implementation Methodology has been further expanded with new product enhancements in 2015 and updated in order to maintain the highest standards for Temenos staff and our Business Partners to achieve success.

“Temenos focuses heavily on training the staff and partners responsible for implementation of software to ensure a strong mix of qualified project managers and product expertise. Temenos ensures the adequacy of skills through requiring certification of staff and partners in Temenos Implementation Methodology and products.”

Temenos Premium Services

Our Premium Services strategy, of growing high margin consultancy for all our implementing and live customers, continues to be a key focus.

Premium Services, comprising Expert Consultancy, Productised Services and Training, is growing as a proportion of our total business and makes a significant contribution to the overall profitability of our Services business.

Expert Consultancy – highlighting potential benefits

Of particular note over the last year has been the popularity of the Upgrade Assessment productised service. This is the recommended first step for any customer considering an upgrade of their Temenos Core Banking application. It enables them to gain a full understanding of the approach, scope and benefits available to them from the upgrade, in the specific context of their own business and IT strategies, before the upgrade project is initiated. As a result of this service it is becoming commonplace for customers to become aware of benefits they did not previously know about, and enlarge the scope of their Temenos product footprint through licensing of incremental technology and business modules such as Data Life Cycle Management, Integration Framework and FATCA. In this way our Premium Services and software sales business reinforce one another, and also strengthen our partner economy through promoting our partners' upgrade capability.

Productised Services – reliable, repeatable packaged delivery

Our range of Productised Services is broadening to include new consultancy services around our Front Office and Channels product families, mostly comprising 'discovery' style engagements which allow customers to explore the benefits of our products or to reach value more quickly. We are also offering larger scale projects than previously on a productised basis. One example of this is the database migration service which enables customers to move their Temenos Core Banking deployment platform to any of the three main relational database management systems (Oracle, DB2 and SQL Server). A growing number of these conversions are in progress, allowing our customers to benefit from our own new technology offerings as well as enhanced non-functional characteristics. Another example where the Productised Service approach can create a platform for incremental software sales and enhanced benefits for our live clients.

Training – growth and innovation

Finally our training business has continued to achieve solid organic growth in the last year. Classroom style training on site remains the overwhelming preference of our customers and our partners, and we have grown our dedicated training team in proportion to overall business growth. In addition we are now supplementing onsite training with 'Live Virtual Classroom' delivery capability and expanding our range of e-Learning modules.

“Growth in our range of expert consultancy and training offerings helps many long-standing customers optimise, refresh and gain enhanced value from their use of Temenos products. This in turn reinforces customer loyalty, satisfaction and engagement within the Temenos ecosystem.”

A landmark year

David Arnott
Chief Executive Officer,
Temenos Group AG

> “2015 has been a landmark year for Temenos. We have outperformed across all our KPIs, achieving a level of growth that reflects our position as the leading provider of software to banks and financial institutions. The continued investment in our product is creating clear water between us and the competition, and we have taken market share in a structurally growing market.”

David Arnott
Chief Executive Officer,
Temenos Group AG

Introduction

2015 has been an exceptional year for Temenos, one in which we delivered on all our KPIs across the business, and consolidated our leadership position in our market. Our win rate was very high, approaching 100% in some segments such as Wealth, and we won every large key deal in the market. Through continued investment in our product functionality and technology we have been able to extend our product leadership, and we generated total revenues of USD 559m, crossing the half a billion dollar threshold for the first time.

We continue to benefit from a significant and growing market opportunity. As the pressures on banks intensify, with changing technology, customer behaviour, competition and regulation, we see an ever increasing number of banks looking to Temenos to help them move from their analogue past to their digital future.

We made two acquisitions in 2015, Akcelerant and Multifonds, and I am pleased to say both have exceeded our expectations. Akcelerant has given us critical mass in the US, with a talented domestic US management team and strong distribution. Multifonds has provided exposure to the growing asset management market, with a strong foot print and product set that is highly complementary to our existing business.

Our goal for 2016 is to capitalise on the momentum we have built in 2015, without being complacent about either the competition or the competitive environment which our clients are operating in. We are in fantastic financial and operational health and by focusing on our strategic initiatives, I am confident we can continue delivering growth and creating value for our shareholders.

A review of 2015

Sales – winning the largest deals in the market in all segments

Our sales focus and execution in 2015 has been excellent, with 67 new customer wins in the year. Non-IFRS total software licensing was up 49% in Q2, 87% in Q3 and 54% in Q4 2015. The announcement of the Nordea win in September was a key moment for the company, as the largest deal in Europe and the largest deal Temenos has ever won. However this was not a year defined by one or two large deals – this was a year in which we saw strong deal volumes across multiple geographies, client segments and tiers, and with new client wins matched by strong sales into the installed base.

Our growth this year was driven in a large part by developed markets, which constituted 78% of total software licensing for 2015, compared to 54% in 2014. Europe in particular had an outstanding year, and we had good traction with our Wealth offering in developed Asian economies. We also generated great momentum in the US, winning key reference clients and building a strong, qualified pipeline of deals.

With the acquisitions of Multifonds and Akcelerant, our SaaS and subscription revenues increased significantly. Combined with good growth in maintenance, this increased our recurring revenues to more than 50% of total revenues for the first time.

This increase in recurring revenues, combined with a number of Tier 1 and 2 clients embarking on progressive renovations with us, has significantly improved our revenue visibility in 2016 and the medium term, giving us confidence in our medium term outlook for the business.

Progress on strategic initiatives

We have made excellent progress on our strategic initiatives in 2015, which we outlined at our Analyst and Investor Day at the start of the year.

In core banking we were successful in extending our lead, in particular through the signing of Nordea, the largest core deal ever in Europe. Our value proposition of packaged software delivered through progressive renovation is enabling us to take a leadership position in this market, and we continue to make significant investments in our technology.

Similarly in Wealth we had a nearly 100% win rate, and the signing of Julius Baer along with multiple deals in developed Asian markets demonstrated our strength in this segment.

In the US, we built critical mass with strong sales and distribution, and won a number of key reference clients including a top 20 and a top 35 US domestic financial institution. We were very pleased with our momentum in the US and are excited about our prospectus for the coming year.

We made significant progress in our Digital Engagement Platform with investments in our front office offering, with real time campaigns and embedded analytics.

In SaaS we signed our first regulated bank on Azure, and we continued to develop our partner ecosystem through integrated marketing and sales campaigns.

We also added an additional growth driver in 2015 with the acquisition of Multifonds, giving us a footprint in the fund administration and fund accounting software market. This market is benefiting from similar structural growth drivers of cost pressure and scalability, and we are very pleased with the performance of the acquired business in 2015.

Unrivalled customer success

We continue to focus on customer success, improving our implementation methodologies and working closely with partners to take customers live in shorter time frames with minimal disruption. In 2015, 137 institutions went live on our software, equating to nearly three go-lives every week. Our partner model is proving a very compelling value proposition, and in 2015 we on-boarded a number of new partners to meet our clients' needs in specific geographies or skill sets.

Solutions for a connected world

We see our role today as enabling our clients to succeed in an increasingly connected world. Through our vertically integrated suites, we offer our clients a front-to-back, multi-product solution with rich functionality. The scalability of our product ensures our clients are prepared for the mobility trend and an exponential increase in customer interactions.

We enable our clients to respond to the myriad of pressures they are facing by capitalising on their competitive advantages – data, trust, distribution and scale. Banks must focus on moving from a transaction processor to becoming a trusted advisor for their end customers, which in turn will boost profitability.

Our solutions allow financial institutions to extract the highest possible automation and economies of scale from their IT operations while having the analytical capabilities and the integrated channel management to launch real-time, customer-specific campaigns and offers. We give our clients the platform to cost-effectively provide 'experience-driven banking' – the right products, personalised to individual customers, offered at the right time and over the right channel.

They are also able to redirect IT spending from maintenance to innovation. Against an industry average of just 21%, Temenos customers spend 54% of their budgets on innovation.

By transforming the customer experience, our clients can drive returns for their shareholders by sustainably decreasing their cost base and improving revenues. We will continue the theme of 'solutions for connected world' at our 2016 Temenos Community Forum which is taking place in Barcelona in May.

> "The pressures on our clients continue to intensify, and in 2015 we saw banks responding by engaging with us to understand how our value proposition can help them to meet these challenges. Our solution of packaged, upgradeable software delivered through progressive renovation is highly compelling, particularly for larger banks, and we will continue to focus on ensuring we deliver success for both our clients and our shareholders in 2016."

Significant, sustained shareholder returns

Medium term targets

Non-IFRS total software licensing growth of

15% CAGR

Non-IFRS Revenue growth of

10% CAGR

Non-IFRS EPS growth of

15% CAGR

Non-IFRS EBIT margin improvement of

100-150bps

on average per annum

Cash conversion over

100%

per annum

Pillars of our medium term growth
We continue to focus on our strategic initiatives for 2016, and I would like to elaborate on a number of them in particular.

To continue extending our lead in core banking and private wealth management, we will need to capitalise on the Tier 1 opportunity that we have had so much success with in 2015. Key to this is building strong references, something we achieved very successfully this year. Our partner relationships, particularly with the global systems integrators, are also important, and we have proved the strength of the delivery and joint go-to-market model. We will continue investing heavily in our disruptive technology roadmap. Scalability is crucial when competing for large deals, and the Tier 1 clients we have won in 2015 are testament to the scalability of our product.

Our ability to deliver implementations through progressive renovation is central to driving our growth. Progressive renovation de-risks the implementation process and decreases time to value for large clients. The flexibility in our implementation methodology allows banks to address their most critical needs first, be it front-to-back, line of business, or build and migrate. Progressive renovations also help to increase our revenue visibility in the medium term.

We see the US as increasingly important for our future growth, as the largest core banking market globally, and we intend to capitalise on the momentum we have built in 2015. Our product value proposition of real-time, upgradeable software with modular architecture is a key differentiator for us and one which resonates with our US customers.

Lastly we will continue investing in our integrated front office to create a truly differentiated offering. We are building a single platform for managing customer interactions across all touch points which integrates inputs from multiple databases. The platform draws real-time insights and uses this to offer 'experience-driven banking' to end users. This is a true, seamless multi-channel experience that integrates third-party products and works across different verticals.

What we expect our plan to deliver
We have provided the following medium term targets:

- Non-IFRS total software licensing growth of 15% CAGR;
- Non-IFRS revenue growth of 10% CAGR;
- Non-IFRS EBIT margin improvement of 100 to 150bps on average per annum;
- Non-IFRS EPS growth of 15% CAGR;
- 100%+ conversion of EBITDA into operating cashflow per annum;
- DSOs reducing by 10 to 15 days per annum; and
- Tax rate of 17% to 18%.

Final remarks
2015 was an outstanding year across all our KPIs, with significant progress made on our strategic initiatives. Looking forward to 2016 and the medium term, we continue to benefit from multiple structural drivers, and have put ourselves in a position to be the leader in our market. Our differentiated product offering is driving this and, with the momentum we have created in 2015, I firmly believe Temenos can continue to take market share. I am very excited about the company's prospects going forward into 2016.

David Arnott
Chief Executive Officer,
Temenos Group AG

Shifting sands

The 2015 survey highlights some big shifts: in particular, banks' focus is quickly moving away from implementing new regulations to putting in place the right capabilities and talent to retain customers in the face of tougher, multiform competition.

For the third consecutive year, our survey of senior bankers found that the industry's biggest challenge is satisfying the demands of better-informed and less-loyal customers. Interestingly, the number of respondents citing regulation dropped significantly, suggesting that banks believe the brunt of re-regulation is now in the past. Instead, a growing number of bankers are worried about their ability to hire top talent (cited by 14% of respondents compared to 7% in the previous year) and a far higher number recognise the strategic importance of technology, as banks begin to grasp what it will take to be successful in the digital age.

Regulatory burden seems to have stabilised
Regulation has been a perennial concern for our survey respondents – it was considered the industry's second-biggest challenge in 2014 and 2013 and was considered the biggest challenge every year before that. However, in this year's survey, as the pace of new regulation has slowed, it has fallen to the third-biggest concern – with just 17% of respondents citing it as their biggest challenge, the lowest percentage in the history of our survey.

Focus shifting to growing profitability and capitalising on data
In 2015 survey respondents cited maintaining profitability (18%) as their second-biggest challenge. While banking profitability has remained subdued since the financial crisis, it is only now appearing as one of the biggest challenges faced by banks. This likely reflects the fact that more bankers are realizing that in an era of tougher regulation, stronger competition and more fickle customers, low profitability is a structural rather than cyclical issue. In common with last year, retaining customer loyalty (22%) and a tougher competitive environment (17%) were also seen as significant challenges.[1] The number of banks highlighting the issue of data was, however, much higher – at 15% – and underlines both the need to capitalise on data assets, but also the significant challenges in doing so. Respondents referred in particular to skills shortages and lack of strategic focus as big barriers to overcome.

Underlining the dynamism of the competitive environment
Almost three-quarters of bankers see their biggest threat coming from players not operating in their market today. While large incumbent banks are still viewed as formidable competitors (cited by 21%), our respondents are noticeably less concerned about small banks and, in total, only 26% of respondents cited incumbent banking players as their biggest rivals. Banks see a significant threat coming from banking players not operating in their market today, such as overseas banks and challenger banks. But banks are most worried about the threat from non-traditional players, especially technology companies, such as Google, who were cited by 27% of respondents, compared to 23% in 2014.[2] Fintech start ups are a big concern, cited by 14%, but this is down year-on-year, suggesting banks appreciate – as we do – the possibility of building a collaborative relationship with them.

IT and innovation top banks' corporate priorities
Banks are responding to their structural challenges by investing in IT systems and innovation, cited by 25% and 24% of respondents, respectively. The focus on IT has grown significantly compared to last year as banks acknowledge the importance of putting in place the right IT assets to be able to deal with liquid customer expectations and the threat from technology players attempting to disintermediate them. Also interesting is the significant rise in the number of respondents citing talent acquisition as their biggest priority, reflecting the fact that banks' ability to attract the best talent is not what it was and, as a result, how they will need to work harder to steer the best people, especially graduates, their way.

Survey findings

Regulatory pressure diminishes...

17%

of respondents identify new regulations as their top challenge (compared to 25% in 2014)

...giving way to more focus on profits and data

15%

say it is capitalising on their data

18%

say boosting profitability is their biggest challenge

Digitisation is blurring competitive boundaries

52%

more than half of respondents see non-banks as their biggest competitive threat

IT modernisation is banks' top priority

25%

of respondents cite IT modernisation as their top priority. Last year, it was their 4th biggest priority

[1] This finding is consistent with a recent Capgemini report (World Retail Banking Report, Capgemini and Efma, 2015) that found banks are failing to elicit customer behaviours that can help them either save costs or improve revenues by providing referrals and buying additional products – reflecting on decreasing customer loyalty.

[2] This finding is consistent with a recent Capgemini report (World Retail Banking Report, Capgemini and Efma, 2015) that found banking executives themselves consider Internet/Technology firms to pose the highest threat to their business.

FINANCIAL REVIEW

Strong momentum for growth

Max Chuard
Chief Financial Officer and Chief Operating Officer, Temenos Group AG

> "Our growth across all revenue lines in 2015 has been exceptional, and we achieved this whilst improving our margins and profitability year-on-year. This demonstrates the strength of our business model, which supports strong growth in both revenue and profitability. Our value proposition of progressive renovation and our large product portfolio is enabling us to win Tier 1 clients, further improving our revenue visibility."

Max Chuard
Chief Financial Officer and Chief Operating Officer, Temenos Group AG

Key Figures 31 December 2015

All financial units in millions of US dollars, except non-IFRS EBIT margin and earnings per share.

	2015	2014
Non-IFRS Revenue	559.0	468.7
Non-IFRS EBIT	157.0	127.8
Non-IFRS EBIT margin %	28.1%	27.3%
Cash generated from operations	227.2	190.3
Total assets	1,229.0	925.8
Non-IFRS earnings per share	USD 1.73	USD 1.44

Introduction

Opening thoughts

2015 was a very strong year for Temenos financially, one in which we achieved or exceeded all our guidance targets for year. We were able to drive revenue growth, expand margins and increase profitability, whilst maintaining our strong cash conversion. This was reflected in our DSOs which continued to reduce substantially year-on-year. We also closed two acquisitions in the year, Multifonds and Akcelerant, further accelerating the growth of the group and increasing our recurring revenue base. In a year in which we made our largest acquisition ever, we were able to decrease our leverage from 2.3x net debt to non-IFRS EBITDA in Q1 post the acquisitions to 1.3x net debt to non-IFRS EBITDA by December 2015 by generating USD 227m of operating cash flow, an increase of 19% on 2014, thereby maintaining the strength and flexibility of our balance sheet.

IFRS vs non-IFRS

To ensure that the presentation of results reflects the underlying performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Temenos also publishes full reconciliations between IFRS and non-IFRS measures. Full definitions of non-IFRS adjustments can be found on page 38.

Highlights

In 2015 Temenos delivered strong growth in revenues and profitability.

Full year highlights (non-IFRS) include:

- Software licensing growth of 24%;
- SaaS and subscription revenues contributing 19% to total software licensing, vs. 5% in 2014;
- Total software licensing growth of 45%;
- Services margin of 8.5%, representing a margin expansion of 3.4 percentage points;

USDm, except EPS	Non-IFRS 2015	Non-IFRS 2014	Non-IFRS Change	IFRS 2015	IFRS 2014	IFRS Change
Software licensing	173.4	139.7	24.2%	173.0	139.7	23.8%
SaaS and subscription	40.6	8.0	410.2%	26.5	8.0	231.3%
Total software licensing	**214.0**	**147.6**	**45.0%**	**199.4**	**147.6**	**35.1%**
Maintenance	235.4	223.4	5.4%	234.0	223.4	4.7%
Services	109.6	97.7	12.2%	109.1	97.7	11.7%
Total revenues	**559.0**	**468.7**	**19.3%**	**542.5**	**468.7**	**15.7%**
EBIT	**157.0**	**127.8**	**22.8%**	**96.8**	**118.2**	**-18.1%**
EBIT margin	28.1%	27.3%		17.8%	25.2%	
EPS (USD)	**1.73**	**1.44**	**20.1%**	**1.01**	**1.36**	**-25.7%**

- Full year EBIT up 23% with an EBIT margin of 28.1%;
- An increase in EPS of 20%;
- Operating cash inflow of USD 227m with cash conversion of 133%, significantly ahead of our guidance of 100%;
- DSOs reduced by 27 days to 154 days, ahead of our 10 to 15 day annual target; and
- Recommended annual dividend of CHF 0.45 per share, an increase of 12.5%.

Non-IFRS revenues

Total group revenue in 2015 was USD 559.0m, an increase of 19% compared to 2014.

Total software licensing grew 45% in the year. This was driven largely by developed markets, including an outstanding year in Europe, with high levels of activity especially in larger banks. Asia also grew in 2015, with the Wealth product gaining significant traction in the more mature Asian economies. The US had good momentum, with the company building critical mass and winning key deals. We saw significant growth across all products in the year, with Private Banking and Channels particularly strong.

Maintenance revenues grew 5% on a reported basis, and Services revenues grew 12% on a reported basis. Premium Services contributed 24% of total services revenue in the year.

Cost base

IFRS

Full year costs on an IFRS basis were USD 445.7m, up from USD 350.5m in 2014, primarily due to acquisitions which contributed USD 80m of the increase. The remaining cost increases were generated through increased variable costs and investments made in the business in the second part of the year to ensure we are well positioned to capture the market opportunity.

Non-IFRS

On a non-IFRS basis, the cost base in 2015 was USD 402.0m, up from USD 340.9m in 2014. As with IFRS, acquisitions related costs of USD 46m were the largest contributor to the increase in non-IFRS costs, with the remaining driven by variable costs and investments.

EBIT and Earnings Per Share (EPS)

IFRS

On an IFRS basis, EBIT was USD 96.8m compared to USD 118.2m in 2014. The decrease year-on-year was largely due to non-cash items related to the two acquisitions made in 2015, including amortisation of acquired intangibles of USD 29.3m and deferred revenue adjustments of USD 16.5m, and one-off costs of USD 14.5m relating to the integration and the operational streamlining of the newly combined businesses. EPS was USD 1.01 compared to USD 1.36 in 2014.

Non-IFRS

EBIT on a non-IFRS basis was USD 157.0m, up from USD 127.8m in 2014, an increase of 23%. EPS was USD 1.73, up from USD 1.44 in 2014, an increase of 20.1%, driven by efficient management of below-the-line items.

Non-IFRS EBIT margin was 28.1% for 2015, up from 27.3% in 2014, driven by revenue growth and strong leverage in the cost base with continued improvement in services margin, an established G&A structure, and increasing sales through the partner channel. The non-IFRS services margin was up 3.4 percentage points in the year due to an increase in Premium Services and continued development of our partner ecosystem.

> “In a year in which we made our largest acquisition ever, we have been able to maintain the strength of our balance sheet, ending the year with leverage of 1.3x net debt to non-IFRS EBITDA and having generated USD 227m of operating cash flow, an increase of 19% on 2014. In February 2016 we took advantage of strong market conditions to lock in low-cost long term financing through a new five year banking facility of USD 500m, extending our debt maturity profile and increasing our total available debt capacity.”

Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	FY 2015	FY 2014
IFRS EBIT	96.8	118.2
Deferred revenue adjustments	16.5	–
Amortisation of acquired intangibles	29.3	7.7
Restructuring	9.5	1.9
Acquisition-related charges	5.0	–
Non-IFRS EBIT	157.0	127.8

Non-IFRS adjustments:

Deferred revenue adjustments
Adjustments made resulting from acquisitions.

Discontinued activities
Discontinued operations at Temenos that do not qualify as such under IFRS.

Acquisition related charges
Relates mainly to advisory fees, integration costs and earn-outs.

Amortisation of acquired intangibles
Amortisation charges as a result of acquired intangible assets.

Restructuring
Costs incurred in connection with a restructuring plan implemented and controlled by management. Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan.

Taxation
Adjustments made to reflect the associated tax charge relating to the above items.

Cashflows

We continue to commit to delivering 100%+ conversion of EBITDA into operating cashflow driven by the strength of our business model. Our recurring revenue base, paid yearly in advance, now contributes over 50% of total revenues.

2015 was another very strong year for cash collection, with DSOs down 27 at the year-end, or 30 days if the impact of acquisitions is excluded. We are still targeting a 10 to 15 day reduction in DSOs per annum driven by improved contract terms, reduced implementation time frames continued expansion of the partners network. We remain confident in achieving DSOs of around 130 days in the medium term.

Our free cash flows will continue to be driven by the significant growth in operating cash, coupled with an efficient management of below-the-line items.

> "With cash conversion of 133%, DSOs reducing by 27 days, or 30 days if you exclude the impact of acquisitions, and a very healthy balance sheet, we are in an excellent position to pursue growth opportunities as they arise. I am also pleased to announce an annual dividend of CHF 0.45 per share, an increase of 12.5% on 2014."

Balance sheet and financing

Temenos is highly cash generative with a strong balance sheet which enables:

> The servicing of our debt obligations;

> Investment in the business, including industry-leading R&D spend;

> Funding for targeted acquisitions;

> The payment of an annual dividend; and

> Returning additional value to shareholders.

We continue to actively pursue acquisition opportunities as a driver of shareholder value creation, as well as investing in the business to position ourselves for the market opportunity.

Our current leverage stands at 1.3x net debt to non-IFRS EBITDA, reflecting the strength of our balance sheet and giving us the financial flexibility to actively pursue growth opportunities as they arise. We issued a third public bond of CHF 175m in May 2015 with a tenure of seven years, extending our maturity profile and improving our cost of debt. In February 2016, we locked in additional long term low-cost financing through the refinancing of our existing banking facilities, with a new five year facility of USD 500m, further extending our maturity profile and increasing our financial flexibility for future growth opportunities.

Dividend

Temenos continues to be highly cash generative with a strong balance sheet. Taking into account the strength of profit growth and cash generation, as well as the expected strength of future cashflows, subject to shareholder approval at the AGM on 10 May 2016, Temenos intends to pay an annual dividend of CHF 0.45 per share. The shares will trade ex-dividend on 13 May 2016, and the dividend record date will be set on 17 May 2016. The dividend will be paid on 18 May 2016. As with previous years, the 2015 dividend will be paid as a distribution of capital contribution reserves and therefore be exempt of withholding tax. Temenos' policy is to distribute a sustainable to growing dividend.

Looking forward

Guidance for 2016

Our 2016 guidance is as follows:

> Non-IFRS total software licensing growth at constant currency of 10% to 15% (implying total software licensing revenue of USD 234m to USD 245m);

> Non-IFRS total revenue growth at constant currency of 7.5% to 11.0% (implying non-IFRS revenue of USD 594m to USD 614m);

> Non-IFRS EBIT at constant currency of USD 180m to 185m (implying non-IFRS EBIT margin of c.30%);

> 100%+ conversion of EBITDA into operating cashflow; and

> Tax rate of 17% to 18%.

Drivers of growth in 2016 and the medium term

Temenos continues to benefit from multiple growth drivers.

We have expanded our addressable market by over 5 times in the last ten years, giving us exposure to a total addressable market of over USD 8bn, that is growing at an estimated 8% CAGR. We have a significant market opportunity and, with continued investment in our product and technology, we expect to successfully capitalise on this.

The revenue contribution from Tier 1 and 2 clients has grown four fold in the last ten years, and has doubled in the last three years alone. We expect this trend to continue as we win more clients embarking on progressive renovation projects.

Our installed base represents c.60% of total software licensing revenues, and we expect revenues from the installed base to grow at a CAGR of c.15-20% in the medium term driven by multi-product penetration, progressive renovation and relicensing.

North America is becoming an increasingly important geography, one which we expect to grow at c.35% CAGR in the medium term, contributing at least 25% of total software licensing revenues.

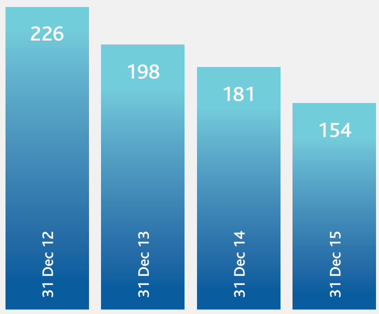
Lastly our SaaS and subscription revenues have grown substantially in 2015 with the acquisitions of Multifonds and Akcelerant, and we expect this revenue line to continue growing at c.20% CAGR in the medium term, to represent at least 20% of total software licensing revenues.

Closing thoughts

Temenos has had an outstanding year across all KPIs in 2015 with strong growth in revenues and profitability. We continue to benefit from multiple structural drivers, and I am confident in the outlook for 2016 and the medium term.

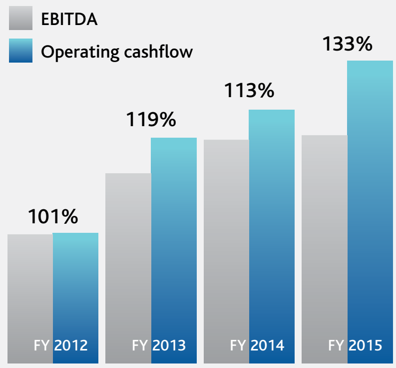
Max Chuard
Chief Financial Officer and
Chief Operating Officer,
Temenos Group AG

DSOs



Continued significant reduction in DSOs

Cash conversion



Continued strong cash conversion

Euro Pacific Bank adopts Core Banking in the cloud

Euro Pacific Bank is a fast-growing offshore private bank based in the Caribbean. It currently has 4,000 customers worldwide, who between them run a total of 10,000 accounts. Some 70% of EPB's customers are small businesses with fewer than 20 employees, engaged in cross-border trade.

Having doubled in size in each of the past three years, EPB had inevitably needed to add new technology systems to accommodate its growth. However, these systems were not fully integrated, which meant that staff had to carry out time-consuming manual operations. In time this could potentially pose data security risks and compromise the level of customer service.

After evaluating 15 vendors, EPB chose Temenos' cloud based Core Banking software running on the Microsoft Azure cloud platform. The bank's aim is to gain access to a highly scalable platform able to support its rapid growth. For EPB, a cloud solution makes sense for many reasons: it does not regard IT as a core competence and specialist technology professionals are in short supply in the Caribbean, so it is happier working with leading international tech vendors.

EPB's regulator in St Vincent has approved cloud hosting as a secure and logical way to store data, a decision that removes the need for the on-premise deployments required by G7 regulators and allows EPB to take full advantage of the benefits that cloud technologies can provide.

Temenos' Core Banking software will give it a single, comprehensive view of each customer, enabling it to provide better customer service through a range of channels and to offer the complete range of products that clients would expect from a global bank, but at a price that larger competitors without cloud based systems struggle to match. In forex, for example, EPB's capabilities allow it to offer highly competitive rates to all its customers.

EPB chose Temenos' Core Banking software and anti-money laundering solution in order to gain access to a modern, global compliance system that would also enable high levels of automation. It looks forward to being able to support its rapidly expanding client base with a much higher standard of customer service, enhanced data security and cheaper, more scalable processes. Effectively a small but ambitious Caribbean bank is equipping itself to compete globally.

Understanding and managing our risks

Risks covered below are the main risks identified as being material and relevant to Temenos. However, other risks might exist or arise that could impact Temenos, its financial position or reputation.

Risk description

Economic environment

Temenos derives all of its licensing, SaaS, maintenance and services revenues from banks and other financial institutions. The banking industry is sensitive to changes in economic conditions and is highly susceptible to unforeseen external events, such as political instability, recession, inflation or other adverse occurrences that may result in a significant decline in the use and/or profitability of financial services. Any event that results in decreased consumer or corporate use of financial services, cost-cutting measures by financial services companies, or increased pressure on banks and financial institutions to develop, implement and maintain solutions in-house rather than going to external providers, may negatively affect the level of demand for Temenos' products and services.

In recent years, there have been substantial changes in the banking industry, including continuing consolidation among market participants, decreasing profit margins in certain sectors, the introduction of wide ranging regulatory changes and extensive technological innovation. These changes have inter alia resulted in increased IT spending by banks and driven market participants to replace legacy systems, leading to increased demand for Temenos' solutions. If the pace of change were to decrease, demand for Temenos products and services may decrease, which could have a material effect on Temenos' business, financial condition and results.

Temenos' global presence and comprehensive product offering both help to mitigate this risk.

Law and litigation

Temenos operates in various legal jurisdictions and as such is subject to various legal and regulatory requirements. Temenos may have legal proceedings or litigious actions brought against it. The outcome of legal proceedings or litigious actions are intrinsically uncertain and the actual outcomes of legal proceedings or litigious actions could differ from the assessments made by management in prior periods, resulting in increases in provisions for litigations in the accounts of Temenos. Adverse outcomes to legal proceedings or litigious actions could result in the award of significant damages or injunctive measures that could hinder Temenos' ability to conduct business and could have a material adverse effect on its reputation, business, financial position, profit, and cash flows.

Litigation of intellectual property infringement claims may increase as a result of the following factors: the number of products in the financial services software market growing, Temenos acquiring companies which rely on third-party code including open source code, Temenos expanding into new areas of the banking industry resulting in greater overlap in the functional scope of products, and increasing assertion of intellectual property infringement claims by non-practising entities that do not design, manufacture, or distribute products.

Although Temenos believes that its products do not infringe upon the intellectual property rights of others, and that Temenos has all the rights necessary to utilise the intellectual property employed in its business, Temenos is still subject to the risk of claims alleging infringement of third-party intellectual property rights, including in respect of intellectual property that has been developed by third parties and acquired by Temenos in business or asset purchase transactions. Responding to such claims, regardless of whether they are with or without merit and negotiations or litigation relating to such claims could require Temenos to spend significant sums in litigation costs, payment of damages and expend significant management resources. In addition, such claims could lead to shipment delays or require Temenos to enter into royalty or licensing agreements on unfavourable terms, discontinue the use of challenged trade names or technology, or develop non-infringing intellectual property. Temenos' liability insurance does not protect it against the risk that its own or licensed third-party technology infringes the intellectual property of others. Therefore, any such claims could have a material adverse effect on Temenos reputation, business, operating results and financial condition.

Temenos' Regional Legal Support Teams are aligned to business operations and are involved early in any decisions which may incur legal implications. Regional Legal Support also review and provide guidance on complex customer contracts to ensure contractual agreements align to local commerce laws and regulations. This is covered further in 'Foreign operations' on page 42.

More broadly, the risk of potential breach of legislative or regulatory requirements through general operations, such as breach of listing requirements or group level legal requirements are managed through group level controls, compliance policies and procedures.

Policy compliance requirements are periodically assessed by Risk Management and reviewed by Internal Audit to provide comfort over the policy framework's coverage of new and emerging legislative risks to the organisation.

Risk description

IP protection

Temenos relies upon a combination of copyright, trademark and trade secrecy laws, trade secrets, confidentiality procedures, contractual provisions and licence arrangements to establish and protect its proprietary rights and Temenos' ability to do so effectively is crucial to its success. Temenos enters into agreements with its employees, partners, distributors and clients that seek to limit the distribution of and otherwise protect its proprietary information. However, Temenos cannot give full assurances that the steps taken to protect its proprietary rights will be adequate to prevent misappropriation of its proprietary information as all of the protection measures afford only limited protection. Temenos' proprietary rights could be challenged, invalidated, held unenforceable or otherwise affected. Certain proprietary technology may be vulnerable to disclosure or misappropriation by employees, partners or other third parties and third parties might reverse-engineer or otherwise obtain and use technology and information that Temenos regards as proprietary. Accordingly Temenos might not be able to protect its proprietary rights against unauthorised third-party copying or utilisation, which may undermine Temenos' market position and deprive it of revenues.

Temenos may not be able to detect unauthorised use of its intellectual property, or take appropriate steps to enforce Temenos intellectual property rights. Temenos' products are used in operations in over 150 countries and are therefore subject to varying laws governing the protection of software and intellectual property in each of these jurisdictions. Temenos cannot guarantee that its software and intellectual property will be afforded the same level of protection in each jurisdiction, as some jurisdictions may offer no effective means to enforce Temenos' rights to its proprietary information, which could result in competitors offering products that incorporate features equivalent to Temenos' most technologically advanced features, which could have a material adverse effect on Temenos' business, results of operations and financial condition.

Any legal action that Temenos may bring to enforce its proprietary rights could involve enforcement against a partner or other third party, which may have a material adverse effect on its ability, and its clients' ability, to use that partner's or other third parties' products. Moreover, litigation, which could involve significant financial and management resources, may be necessary to enforce Temenos' proprietary rights. Any material infringement of Temenos' proprietary technology could have an adverse effect on its reputation, business, financial position, profit and cash flows.

Our partner contracts are designed in a manner which provides clarity and understanding of both parties with regard to the protection and safeguarding of their IP.

Undetected errors or defects

Temenos' products may contain errors or defects that Temenos has not been able to detect and that could adversely affect the performance of the products and negatively impact Temenos' relationship with its customers and clients. This could occur when developing a new product or service or when developing a new version or enhancement of an existing product. It is not always possible to identify and rectify any errors or defects during a product or services developmental phase, and more commonly Temenos has discovered minor software defects in certain new versions and enhancements of its products after they have been introduced. The detection and subsequent correction of any errors or defects can be expensive and time consuming, and it is not always possible to meet the expectations of customers regarding the timeliness and the quality of the defect resolution process. In a worst case scenario, it might not be possible to wholly rectify certain defects or entirely meet customer expectations. In such circumstances it is possible that customers may pursue claims for refunds, damages, attempt to terminate existing arrangements, request replacement software or seek other concessions.

A defect or error in any newly developed software of Temenos could result in adverse customer reactions and negative publicity, as Temenos' customers and potential customers are highly sensitive to defects in the software they use. Any negative publicity could hinder the successful marketing of the new software, reducing demand for the software. A defect or error in new versions or enhancements of Temenos' existing products could result in the loss of orders or a delay in the receipt of orders and could result in reduced revenues, delays in market acceptance, diversion of development resources, product liability claims or increased service and warranty costs, any of which may have a material adverse effect on Temenos' business, results of operations and financial condition. Any claim brought against Temenos in connection with defective software, regardless of its merits, could entail substantial expense and require a significant amount of time and attention by management personnel.

Our quality program is part of SDLC. Extensive product testing is carried out to identify and resolve any issues which may adversely affect the functionality of the products. Testing of code performance is conducted to identify inefficient or ineffective code in order to streamline and strengthen product capabilities.

Risk description

Key personnel

Temenos operates in an industry in which there is intense competition for experienced and highly qualified individuals. The economic success of Temenos is partly dependent on its ability to identify, attract, develop, motivate, adequately compensate and retain highly skilled and qualified management, sales, support, service, marketing and software development personnel, particularly those with expertise in the banking software industry. In particular, Temenos depends heavily on the continued services and performance of its directors, members of its Executive Committee and other senior managers and technical personnel. In addition, Temenos relies on hubs of its technical staff at its facilities in India, Romania and other locations for cost-effective development, support and other activities. Temenos believes that in order to grow its business it will need to continue to hire and retain highly qualified employees with the requisite skills and expertise to support its growing client base. There is intense competition for experienced and highly skilled personnel, particularly in India, and there is no guarantee that Temenos will continue to be able to successfully and consistently meet its personnel recruitment goals. If Temenos fails to recruit and retain the numbers and types of employees that it requires, its business, operating results and financial condition may be adversely affected.

Incentive and recognition programs are utilised to align staff efforts to organisational objectives. Staff receive various training to ensure they have the necessary skills to perform their duties. Career and succession planning are carried out annually to provide for continuity of operations.

Foreign operations

Temenos' products are currently installed at more than 2,000 live sites in 150 countries and it has sales and support offices in 41 countries. Temenos' future revenue growth depends on the successful continued expansion of its development, sales, marketing, support and service organisations, through direct or indirect channels, in the various countries around the world where its current and potential clients are located, including in many developing or newly industrialised countries. Such expansion will require the opening of new offices, hiring new personnel and managing operations in widely disparate locations with different economies, legal systems, languages and cultures, and will require significant management attention and financial resources. Temenos' operations are also affected by other factors inherent in international business activities, such as:

> Differing laws governing regulation, risk and compliance in the banking sector;

> Difficulties in staffing including works councils, labour unions and immigration laws and foreign operations;

> The complexity of managing competing and overlapping tax regimes;

> Differing import and export licensing requirements;

> Operational difficulties in countries with a high corruption perception index;

> Protectionist trade policies such as tariffs;

> Limited protection for intellectual property rights in some countries;

> Difficulties enforcing intellectual property and contractual rights in certain jurisdictions;

> Differing data protection and privacy laws;

> Political and economic instability, outbreaks of hostilities, international embargos sanctions and boycotts; and

> Longer accounts receivable payment cycles or bad debt.

The risks associated with the factors stated above will intensify as Temenos expands further into new countries and markets. Additionally laws and regulations and governments' approaches to their enforcement, as well as Temenos products and services, are continuing to change and evolve. Compliance with the laws and regulations in the various jurisdictions may involve significant management time, costs and require costly changes to products and/or business practices.

Risks related to foreign operations are regularly assessed and mitigated as needed. Specific policies and procedures are in place to ensure compliance with export control and sanctions, anti-bribery and corruption, data protection and privacy, and other legislation.

Foreign exchange and/or interest rate fluctuations

Temenos' financial statements are expressed in US dollars and Temenos generates the majority of its revenues in US dollars. However, a significant portion of its operating expenses is incurred in currencies other than the US dollar, particularly in Euros, Swiss francs, Rupees and Pounds Sterling. In some jurisdictions Temenos receives payment in US dollars, but independent distributors resell the products to clients in the local currency.

Furthermore, Temenos is exposed to the fluctuation in interest rates of each of these currencies. Temenos makes efforts to mitigate its foreign exchange risk by aligning its revenue streams to currencies that match its cost base and hedges most of the residual exposure by the use of derivative instruments. However, such hedging may not be sufficient protection against significant fluctuations in the exchange rate of the US dollar to other currencies, in particular those currencies in which Temenos incurs operating expenses, generates revenues or holds assets. Such fluctuations may impose additional costs on Temenos and have a material adverse effect on Temenos' financial condition and results of operations, and on the comparability of its results between financial periods.

The exposures in foreign currencies are regularly reviewed and Temenos enters into forward contracts to hedge the risk when it is expected to have a material effect in the Group's consolidated financial statements.

Risk description

Compliance with the terms of Temenos' credit facilities

Temenos has credit facilities in place with a syndicate of banks. The facilities contain financial and negative covenants, undertakings and event of default provisions. Moreover, the facilities contain cross-default provisions such that a default under another debt instrument, such as the Bonds, could result in a default under the credit facilities and acceleration of the debt thereunder.

The inability of Temenos to draw under the credit facilities to satisfy its working capital requirements, and/or the impact on Temenos of any cross-acceleration or cross-default provisions could have a material adverse effect on Temenos' business, results of operations and financial condition.

Compliance with the terms is monitored on a monthly basis.

Managing client relationships

Temenos' relations with clients are lengthy due to the nature of the products provided. The relationship continues from implementation to maintenance, support and upgrades through the life of the product. As such the customer relationship is a long term and multifaceted arrangement and must be managed accordingly. The contractual arrangements supporting this relationship are therefore often varied and diverse to reflect the nature of the requirements of the customer factoring in specific legal and cultural requirements of the customers operating environment as well as the multiple stages of the relationship.

Temenos has increased its focus on assessing customer satisfaction and proactively seeking and responding to customer feedback.

Prior to entering into new customer relationships Temenos is taking additional steps to develop a customer profile which assists in clearly identifying and articulating customer requirements as well as providing a mechanism to identify and mitigate any potential areas for concern which may materialise into disagreements at a later date.

Improved mechanisms for tracking and oversight of contract clauses are utilised by the global contract team to provide additional comfort over the effective management of customer contractual arrangements.

Temenos aims to build long term strategic relationships with clients in order to maximise the value provided to both parties. Through strong relationships, Temenos is able to further develop products according to industry needs and requirements.

Strategic partnerships

Temenos delivers its products to customers directly and indirectly through distributors and through strategic alliances with IT service providers. Temenos' strategic partners sell to customers and provide implementation services through a contract with the partner, rather than with Temenos. These relationships with IT service providers and strategic partners help to drive co-innovation of Temenos' products, profitably expand Temenos' routes-to-market to enhance market coverage and provide high quality services in connection with Temenos' product offerings. Any failure to maintain and expand these relationships could adversely affect Temenos products and services which, in turn, would have an adverse effect on Temenos' ability to compete successfully with its competitors and therefore negatively affect the results of operations and financial condition.

Temenos has a partner management program in place to ensure ongoing relationship management.

Cloud and SaaS solutions

SaaS and cloud technology are relatively new to the banking and financial market sector with broad adoption occurring only in certain fields such as customer relationship management in both retail banking and private wealth management. Accordingly, Temenos may be subject to changing regulatory requirements, evolving customer attitudes and technical complexities in developing a new business offering and support services. Temenos may fail to achieve desired operating profit results in this new market due to regulatory changes or inability to develop a competitive product which appeals to its clients.

By providing cloud technology to customers Temenos will hold customer data. Hardware failures, product defects or system errors could result in data loss or corruption, or cause the information held to be incomplete or contain inaccuracies. The availability of SaaS or cloud based offerings could be interrupted by a number of factors, such as the failure of a key supplier, its network or software systems due to human or other error and security breaches.

Although Temenos employs strict security, data protection and privacy measures there is a risk that such measures could be breached as a result of third party action, employee error and malfeasance, or otherwise, and if as a result unauthorised access is obtained to customer data, which may include personally identifiable information about users, Temenos could suffer significant reputational damage and be exposed to liabilities.

Temenos maintains SSAE 16 certifications to provide a greater degree of assurance to customers.

Risk description

Software implementation project management

The implementation of Temenos' software and integration of various product components is a complex procedure requiring skilled and experienced personnel. The implementation of Temenos' software is often performed in part or wholly by service delivery partners as well as committed resources of the customer. The complex nature of the custom built, componentised product also makes it necessary to provide training and education on the operation of the product.

The reliance on third party capabilities, the complex nature of product customisation and installation requirements mean that there is a high potential for unforeseen events to occur delaying the progress of implementations.

Temenos focuses heavily on training the staff and partners responsible for the implementation of software to ensure a strong mix of qualified project managers and technical product expertise. Temenos ensures the adequacy of skills through requiring certification of staff and partners in Temenos Implementation Methodology and products.

Implementation teams are also trained to identify and effectively manage any unforeseen events and a suite of risk management tools are used to monitor and track potential issues which may adversely impact the successful installation of software. Project governance boards are held monthly to oversee the delivery of the implementation against milestones.

Temenos Implementation Methodology is periodically reviewed and updated in order to maintain high standards to Temenos staff and our Business Partners. Identified initial project risks receive an increased level of review and analysis in order to more effectively mitigate and monitor them throughout the life of the implementation project.

Mergers and acquisitions

Temenos pursues a strategy of making targeted acquisitions. The risks associated with such a strategy include the availability of suitable candidates, integration issues such as the failure to assimilate operations and personnel, and the risk of entering markets in which Temenos has no or limited prior experience. The process of integrating an acquired company or business is risky and may create unforeseen operating difficulties and expenditures, including: difficulties in integrating the operations, technologies, services and personnel of the acquired businesses; unexpected costs or liabilities of acquired businesses (or future acquisitions); ineffectiveness or incompatibility of acquired technologies or services, failure to realise operating benefits or synergies from completed transactions; potential loss of key employees of acquired business and cultural challenges associated with integrating employees from the acquired company; inability to maintain the key business relationships and the reputations of acquired businesses; and diversion of management's attention from other business concerns.

Further consolidation in Temenos' industry may decrease the number of potential desirable acquisition targets. Failure to acquire, integrate and derive the desired value of any businesses or assets in the future could materially adversely affect Temenos' business, results of operations and financial condition.

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets on Temenos' statements of financial position.

Detailed integration planning is utilised to ensure a smooth transition of product offerings and services. Legal, commercial and personnel matters are also considered prior to integration in order to limit exposure to unexpected losses or damage.

Security, business continuity and disaster management

Temenos is dependent on the proper functioning of complex software and hardware systems. Temenos cannot guarantee uninterrupted operation and full security of all its systems. Any failure of such systems or associated back-up facilities could lead to a business disruption. Failure to manage IT security risks appropriately or data losses, breaches to the IT security systems or any other significant failure of the complex software and hardware systems could lead to legal sanctions, civil claims, significant remediation costs, reputational damage, potential cancellation of customer contracts and inability to compete for future business.

Temenos' business operations are vulnerable to interruption from natural and man-made threats including but not limited to fire, floods, earthquakes, explosions or other threats such as terrorist activity, social unrest, pandemic and other disasters. This risk is increased by the fact that some of Temenos' products or facilities are based in locations with increased exposure to such natural or social risks. As Temenos continues to expand into new countries and markets, these risks could intensify.

Any such interruption or incident could have a material adverse effect on Temenos' partners as well as customers and their investment decisions. The occurrence of any of such events, or other events with similar effects, could have a material adverse effect on Temenos' business, results of operations and financial condition.

Risk description

Security, business continuity and disaster management continued

Temenos' information technology systems and network infrastructure may be exposed to physical damage or cyber-attacks including the risk of state or competitor driven industrial espionage. An external information security breach, such as a hacker attack, a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, could materially interrupt Temenos' or client's business operations or cause disclosure or modification of sensitive or confidential information. Such a failure could result in material financial loss, breach of client contracts, reputational harm or legal liability, which, in turn, could adversely affect Temenos' business, results of operations and financial condition.

If Temenos' security measures are breached and unauthorised access is obtained to Temenos' IT systems, Temenos' business could be disrupted and Temenos may suffer financial losses as a result of the loss of confidential client information or otherwise.

In addition, Temenos' insurance coverage might not cover claims against it for loss or security breach of data or other indirect or consequential damages.

If Temenos experiences interruptions in the availability of its application suite, Temenos' reputation could be harmed, which may have a material adverse effect on Temenos' business results of operations and financial condition.

As part of the periodic Risk Assessment of IT infrastructure, potential physical vulnerabilities are factored into the process for developing a resilient and robust IT infrastructure.

The physical security of IT infrastructure and personnel are kept secure through standardised general IT controls across Temenos in line with best practice standards.

Business Continuity Management framework currently provides contingency planning for all mission critical business functions and process within the organisation.

Insurance

Temenos has taken out a variety of policies in areas where a loss would have a significant financial impact.

Across the various local legal jurisdictions that Temenos operates in, there are various legal requirements to hold certain insurance policies such as workers compensation policies and public liability for example.

Temenos' local offices manage their legally required policies with oversight and review by Temenos Head Office. Also each office is reviewed and as necessary covered for Property Damage, Business Interruption and Public Liability risks. Information and IT infrastructure is also covered by regional and local Computer Policies.

The United States and Canada are of particular note with regard to statutory imposed insurance requirements and are as such monitored carefully to provide sufficient coverage.

Temenos' Head Office also manages all global policies. The main global policies provide coverage across core business areas as follows; Professional Indemnity liability (covering Errors and Omissions, Cyber Liability and Data Protection), Cyber Insurance, Global Travel Insurance and Directors and Officers policy.

All Insurance policies are reviewed periodically to ensure that the company, our offices and employees are sufficiently covered and that the policies provide value for money.

Internal controls failures

Although Temenos considers the controls and procedures it currently has in place to minimise the financial reporting, legal, disclosure and other regulatory, compliance and operational risks associated with its business to be adequate for its purposes, Temenos recognises that the efficacy of some of these controls and procedures depends significantly on employees and contractors, and on input from external legal and other advisers and all of these controls and procedures need to be kept under regular review, particularly given the pace at which Temenos' business has developed and generally increasing regulatory scrutiny.

There is no assurance that Temenos will not be targeted by those willing to commit fraud against Temenos. Such an action could come from either an internal or external source and could result in a significant adverse impact on Temenos' business, results of operations and financial condition.

Internal controls are regularly reviewed, updated and tested. Internal audit serve as third line of defence to provide assurance on effectiveness of the internal controls system.

The best people in the industry

Our people

Our people are the most important asset of Temenos. Our people and products are the best in the industry and differentiate Temenos from its competitors.

At Temenos, we pride ourselves in maintaining a variety of cultures and expertise through our people. Through such diversity we have a dynamic work environment in which we continue to gather a wealth of knowledge that contributes to our commercial success.

Today we employ over 4,400 people (4,000 as at 31 December 2014) across 62 office locations in 41 countries. During the year under review, Temenos employed c.4,200 full time equivalents on average. This increase of 5% versus the prior year is due in part to the acquisition and integration of Multifonds and Akcelerant, as well as our organic growth during the year.

Consistent success in our fast paced, demanding sector, is only achievable with a team of highly committed and talented people. We strongly believe in adding value every day and we want our employees to feel the same.

Excellence through professionalism

Our people are supported by a strong management team and policies which guide our approach and behaviours to protect the interests of our customers, partners, fellow colleagues and shareholders alike.

We have developed a range of complementary programmes focused on staff welfare, engagement and satisfaction.

The common aspects of all programmes are our four pillars – Communication, Development, Recognition and Performance Enablement. These represent the key areas of focus that drive commitment and productivity in the Temenos staff community.

The way in which we work is vital to us and we strive to achieve professionalism, discipline, integrity and a practical, people-centric approach.

We are committed to a sustainable business model that makes us proud of how we interact with our people, our customers and our marketplace. We believe that this is the only way to deliver long term business success for our Company.

At Temenos, we provide core training, professional learning and personal development opportunities through various channels. An example of this is the Temenos University e-Learning Portal which provides various e-learning and blended learning courses.

Organisational behaviours have been developed, to define employees' current performance and future training and development plans. These have been built upon the Temenos values.

We look forward to building upon a successful 2015 and are confident Temenos will continue to achieve great things through our people.

My Voice

Employee feedback is vital to help the Temenos management team understand what future key people initiatives need to be put in place.

At certain points in time we undertake an employee satisfaction survey to gain feedback on what it is like to work at Temenos. The survey is managed by our advising partner and is administered under the Safe Harbor certification which guarantees confidentiality to all respondents that participate in their surveys.

Previous surveys have identified career management, relevant training and open and honest communications as some of the key areas and these have all been addressed through improvement initiatives to make Temenos a better place to work.

Diversity and equal opportunity

Temenos is guided by principles of integrity, professionalism and business ethics in all its activities. Temenos' policy has always been to follow all laws and regulations applicable to the countries in which it operates. We are following those principles not only to maintain our good reputation, or because our clients and investors request it, but because it is the right thing to do.

At Temenos we pride ourselves in promoting a diverse and dynamic work environment, with 91 nationalities represented within the company. We mandate an equal opportunity approach for all, regardless of race, colour, ethnic or national origin, marital status, disability, age and religious belief.

Talent and Development

The Talent and Development team strives to enhance our Human Resources programmes to develop our talent, increase engagement, maintain Temenos competitive advantage and be the employer of choice in our sector.

Talent and Development encompasses a variety of components such as training paths, career development frameworks, performance management, leadership development and organisational development. One example of this is our Sales Academy which provides dedicated learning programme to young talent within the sales and marketing organisations.

Using feedback from the annual employee satisfaction surveys a career development framework has been developed and rolled out that provides employees with a clear understanding of the expectations of them in their current role and the opportunities open for them to develop their future career at Temenos.

This is supported by a performance management process that gives employees feedback on their work and helps them to create a development plan to build on their strengths and improve their skills, knowledge and behaviours.

A range of learning paths and training provided via various channels allows employees to execute their development plan using a style that suits their needs and personality.

Recognition of great work and key contributions by both individuals and teams is critical to the Temenos People Agenda. A variety of recognition and reward schemes are in place to highlight achievement at a local, regional, divisional and global level at Temenos.

Customers

End-to-end customer-centricity has remained Temenos' top corporate value through the years and customer success continues to be Temenos' over-riding priority.

Our Temenos Customer Voice programme, which was launched in 2012, is our client satisfaction and loyalty programme based on industry standard 'Net Promoter' principles. The programme covers all products and regions and is owned by our Chief Executive Officer.

The programme is critical to Temenos as it enables us to track and analyse our clients' perception of their experience of working with Temenos. It is supported at both a management board level and regional level, with the customer satisfaction process itself being led by a cross-departmental team with members from Marketing, Support and Services teams. The Temenos Customer Voice programme was first launched with an initial survey in February 2012. It is based on the 'Net Promoter' methodology, which is currently used by many B2B organisations and has proven to be very successful as an approach for firms with multiple B2B relationships. The discipline of Net Promoter goes deeper than just tracking a metric, it is a whole system designed to operationalise customer data throughout the organisation enabling change and improving customer experiences.

Temenos invites its entire client base annually, across its full range of products and platforms, to participate in a detailed relationship survey. Since its launch, we have seen a large improvement in our Net Promoter Score (NPS). In order to drive our focus on customer experience further, a complementary initiative to the Temenos Customer Voice programme, called the Improve Client Satisfaction Project, was launched in March 2014. The aim of the Improve Client Satisfaction Project is to address client satisfaction and make Temenos an even more customer-centric company. The project is sponsored by the Temenos Client Director and managed by the Head of Marketing Operations. At the core of the project is a Steering Committee of heads of department including Product, Services, Support, Partners, All Regions (for Account Management), Training, Expert Services, Marketing and Strategy. At the start of the project, each member of the Steering Committee elected one or more representatives. These representatives were tasked with setting KPIs and actions to enhance satisfaction in their areas according to the feedback that was collected through the Temenos Customer Voice programme.

The representatives are also responsible for making sure that the actions are completed and that the target improvements within their areas are achieved. The KPIs and actions are tracked and reported on a monthly basis at an executive level. KPIs and actions are reviewed regularly based on incoming feedback in order to ensure they remain relevant and continue addressing the correct areas. A full project review took place at the end of 2015 and targets and objectives have been redefined.

Customers receive updates on Temenos initiatives and activities through various mediums, from specific updates and newsletters to our annual Temenos Community Forum. Since the programme was launched, we have seen a significant improvement in our Net Promoter Score and our customers have shown their support and approval of the programme.

Since the Improve Client Satisfaction project was launched, our NPS has improved by 16.2 percentage points in 24 months. Our overall NPS has improved by over 30 percentage points since the metric was introduced. Our satisfaction scores across the board have also followed this trend. To date we have completed six survey waves, collecting over 3,200 surveys through a third party provider. In 2015, we thanked our customers for their participation by donating to charity for every survey submission and with their help, we were able to donate over £5,500 to one of the charities we support, The Global Fund for Children.

Focusing on a sustainable business

Microfinance

Access to finance is integral to social economic development.

Without access to basic financial services the poor are locked out of the formal economy, unable to gain control over their own economic future. People need to be able to save and to borrow for business, education and all of the unexpected turbulence caused by health emergencies or other set-backs. Without an account to save in a financial form, the poor resort to saving in the form of livestock or other tangibles which cannot be employed to the needs of the family or community.

Microfinance is the business of financial intermediation for the poor. Financial inclusion is the more contemporary language. Temenos supports financial intermediaries on the frontier of formal financial markets in Africa, Latin America, Central Europe and elsewhere, commercial banks have either no means or interest in serving such relatively low value accounts. We have learned through more than 20 years of business experience that both the bank customer and the bank have costs that can be reduced through the efficient use and innovative adaptation of modern technology.

The Internet has been a great boon for microfinance. Temenos has been able to build on its experience with network partners such as Opportunity International, Vision Fund, ACCION, MicroCred, as well as numerous individual microfinance banks, NGOs, cooperatives and other non-bank financial institutions to develop our microfinance solutions.

Through the internet and in alliance with Microsoft, Temenos enables its Core Banking system to run as a service reaching ever smaller, more remote microfinance intermediates and outlaying branches and agents. Through the integration of specialised channel technology, we can now extend banking services to the poorest in the most remote regions on smart devices, dropping costs for both the client and the customer so as to make banking the poorest a viable and sustainable business.

Continued effort to reduce transaction costs brings formal finance to ever more communities in the world, enabling the business of social economic development activities centered around micro enterprise development, microfinance and associated the development benefits of financial literacy, education, improved health and economy.

Tech Mahindra takes Grameen Koota live with Temenos

Modern core banking solution paves the way for Grameen Koota to accelerate business performance and expand client base in India, helping to boost delivery of Financial Services to low-income households

Tech Mahindra have implemented Temenos' Core Banking for Microfinance and Community Banking for Grameen Koota Financial Services Private Limited (Grameen Koota). With a modern core banking structure that affords higher levels of automation and flexibility, Grameen Koota can now achieve its mission to reach a larger client base.

Over a period of nine months, Tech Mahindra and Temenos implemented Core Banking across 270 branches in five states to migrating a 1.1 million strong customer base, consisting of 2.3 million loans and equipping Grameen Koota with the capability to achieve a daily loan disbursement for 10,000 customers. Its scalable architecture improves operational efficiency, streamlines Grameen Koota's Management Information System, and enables access from remote locations, empowering growth across a wider geographical range and to more diverse rural communities.

Temenos' Core Banking for Microfinance and Community Banking is specially configured for the specific requirements of microfinance institutions (MFIs) and is a robust platform for Grameen Koota's multiple solutions and offerings such as credit, insurance, pension and non-financial services such as healthcare.

Mr Udaya Kumar, Managing Director and Chief Executive Officer of Grameen Koota said: "Revamping our infrastructure with Temenos' Core Banking software is an important step towards accelerating operational efficiency and achieving growth targets. We can now become more customer-centric with the help of a versatile back-end system.

"The credit for achieving the successful transition to Temenos Core Banking in such a short period goes to the dedication and hard work put in by Mr Arun Kumar B, Head of IT and his team members."

> "Our deep expertise in implementing Temenos' Core Banking and business understanding of Micro-community business served in providing a scalable solution to customers' growing demand. Customers are at the heart of all that we do and we are honoured to be a part of Grameen Koota's vision to enhance financial inclusion in India."
>
> **Ravi Vasantraj**
> Global Head BFSI Competency, Tech Mahindra

Community

As a global corporation, we want to actively support the societies in which we are operating, and many of our people work with local community and charitable organisations.

We have focused our donations on organisations that work with children and young people, as it is our view that supporting children will ultimately benefit the entire community. With this philosophy as a foundation, the executive management reviews proposals from employees for suitable charities and organisations based on various criteria including impact, reach, efficiency and overlap with our international presence, in conjunction with our local business operations.

We currently support three organisations – The Global Fund for Children (GFC), the School for Children with Hearing Disabilities and 'Save a Child's Heart'. GFC finds and invests in local organisations in numerous countries that support and care for some of the most vulnerable children in the world – a truly global organisation with a strong local impact. The School for Children with Hearing Disabilities and 'Save a Child's Heart' are both located in Romania, where Temenos has a large presence including a significant number of employees.

'Save a Child's Heart' project

Temenos is one of the main sponsors of 'Save a Child's heart', which was established to assist children with cardiac condition in Romania.

> Over 1,000 children are born with cardiac disorders in Romania annually;

> Over 20,000 children in Romania need heart surgery, 1,500 of which are in critical condition and require emergency surgery; and

> 5,000 children with cardiac disorders die every year in Romania because they are misdiagnosed and treated too late.

The initiative aims to train medical teams for the new Center of Excellence for Cardiac Surgery and Neurosurgery at the 'Grigore Alexandrescu' Hospital.

> An 8 member team of Romanian surgeons has already been trained in Wolfson Hospital (Israel) in heart surgery for new born babies and another team is currently in training at the same hospital. All training costs are funded by this project;

> The training program will continue at the Grigore Alexandrescu Hospital. The teams trained in Israel will train other specialists in the country, leading to an yearly increase of the number of lives saved;

> As the accurate diagnosis of newborns is a critical issue, in June 2015 two series of training were held for 90 neonatal doctors from across the country; and

> A teaching and medical training facility will be created within the clinic at the Grigore Alexandrescu Hospital for young surgeons to learn alongside the team from Bucharest, become specialised in this field and apply the new surgical intervention techniques throughout the country.

Transforming children's lives

The most vulnerable children in the world live in marginalised, hard-to-reach communities – places like refugee settlements, slums, and prisons – where they struggle to survive, let alone pursue their dreams.

About The Global Fund for Children
The Global Fund for Children (GFC) helps children who have fallen through the cracks. GFC goes where others don't – the tent camps of Haiti, the red-light districts of Phnom Penh, and the plains of Mongolia. There, GFC finds and invests in locally based organisations that provide children with what they need to be safe, healthy, educated, and cared for. Since 1997, GFC has awarded over USD 35m in grants to more than 600 organisations in 78 countries, touching the lives of nearly 10m children worldwide.

Why grassroots?
Grassroots organisations focus on the challenges in their communities because that's what they see every day. They understand the unique needs, resources, and obstacles that surround them. Across the globe, grassroots organisations are nimble, tenacious, and inspiring. They are also fragile, burdened by the very circumstances they are fighting to transform. Their potential to change the world is powerful – but they need help to make it happen.

A strategic model
GFC looks for organisations that do not have access to funding but have the potential to achieve great things for children in their communities. Next, GFC provides small yet powerful infusions of capital. These investments, made early in the development of a grassroots organisation, can be just the lever needed to grow critical community programs.

But to become lasting resources in their communities, organisations need more than money – they need robust leadership, healthy organisational structures, and a strong balance sheet. So GFC provides its grassroots partners with management assistance, capacity-building expertise, and networking opportunities to help them grow. GFC also multiplies every dollar it invests by introducing its partners to other donors. Last year alone, GFC helped them secure an additional USD 900,000 from other funders.

Together, these strategic investments and services add up to big change: strong grassroots organisations that are transforming children's lives, their communities, and civil society as a whole.

School for Children with Hearing Disabilities

The purpose of this project, which started in 2001 and is located in Bucharest, is to improve the lives of children with severe hearing deficiencies. Thanks to this initiative, all the children from the first grade receive the latest digital hearing aids with FM receptors. Every class receives special FM transmitters used by teachers to transmit information as clearly as possible. The sound is sent directly to the hearing aids of the children, greatly improving the sound quality. This makes it possible for the children to understand the lessons – without this equipment, this simply would not happen.

Focused expertise

Andreas Andreades
Executive Chairman
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 clients 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 Degree in engineering from the University of Cambridge and is a UK Chartered Accountant.

The Executive Chairman supports, advises, counsels and provides guidance to the Executive Committee. He provides guidance and support directly to the CEO and CFO 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 to the Board of Directors for the development and delivery of the strategic plan and the annual business and financial plan.

Sergio Giacoletto-Roggio
Vice Chairman, Non-Executive & Independent Director
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 Masters Degree in Computer Science from the University of Turin, Italy.

George Koukis
Non-Executive Director
Greek & Australian, born in 1946

As founder of Temenos, Mr. George Koukis 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 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.

Ian Cookson
Non-Executive & Independent Director
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).

Thibault de Tersant
Non-Executive
& Independent Director
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 totalling 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.

Erik Hansen
Non-Executive
& Independent Director
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.

Amy Yip
Non-Executive
& Independent Director
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 the 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.

Strong leadership

David Arnott
Chief Executive Officer
British, born in 1969

Mr. David Arnott has been Chief Executive Officer of Temenos since July 2012. Mr. Arnott previously served as Chief Financial Officer of Temenos from April 2001. Prior to joining the Group, he worked as Chief Financial Officer of Société Européenne de Communication in Luxembourg. Mr. Arnott also held a number of senior finance positions within the Anglo American group, a mining and precious metals trading company. Prior to this Mr. Arnott was a management consultant with Deloitte where he qualified as a Chartered Accountant. Mr. Arnott holds a Bachelor of Sciences from the University of Southampton and a Master's Degree from the University of Freiburg, Germany. In the fourteen years since Mr. Arnott joined Temenos, the Group has grown from 300 employees to more than 4,000, over 2,000 customers and exceeding USD 500m in annual revenues – establishing it as a global leader in banking software.

Max Chuard
Chief Financial Officer and Chief Operating Officer
Swiss, born in 1973

Mr. Max Chuard has been Chief Financial Officer of Temenos since July 2012 and is responsible for finance, planning, treasury, information technology, investor relations, compensation & benefits and internal controls for the Group. Mr. Chuard is also responsible for mergers and acquisitions, and has conducted more than 10 successful transactions totalling around USD 600m over the last eleven years. In December 2015 and in addition to his CFO role, Mr. Chuard was appointed as Chief Operating Officer, having the responsibility to oversee all aspects of client delivery including on-premise implementations and the partner programme. Mr. Chuard has been with Temenos since 2002 where previously he held the position of Director of Corporate Finance and Investor Relations. Prior to joining the Group, Mr. Chuard started his career as a business analyst at J.P. Morgan and subsequently held a senior position at SWICORP, a Swiss merchant bank. Mr. Chuard holds a Master of Science in Finance from the University of Lausanne (HEC Lausanne), Switzerland.

André Loustau
Chief Technology Officer
British, born in 1958

Mr. André Loustau has been Chief Technology Officer of Temenos since 2001 and has worked with Temenos and its predecessor companies since 1984. Before that, Mr. Loustau was an application developer at Grindlays Bank. Mr. Loustau has held various roles in development, implementation and sales within Temenos, prior to assuming the responsibilities of the Chief Technology Officer. During his tenure, Temenos' product set has undergone constant and significant progress, leading a series of pioneering innovations in the industry, including – the first banking systems to use a Windows GUI, first real-time, 24x7 banking system, and the first banking system to be running in the cloud.

Mark Winterburn
Group Product Director
British, born in 1960

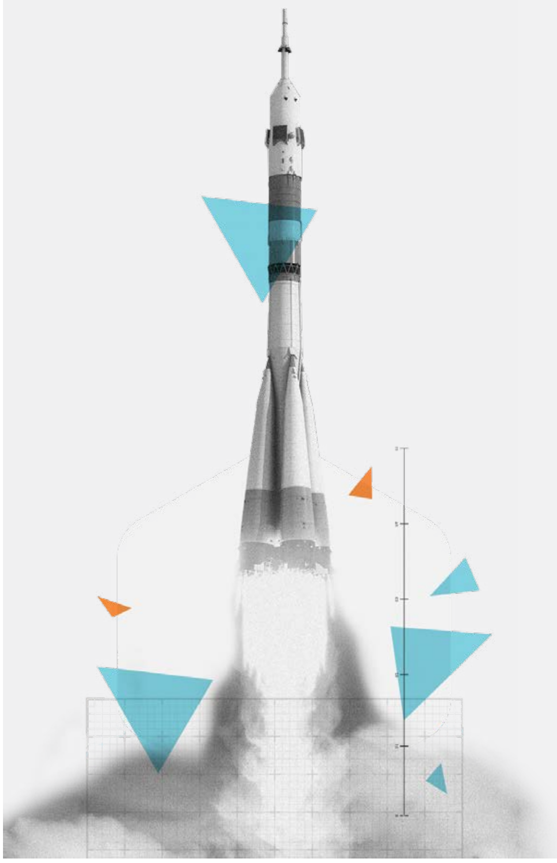
Mr. Mark Winterburn has been Group Product Director of Temenos since joining in 2011. Mr. Winterburn has over 30 years' experience in IT, 25 of them in financial services. Prior to joining Temenos, Mr. Winterburn held the position of VP Solutions Management & Product Development at Misys, and held a number of senior positions at Lloyds TSB, with a proven track record of driving large and complex IT change programmes. He has studied Leadership, Product, Cultural and Change Management at Harvard Business School, Cranfield University and Henley Management School. Mr. Winterburn studied a Software Engineering diploma at Coventry University, England.

Cloud lit from within

Cloud based technologies are spreading rapidly through the business world: research firm IDC expects the cloud software market to be worth more than USD 100 billion by 2018, implying compound annual growth of more than 21%, roughly five times faster than traditional packaged software. So it is clear that cloud computing is on course to become an everyday part of the way that companies operate in the digital economy.

The benefits that this model brings are well known: an enhanced customer experience, higher availability of critical systems, reduced up-front investment in IT systems and resources, and the potential for lower running costs.

In a world where servers are about to stop getting cheaper, the advantages of cloud computing in terms of cost and customer experience look more compelling than ever. In the banking market, however, the spread of cloud systems has been slower than elsewhere due to factors including concern about data security, uncertainty about the position regulators will take on cloud technologies and the challenge of managing migration from the in-house, legacy IT systems that currently run banks' critical functions. According to a study by NTT Communications[1] in 2013, 71% of Chief Information Officers in financial services companies said they would adopt cloud if their legacy IT were less complex.



Cloud software vendors like Temenos, along with our platform partners and industry organisations, are working closely to address industry concerns. Coordinated efforts such as the Cloud Security Alliance and its Cloud Controls Matrix have set out industry principles for cloud vendors and assist prospective customers in assessing security risk at individual cloud providers. Cloud providers themselves are investing heavily in compliance and security expertise to the extent that many observers argue that a well-implemented migration to the cloud can result in higher levels of security than an in-house system, as well as access to real-time reporting mechanisms that are often superior.

Banks continue to be concerned that regulation remains unclear and in some instances, such as 'data sovereignty', the rules may impede their ability to work with cloud providers whose data centres are located in a different jurisdiction. Capturing the benefits of cloud technologies in this environment is a complex challenge. However, cloud-computing platform providers serving the banking market continue to place the requirements of financial regulators at the heart of their strategy. In the case of Temenos' main platform partner, Microsoft Azure, customers are able to specify the geographic areas where their data is to be stored.

While clear challenges remain to more rapid adoption of cloud based technology in banking, that is not to suggest that no change is happening. Many are already moving less sensitive functions there and developing strategies to enable them to capture the benefits of cloud based systems for their core operations.

Among smaller players and new entrants adoption is advancing well, with many choosing cloud based solutions which give them access to the latest generation of technology at lower upfront cost than an in-house system would incur. Our recent successes with Soficam[2] in Mexico and Euro Pacific Bank[3] are testament to this.

Research conducted for Temenos by the Economist Intelligence Unit[4] found that the top priority among the banks over the next five years is implementing a digital strategy. Three trends they expect to have the biggest effect on their business are the impact of regulation (46%), changing customer behaviour and demands (46%), and new entrants and competitors (35%). Cloud based technology is certain to play a key role in the way that all three of these trends unfold, from the need to deliver the digital banking experience that customers are starting to expect, to the pressure to ensure the highest standards of risk management, compliance and reporting.

Banks face growing competition and if they are to maximise their profitability in the digital economy they must channel their investment in IT to the most productive and efficient systems. Today these are in the cloud.

1 http://www.bankingtech.com/211852/why-banks-need-to-branch-out-into-the-cloud/.
2 http://www.temenos.com/en/news-and-events/news/20151/march/temenos-and-microsoft-partner-to-put-banking-in-the-cloud-for-mexico/.
3 http://www.temenos.com/en/news-and-events/news/20151/may/euro-pacific-bank-adopts-t24-in-the-cloud/.
4 https://www.temenos.com/en/market-insight/retail-insight/3rs-of-retail-banking/.

Governing the Group

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance (DCG), its Commentary issued by SIX Swiss Exchange (https://www.six-exchange-regulation.com/en/home/issuer/obligations/corporate-governance.html) and the Ordinance against Excessive Remuneration in Listed Companies limited by Shares (OaEC) available at https://www.admin.ch/opc/fr/classified-compilation/20132519/index.html.

In the present Annual Report, the corporate governance information has been summarised in a separate section, whereas references to other parts of the Annual Report have been included in certain instances in an effort to avoid duplication.

In order to enhance readability, the present corporate governance section follows the suggested structure as described in the annex of the DCG.

There are some references to the Articles of Association and to the Organisation By-Laws of the Company; both documents are available at http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/.

Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2015.

Temenos Group AG is hereinafter referred to as 'the Company' or 'Temenos'.

Temenos Group AG and its affiliated companies are hereinafter referred to as 'Temenos Group' or 'the Group'.

The executive management of the Group is hereinafter referred to as 'Executive Committee'.

1. Group structure and shareholders

1.1 Group structure

The ultimate holding company, Temenos Group AG, is registered in Geneva, where the Group is also headquartered.

1.1.1 The Temenos Group is organised and managed by the Chief Executive Officer who is heading and supported by the Executive Committee.

As of the publication date of this annual report, this Committee comprises the following members:

David Arnott
Chief Executive Officer

Max Chuard
Chief Financial Officer/ Chief Operating Officer

André Loustau
Chief Technology Officer

Mark Winterburn
Group Product Director

The Group is managed using a matrix of regional and global business functions incorporating activities of sales, service operations, product development, product management, services management, marketing, key customer relationship management and product support functions.

The Group's product sales and services operations are divided into three main geographic regions:

- Europe, Middle East, Africa and Latin America
- Asia Pacific
- North America

Temenos being a truly global multi-product company leverages skills from around the world, having its principal software development facilities in Chennai (India), London/Hemel Hempstead (United Kingdom) and Geneva (Switzerland). The Group also has software development facilities in the US, Canada, France, Romania, Belgium, Luxembourg and China.

1.1.2 Temenos Group AG is the sole listed company of the Group.

Name	**Temenos Group AG**
Domicile	2 Rue de L'Ecole-de-Chimie 1205 Geneva, Switzerland
Listed at	SIX Swiss Exchange
First listing date	26 June 2001
Market capitalisation	CHF 3,460,782,658 (31.12.2015)
Security Number	1245391
ISIN number	CH0012453913
Symbol	TEMN
Reuters	TEMN.S
Bloomberg	TEMN SW

Please refer to the Information for Investors section at the end of the Annual Report for statistics on Temenos shares.

1.1.3 Please find below the main non-listed companies belonging to the Group (as of 31 December 2015):
(all companies are directly or indirectly wholly owned subsidiaries of Temenos Group AG, unless otherwise indicated).

Name	Domicile	Country of Incorporation	Share Capital
Akcelerant Software LLC	Malvern	US	9,000,000 class A membership interests 3,500,000 class B membership interests (no par value)
Edge IPK Inc	Wilmington	US	1 USD
Edge IPK Limited	London	UK	2,764 GBP
Fairs Limited	London	UK	50,000 GBP
FE Mobile Limited	London	UK	100 GBP
Financial Objects (UK) Limited	London	UK	466,667 GBP
Financial Objects Limited	London	UK	950,528 GBP
Financial Objects Software (India) Private Limited	Chennai	India	3,258,020 INR
Finch Software Limited	Port Louis	Mauritius	10,000 EUR
Genisys Technology Limited	London	UK	51,505 GBP
Igefi SA	Renens	Switzerland	100,000 CHF
Igefi Canada Inc.	Winnipeg	Canada	10 class A shares (no par value)
Igefi Deutschland GmbH	Trier	Germany	100,000 EUR
Igefi France Sàrl	Paris	France	7,500 EUR
Igefi Group Sàrl	Strassen	Luxembourg	31,000 EUR
Igefi Hong Kong Limited	Hong Kong	Hong Kong	1,000 HKD
Igefi Ireland Limited	Dublin	Ireland	100 EUR
Igefi Licensing Sàrl	Renens	Switzerland	1,900,000 CHF
Igefi Singapore Pte Limited	Singapore	Singapore	20,000 SGD
Igefi Software India Private Limited	Bangalore	India	4,500,520 INR
Igefi UK Limited	Southampton	UK	5,000 GBP
Igefi US LLC	Boston	US	100 USD
Lydian Associates Limited	London	UK	20 GBP
Odyssey Financial Technologies GmbH	Frankfurt am Main	Germany	25,000 EUR
Odyssey Financial Technologies PLC	London	UK	50,000 GBP
Odyssey Financial Technologies SA	La Hulpe	Belgium	62,000 EUR
Odyssey Group SA	Bertrange	Luxembourg	21,904,670 EUR
TEMENOS (Malaysia) Sdn Bhd	Kuala Terengganu	Malaysia	500,000 MYR
TEMENOS (NL) BV	Amsterdam	Netherlands	18,152 EUR
TEMENOS (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
TEMENOS Africa (Pty) Limited	Sunninghill	South Africa	100 ZAR
TEMENOS Australia Pty Limited	Sydney	Australia	2 AUD
TEMENOS Belgium SA	La Hulpe	Belgium	200,000 EUR
TEMENOS Bulgaria EOOD	Sofia	Bulgaria	10,000 BGN
TEMENOS Canada Inc.	Moncton	Canada	560,586 shares (no par value)
TEMENOS Denmark ApS	Copenhagen	Denmark	50,000 DKK
TEMENOS Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
TEMENOS East Africa Limited	Nairobi	Kenya	10,000 KES
TEMENOS Ecuador SA	Quito	Ecuador	252,000 USD
TEMENOS Egypt LLC	Cairo	Egypt	200 EGP
TEMENOS Finance Luxembourg Sàrl	Bertrange	Luxembourg	37,500 EUR
TEMENOS France SAS	Paris	France	500,000 EUR
TEMENOS Headquarters SA	Geneva	Switzerland	100,000 CHF
TEMENOS Hellas SA	Athens	Greece	105,000 EUR
TEMENOS Hispania SL	Madrid	Spain	10,000 EUR
TEMENOS Holdings France SAS	Paris	France	28,010,000 EUR
TEMENOS Holdings Limited	Road Town	British Virgin Islands	40,105 USD
TEMENOS Holland BV	Amsterdam	Netherlands	19,000 EUR
TEMENOS Hong Kong Limited	Hong Kong	Hong Kong	2 HKD
TEMENOS India Private Limited	Chennai	India	2,962,000 INR
TEMENOS Investments BV	Amsterdam	Netherlands	18,000 EUR
TEMENOS Israel Limited	Ramat Gan	Israel	100 NIS
TEMENOS Japan KK	Tokyo	Japan	10,000,000 JPY
TEMENOS Kazakhstan LLP	Almaty	Kazakhstan	14,400,000 KZT
TEMENOS Korea Limited	Seoul	Republic of Korea	50,000,000 KRW
TEMENOS Luxembourg SA	Bertrange	Luxembourg	1,181,250 EUR
TEMENOS Mexico SA de CV	Mexico City	Mexico	10,760,900 MXN
TEMENOS Middle East Limited	Nicosia	Cyprus	17,100 EUR

TEMENOS North Africa LLC	Casablanca	Morocco	10,000 MAD
TEMENOS Philippines, Inc	Makati City	Philippines	10,000,000 PHP
TEMENOS Polska Sp. Zo.o	Warsaw	Poland	50,000 PLN
TEMENOS Romania SRL	Bucharest	Romania	120,000 RON
TEMENOS Singapore Pte Limited	Singapore	Singapore	65,010,000 SGD
TEMENOS Software Brasil Limitada	Sao Paulo	Brazil	150,000 BRL
TEMENOS Software Canada Limited	Vancouver	Canada	48,000 CAD
TEMENOS Software Luxembourg SA	Bertrange	Luxembourg	29,500,000 EUR
TEMENOS Software Shanghai Co. Limited	Shanghai	China	140,000 USD
TEMENOS Solutions USA Inc.	Wilmington	US	10 USD
TEMENOS Systems Ireland Limited	Dublin	Ireland	4 EUR
TEMENOS UK Limited	London	UK	2,198,844 GBP
TEMENOS USA, Inc.	Wilmington	US	1 USD
TEMENOS Vietnam Company Limited	Hanoi	Vietnam	890,000,000 VND
TriNovus LLC	Wilmington	US	100,000 USD
TriNovus Systems LLC	Lubbock	US	1,741,651.85 USD
Viveo France SAS	Paris	France	5,300,000 EUR
Viveo Group SAS	Paris	France	16,248,900 EUR
Wealth Management Systems Limited	London	UK	525,000 GBP

1.2 Significant shareholders

Please find below the list of shareholders who hold more than 3% of the voting rights of all issued shares as of 31 December 2015 as per information that has been published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange pursuant to Art. 20 SESTA.

Name	Number of shares	Percentage of the share capital
Patinex AG and BZ Bank AG (Martin and Rosmarie Ebner)	10,505,329	15.77%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	6,061,610	9.10%
Aviva plc	3,517,460	5.28%
Alken Luxembourg S.A.	3,468,034	5.21%
UBS Fund Management (Switzerland) AG	2,176,515	3.27%
BlackRock, Inc	2,174,244	3.26%
MFS Investment Management	2,037,283	3.06%

For more recent information on Temenos' major shareholders, please refer to page 142.

Disclosure notifications made in accordance with Article 20 of the Swiss Stock Exchange and Securities Trading Act are publicly available on the SIX website at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 Cross-shareholdings

There are no cross-shareholdings to report.

2. Capital structure

2.1 Capital

On 31 December 2015, the ordinary share capital amounted to CHF 333,087,840 consisting of 66,617,568 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share entitles its holder to one vote.

Temenos has an authorised capital totalling CHF 69,500,000 and a conditional capital totalling CHF 35,888,910 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totalling CHF 33,039,520 exists for shares that may be issued in conjunction with financial instruments.

2.2 Authorised and conditional capital

Authorised capital

Pursuant to the Articles of Association (Article 3ter), The Board of Directors is authorised to increase the share capital by 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 Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by the means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights as well as shares, the pre-emptive rights for which have not been exercised, at market conditions.

The Board of Directors is authorised to restrict or withdraw the pre-emptive rights and rights of advance subscription of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quater (1)), the share capital may be increased by an amount not exceeding CHF 35,888,910 by issuing up to 7,177,782 new registered shares to be fully paid-in with a nominal value of CHF 5 each through the exercise of the rights that the direct or indirect subsidiaries of the Company (the 'Subsidiaries') or the Company itself may grant to officers, directors and employees at all levels of the Company and the Subsidiaries. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiaries or through the Company to officers, directors and employees of the Company and the Subsidiaries, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiaries or to the Company for purposes of distribution to directors, officers or employees of the Company and the Subsidiaries; (ii) new shares to be issued through the Subsidiaries or through the Company to employees of the Company or the Subsidiaries shall be issued against paying-in the nominal value of CHF 5 per each share in cash.

Conditional capital for financial instruments

Pursuant to the Articles of Association (Article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 33,039,520, by issuing up to 6,607,904 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, in the amount of CHF 8,386,120, that is 1,677,224 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies; and second, in the amount of CHF 24,653,400, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including the exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value.

The Board of Directors shall be authorised to restrict or exclude the advance subscription rights of shareholders: (1) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or new investments; or (2) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public; or (3) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such cases, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10)-year period, and warrants or options may be exercised during a maximum seven (7)-year period, in each case from the date of the respective issuance.

2.3 Changes in capital

Statutory accounts	**31.12.15 CHF 000**	31.12.14 CHF 000	31.12.13 CHF 000
Ordinary share capital	**333,088**	349,442	360,116
Conditional share capital	**68,928**	68,928	68,928
Authorised share capital	**69,500**	71,524	71,524
Legal reserve & capital contributions reserve (incl. reserve for treasury shares)	**248,908**	282,787	328,951
Profit carried forward	**59,627**	145,120	161,378
Treasury shares	**–**	(112,270)	(50,035)
Total equity	**641,623**	665,079	800,410

2.4 Shares and participation certificates

All equity securities of Temenos are in the form of registered shares, each with a par value of CHF 5. Each share confers the right to one vote at the Annual General Meeting of Shareholders and all shares are fully entitled to receive dividends. The Articles of Association do not provide for privileged voting rights shares. The Company does not issue participation certificates.

In compliance with Temenos' policy to distribute a sustainable to growing dividend and taking into account the growing maturity of the Company and the strength of future cashflows, Temenos intends to pay an annual dividend of CHF 0.45 per share on 18 May 2016, subject to shareholder approval at the Annual General Meeting of Shareholders on 10 May 2016. The dividend record date will be set on 17 May 2016 with the shares trading ex-dividend on 13 May 2016. Like in the past years the 2015 dividend will be paid as a distribution of capital contribution reserves and therefore be exempted of withholding tax (share premium dividend).

2.5 Dividend-right certificates

The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

There are no restrictions on the transfer of shares.

2.7 Convertible bonds and options

Regarding options please refer to note 25 of the consolidated financial statements.

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

In March 2014, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.00% paid annually on 31 January. The bond will mature on 31 January 2019 at a redemption price of 100% of the principal amount.

In May 2015, the Group issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 2.00% paid annually on 17 June. The bond will mature on 17 June 2022 at a redemption price of 100% of the principal amount.

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 December 2015 the Board of Directors comprises the following members:

Name	Position
Andreas Andreades	Executive Chairman
Sergio Giacoletto-Roggio	Vice-Chairman, Non-Executive and Independent Director
George Koukis	Non-Executive Director, Temenos founder
Ian Cookson	Non-Executive and Independent Director
Thibault de Tersant	Non-Executive and Independent Director
Erik Hansen	Non-Executive and Independent Director
Amy Yip	Non-Executive and Independent Director

Please refer to pages 50 and 51 for their biographies.

Except for George Koukis, who was Executive Chairman of Temenos until July 2011, none of the non-executive members of the Board of Directors has or has had any senior management position within the Group, nor any significant business connections with the Group.

3.2 Other activities and vested interests

Except those mentioned in the biographies section of this annual report, no member of the Board of Directors has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups; and
- Official functions and political posts.

3.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

According to article 29 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in listed companies and ten additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

a. mandates in companies which are controlled by the Company or which control the Company;
b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten of such mandates; and
c. mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten of such mandates.

'Mandates' shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

3.4 Elections and terms of office

Name	First elected
Andreas Andreades	2001
Sergio Giacoletto-Roggio	2012
George Koukis	2001
Ian Cookson	2012
Thibault de Tersant	2012
Erik Hansen	2013
Amy Yip	2014

3.5 Internal organisational structure

3.5.1 Allocation of tasks within the Board of Directors

Except for the election of the chairman of the Board of Directors and the members of the Compensation Committee by the General Meeting of Shareholders, the Board of Directors shall elect a Vice-Chairman from amongst its members and a Secretary. It may also appoint one or more committees from amongst its members.

The Chairman is responsible for preparing and convening the meetings of the Board of Directors as well as for the implementation of the Board resolutions. In case of his absence, the Vice-Chairman shall call the Board meetings. The Chairman supervises the preparation of the General Meeting of Shareholders.

Temenos is a typical software company where product, technology vision and deep market knowledge are instrumental in the success of the Company and it is common to have executive chairmen structures where founders/near founders have a critical role to play in the running of the company. The banking software industry is undergoing a fundamental shift – with traditional banking business models disrupted and challenged from fintech companies, a significant investment cycle to replace legacy software is gathering pace and the creation of the bank of the future is proceeding in earnest. At times like this it is of paramount importance that the Company retains the vision that has established it a leader in its industry.

Taking into account his deep understanding of the market and his previous CEO and CFO roles within the Group, Andreas Andreades' input and significant value add are key and instrumental for the other members of the Board of Directors and for the Executive Committee members, especially on all strategic matters.

3.5.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

The Audit, Compensation and Nomination Committees are governed by terms of reference defining their duties and compositions. These committees are comprised mainly of non-executive and independent directors. These committees report regularly and make recommendations to the Board of Directors which is empowered to make decisions.

Name	Audit Committee	Compensation Committee	Nomination Committee
Andreas Andreades			Member/Chairman
Sergio Giacoletto-Roggio	Member	Member/Chairman	Member
George Koukis			
Ian Cookson	Member	Member	Member
Thibault de Tersant	Member/Chairman		
Erik Hansen		Member	
Amy Yip			Member

Audit Committee

The Audit Committee considers the Group's public reports, liaises with the external and internal auditors, and reviews the Group's internal controls, compliance with corporate governance rules and any other matters that may be brought to its attention by the internal and/or external auditors. The external and internal auditors are in attendance at all Audit Committee meetings.

Compensation Committee

The Compensation Committee shall support the Board of Directors in reviewing and making recommendations on compensation practices, guidelines and procedures and in preparing the proposals to the General Meeting of Shareholders regarding compensation of the members of the Board of Directors and executive management. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.

For more details on the role of the Compensation Committee, please refer to the Compensation Report, in particular to page 65.

Nomination Committee

The main duties of the Nomination Committee are: (i) to annually review the structure, size and composition required of the Board of Directors and make recommendations to the Board of Directors with regard to any changes; (ii) to establish qualification criteria for Board of Directors' membership and (iii) to give full consideration to succession planning for both members of the Board of Directors and members of the Executive Committee.

3.5.3 Working methods of the Board of Directors and its Committees

The Board of Directors meets as often as business requires, but at least four times a year, the Audit Committee meets at least twice a year and the Compensation and Nomination Committees meet at least once a year.

During 2015, the following numbers of meetings were held:

Board/Committees	Meetings held
Board of Directors	8
Audit Committee	5
Compensation Committee	3
Nomination Committee	2

All physical meetings were held at Temenos' offices in Geneva, Switzerland.

Moreover, both the external and internal auditors attended all the Audit Committee meetings in 2015.

The average duration of the meetings was as follows (in hours):

Board/Committees	Average duration (hours)
Board of Directors	3.0
Audit Committee	3.5
Compensation Committee	1.5
Nomination Committee	1.0

At the meetings of the Board of Directors and of its Committees, those members of the Executive Committee who have the relevant information and expertise required for the respective body to perform its duties are normally present. Such persons do not take part in any resolutions.

Furthermore, and during each Board of Directors meeting, a business report is presented by the Chief Executive Officer. Together with the financial report presented by the Chief Financial Officer, this information enables the Board members to assess the course of the Company's business activities on a current basis.

3.6 Definition of areas of responsibility
The Board of Directors, together with its Audit, Compensation and Nomination Committees, exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its By-Laws. The Board of Directors of Temenos decides in particular on significant acquisitions, disposals, strategic alliances, changes in the Group's structure and share repurchase programs though its responsibilities are not limited to this.

Once a year, the Board of Directors reviews its conformity to corporate governance rules and evaluates its own performance.

Based on Article 17 of the Articles of Association of Temenos Group AG and Article 3.5 of the Organisation By-Laws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer who is heading and supported by the Executive Committee, except where the law or the Articles of Association provide differently.

Chaired by the Chief Executive, the Executive Committee is responsible for execution of strategy and monitoring performance against it. The Executive Committee also sets targets for Group organic and acquisitions growth on a three year basis. Finally, the Executive Committee approves all product investments, as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments vis-à-vis the Executive Committee
The Board of Directors is responsible for the Group's system of internal controls. Among the key responsibilities are oversight of risk management process, effectiveness and efficiency of operations, accurate reporting, compliance with laws and regulations and the safeguarding of assets.

- Prior to each Board of Directors meeting, members of the Board of Directors receive reports, summarising recent financial results and operational developments.
- The Chief Executive Officer and Chief Financial Officer/Chief Operating Officer personally report at each Board meeting.
- The Group's performance management process ensures that company targets as agreed with the Board of Directors are delegated to senior management at the start of every financial year.
- The Internal Audit function provides an objective means of assessing how risks are managed and controlled. This function's independent status is assured by the fact that the Internal Audit Director reports directly to the Chairman of the Audit Committee.
- Findings from internal audit reviews and/or internal control self-assessments, together with related action plans, are reported in detail to senior management; summary reports are provided to the Audit Committee regularly. Implementation of action plans is monitored on monthly basis and status reported to the Audit Committee.
- Risk management is an integral part of the business process. Regular risk assessment is performed and key risks are reviewed by the Audit Committee and then by the Board of Directors itself.
- The organisational structure ensures that specialised functions like Quality and IT continuously support the management of risk (e.g. IT security, business continuity).

4. Executive Committee

4.1 Members of the Executive Committee
As at 31 December 2015, the Executive Committee comprises the following members:

Name	Position
David Arnott	Chief Executive Officer
Max Chuard	Chief Financial Officer/ Chief Operating Officer
André Loustau	Chief Technology Officer
Mark Winterburn	Group Product Director
Mike Davis*	Client Director

* Until 9 March 2016.

Please refer to page 52 for their biographies.

4.2 Other activities and vested interests
Except those mentioned in the biographies section on page 52, no member of the Executive Committee has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups; and
- Official functions and political posts.

4.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC
According to article 29 of the Articles of Association, no member of the executive management may hold more than one additional mandate in a listed company and five additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

a. mandates in companies which are controlled by the Company or which control the Company;
b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten of such mandates; and
c. mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten of such mandates.

'Mandates' shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

4.4 Management contracts
No management tasks have been delegated to third parties.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the shareholding programmes
The executive management compensation plans seek to align executive management and shareholders' interests by making a significant portion of compensation depend on achieving increased shareholder value for the long term and to enforce a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only.

The executive members of the Board of Directors and the executive management may be paid fixed and variable compensation. The Board of Directors may determine that variable compensation is dependent on the achievement of certain performance criteria.

Further information is available in the Compensation Report on page 64.

5.2 Rules in the Articles of Association
5.2.1 Performance criteria shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee and may include criteria relating to individual performance, performance of the Company or parts thereof as well as performance in relation to the market or other companies, taking into account the position and level of responsibility of the employee. The Board of Directors or, where delegated to it, the Compensation Committee shall determine the performance criteria impact on variable compensation, including actual achievement and potential maximum achievement, the relative weight of the performance criteria and the respective target-levels.

Compensation may be paid or granted in the form of cash, shares, in kind or in the form of other types of benefits. Compensation of executive members of the Board of Directors or members of the executive management may also be granted in the form of options and similar financial instruments or units. The Board of Directors or, where delegated to it, the Compensation Committee shall determine grant, vesting, blocking, exercise and forfeiture conditions of these kinds of compensation; in particular, it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment or mandate agreement.

The Company may procure the required shares through purchases on the market or a conditional increase of its share capital.

Compensation may be paid by the Company or companies controlled by it.

If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the executive management during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company or companies controlled by it shall be authorised to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the executive management last approved by the General Meeting of Shareholders.

5.2.2 There are no rules in the Articles of Association on loans, credit facilities and post-employment benefits for members of the Board of Directors and Executive Committee.

5.2.3 The General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- Compensation of the Board of Directors for the next fiscal year;
- Compensation of the executive management for the next fiscal year.

The Board of Directors may submit for approval by the General Meeting of Shareholders proposals in relation to maximum aggregate amounts of compensation relating to different periods, in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements, and submit the amount(s) so determined for approval by a General Meeting of Shareholders.

Notwithstanding the above provisions, the Company or companies controlled by it may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

6. Shareholders' participation rights

6.1 Voting-rights restrictions and representation

6.1.1 According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Articles of Association do not contain any restrictions to voting rights.

6.1.2 Not applicable.

6.1.3 Not applicable.

6.1.4 Not applicable.

6.1.5 Shareholders entered in the share register as shareholders on a specific qualifying day designated by the Board of Directors shall be entitled to attend the General Meeting of Shareholders and to exercise their votes at the General Meeting of Shareholders. Each shareholder may be represented at the General Meeting of Shareholders by any other person who is authorised by a written proxy, by a legal representative or by the independent voting rights representative.

6.1.6 There are no rules in the Articles of Association about electronic participation in the General Meeting of Shareholders or instructions to the independent voting rights representative. However the shareholders may provide their voting instructions electronically to the independent voting rights representative.

6.2 Quorums required by the Articles of Association

There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority, unless qualified majority is required by law.

6.3 Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least twenty days before the date of the meeting, in the Swiss Official Gazette of Commerce (*Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce*). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting.

6.4 Inclusion of items on the agenda

One or more shareholders representing shares of an aggregate nominal value of at least CHF 1 million may, up to 45 days before the date of the General Meeting, request an item to be included on the agenda. Such request must be in writing and shall specify the items and the proposals of these shareholders.

6.5 Entries in the share register

Pursuant to Article 13 paragraph 1 of the Company's Articles of Association, shareholders entered in the share register as shareholders on a specific qualifying date (approximately 10-15 days before the General Meeting) designated by the Board of Directors shall be entitled to attend and vote at the General Meeting.

7. Changes of control and defence measures

7.1 Duty to make an offer

There is no 'opting out' or 'opting up' clause in the Articles of Association.

7.2 Clauses on changes of control

In case of change of control in Temenos, all outstanding stock appreciation rights (SARs) will become immediately vested and exercisable.

SARs are considered to be outstanding only if the corresponding/relevant service period has started (where such relevant service period is specified as part of the grant documentation). If not specified, they will be considered as outstanding automatically.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

8.1.1 PricewaterhouseCoopers SA was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 6 May 2015 for a period of one year (first elected in 2003).

8.1.2 Since 2011 the lead auditor for the Group audit is Mr. Guillaume Nayet.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,780,558 representing audit fees charged to Temenos Group AG by PricewaterhouseCoopers for (i) the audit of the group consolidated financial statements and of statutory accounts in various jurisdictions (USD 1,534,058) and (ii) USD 246,500 of other audit fees related to work than can only be performed by the group auditor such as the audit of the 2014 compensation report and issuance of the bond comfort letter.

8.3 Additional fees

In addition, other fees of USD 1,384,000 have been incurred by PricewaterhouseCoopers through the provision of tax advisory and other professional services.

Please find below a breakdown of the additional fees:

	USD 000
Tax compliance	327
Transactions	456
Non-audit fee – audit related	**783**
Tax advisory	430
Other advisory	171
Non-audit related	**601**
Total non-audit Fee	**1,384**

8.4 Information instruments pertaining to the external audit

The Audit Committee is responsible for monitoring the performance of external auditors, checking their independence, approving their annual work plan and fees, and reviewing their findings on quality control procedures as well as steps taken by the auditors to respond to changes in regulatory and other requirements. At the end of some Audit Committee meetings, the Audit Committee members spend time with the external auditors without the presence of management. The external auditors formally report to the Audit Committee during its meetings and have direct access to its Chairman when necessary. The Chairman of the Audit Committee then reports at each meeting of the Board of Directors. Please also refer to paragraphs 3.5.2 and 3.5.3 above.

At the beginning of the year, the Audit Committee pre-approves an amount of permitted services that may be performed by the external auditors. Such services are then reviewed on a regular basis at Audit Committee meetings. For any other audit or non-audit related services beyond the above-mentioned limit, authorisation is required from the Chairman of the Audit Committee upon recommendation from the Chief Financial Officer.

9. Information policy

Temenos is committed to open and transparent communication with its shareholders and wider stakeholders.

Updates

Temenos publishes an audited annual report for the year to 31 December and an audited interim report for the six months to 30 June. Temenos also reports figures on a quarterly basis. All of this information and additional company-specific information is available at http://www.temenos.com/en/about-temenos/investor-relations/.

In addition, those interested can sign up on the Temenos website by clicking on the Subscribe button at http://www.temenos.com/en/about-temenos/investor-relations/ to receive financial news, key customer signings as well as all press releases issued in accordance with the ad hoc publicity rules; moreover, all these press releases are available at http://www.temenos.com/en/about-temenos/investor-relations/financial-press-releases/.

Contacting Temenos

For any investor relations enquiries please contact the Company at TemenosIR@temenos.com and for management dealings enquiries/disclosure of shareholdings notifications at companysecretarial@temenos.com.

Meeting Temenos

On 10 May 2016, Temenos will hold its Annual General Meeting, in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the Board and learn more about the Group's strategic direction.

Meetings between Directors, institutional shareholders and other market professionals are held regularly as a part of Temenos' investor relations programme. Furthermore, all Directors are available to meet shareholders if requested.

Dates of publication of 2016 quarterly results and Temenos conferences are published on the Company's website and updated regularly at http://www.temenos.com/en/about-temenos/investor-relations/calendar/.

Business Code of Conduct, Anonymous Reporting and Anti-Corruption and Bribery policies

It is crucial for Temenos to conduct business in an ethical way everywhere and in all circumstances. The Temenos Business Code of Conduct, the Anonymous Reporting policy and the Anti-Corruption and Bribery policy have been drawn up in this respect.

The Business Code of Conduct describes the policies and procedures governing the relationship between the employee and Temenos, and is considered a part of the employment relationship. This Code of Conduct is reviewed annually. It is distributed to all new employees and acknowledged. It is available on the Temenos intranet (central repository database) and on Temenos' website: http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/.

The Anonymous Reporting policy describes the procedures to follow when a Temenos employee feels action is required to avoid a negative and damaging impact on the Company. It is essential for Temenos success to follow and set the standard for the highest level of ethics and integrity. The Anonymous Reporting policy is reviewed annually and is available on Temenos website: http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/.

Temenos values integrity and high ethical standards in its business dealings with customers, partners, suppliers, vendors and competitors. Bribery and corruption are illegal wherever they take place and are not tolerated practices at Temenos. As Temenos continues to broaden its global reach it is incumbent upon Temenos to have best practices in place across the organisation and Temenos is committed to observing the standards set forth under anti-corruption and bribery laws of the countries in which it does business.

Temenos carefully considers corruption-related risks whenever and wherever Temenos engages in business and it will not be a partner to corruption in any form. Temenos has a company-wide Anti-Corruption and Bribery policy in place which has been communicated to all staff and business partners worldwide supported by executive management. The Board of Directors examines compliance with this policy at least once a year. Temenos has instituted controls across the Company which ensures that no payments, gifts or contributions of any kind can be made or accepted by any individual by or on behalf of the Company without appropriate levels of due diligence, approvals and controls. Temenos reviews this policy at least once a year and delivers training programs related to it at regular intervals. The Anti-Corruption and Bribery policy is complimented by the Business Code of Conduct and the Anonymous Reporting policy.

As a company operating internationally Temenos faces a variety of complex legal and operational considerations related to compliance with export controls and sanctions and has to comply with all applicable export control laws and sanctions worldwide when conducting business around the world. In this respect Temenos has published an Export Control and Sanctions policy whose purpose is to (i) set out Temenos responsibilities, and of those working for Temenos, in observing and upholding the manner in which Temenos observes and complies with sanctions and export controls and (ii) provide information and guidance to those working for Temenos on how to recognise and deal with business in countries or with individuals who may be at risk of being subject to sanctions or export controls.

Temenos is committed to a sustainable business model that makes it proud of how it interacts with its people, customers and marketplace. For information on corporate social responsibility please refer to http://www.temenos.com/en/about-temenos/corporate-social-responsibility/.

Compensation report

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 these people in driving this success is key to our remuneration policy.

Our objective is to be clear, comprehensive and transparent on the pay and benefits of our members of the Board of Directors and Executive Committee and to comply with Swiss law and regulations and best corporate governance practice. Our intention is to provide information to meet the compensation disclosure requirements under the:

- Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (OaEC);
- SIX Directive on Information Relating to Corporate Governance; and
- Swiss Code of Best Practice for Corporate Governance.

Compensation policy and principles

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

1. 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
2. To enforce the ethos of a performance-orientated environment that rewards superior value creation and achievement of outstanding results.

Executive compensation consists of (i) fixed cash compensation and benefits (ii) variable cash linked to short term performance targets (i.e. current financial year) and (iii) equity based variable compensation that is linked to long term performance targets.

Compensation of the non-executive members of the Board of Directors comprises fixed compensation only.

Performance criteria are set by the Board of Directors and may include criteria relating to individual performance, performance of the Company or parts thereof, as well as performance in relation to the market or other companies. The Board of Directors determines the extent to which the performance criteria impact on variable compensation, including maximum achievement, and the relative weight of the performance criteria. The Board of Directors also oversees the conditions linked to the grant, vesting, exercise and the forfeiture of equity based incentive programmes.

Organisation and competencies

Executive Officers

The executive officers who served in the 2015 financial year are:

Board of Directors:

- Andreas Andreades, Executive Chairman

Executive Committee:

- 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

Non-Executive Directors

The Non-Executive Directors who served in the 2015 financial year are:

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

The role of the Compensation Committee

The Compensation Committee is authorised by the Board of Directors to:

- Recommend to the Board of Directors compensation practices and policies for executive directors, including the Executive Chairman, CEO and other members of the Executive Committee;
- Align the interests of executive directors and senior managers to the long term interests of the Company and its shareholders by recommending compensation practices and policies that are equitable and performance based;
- Review the competitiveness of the Company's executive compensation programmes and thereby ensure the attraction and retention of executive directors and senior managers who are key in delivering the Company's business objectives; and
- Confirm that compensation packages for executive directors and senior managers are in line with market norms.

To fulfil its duties, the Compensation Committee typically meets at least three times during the year on the following cycle:

- November – to review the Compensation Committee terms of reference, to review compensation practices and policies for the forthcoming financial year, to perform benchmarking review, to approve fixed compensation and principles for variable short term and long term incentives for executive directors and members of the Executive Committee;
- February – to approve the performance targets for variable short term incentive, and to approve the long term variable compensation grant including performance targets; and
- March – to recommend prospective compensation to be submitted for approval at the annual general meeting of shareholders.

The Compensation Committee comprises three non-executive and independent directors:

- Sergio Giacoletto-Roggio, Chairman
- Ian Cookson
- Erik Hansen

The Compensation Committee members are elected annually by shareholders.

Approval process

Before submission to the shareholders for approval, the recommendation of compensation packages for Board of Directors and Executive Committee members are governed as follows:

Compensation of	Recommended by	Approved by
Executive Chairman of the Board of Directors	Compensation Committee	Board of Directors
Executive Committee	Compensation Committee	Board of Directors
Non-executive members of the Board of Directors	Chief Executive Officer	Chairman of the Board

Benchmarking process

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 for 2015 has not changed from 2014 and has been 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.

As a result the following 18 companies have been selected for the benchmark:

Organisation	Country
ACI Worldwide	US
Broadridge Financial Solutions	US
Dassault Systemes S.A.	France
Fidelity National Information Services	US
Fidessa Group plc	UK
Fiserv	US
Jack Henry & Associates	US
IGATE	US
Infosys	India
Intuit	US
Logitech International	Switzerland
Micro Focus International plc	UK
Netsuite	US
Quality Systems	US
SAP	Germany
Software AG	Germany
The Sage Group	UK
Tibco Software	US

We assimilated and considered data from the entire group, while our comparator methodology accounted for extreme outliers in the group. 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.

Shareholder involvement

We routinely engage with shareholders to discuss our business, performance, compensation and governance matters.

Votes on compensation

As set out in the Articles of Association, the General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- Compensation of the Board of Directors for the next fiscal year; and
- Compensation of the Executive Committee for the next fiscal year.

The Board of Directors may submit for approval by the General Meeting of Shareholders proposals in relation to maximum aggregate amounts of compensation relating to different periods, or in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements, and submit the amount(s) so determined for approval by a General Meeting of Shareholders. The Company may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Committee during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company is authorised to pay the member a supplementary amount during the compensation period already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the executive management last approved by the General Meeting of Shareholders.

Compensation components

Summary of compensation elements for employees

The table below explains the compensation elements for 2015:

		Fixed salary and benefits	Variable short term incentive (bonus)	Variable long term incentive
Eligibility		All employees	All employees	Executive Chairman, Executive Committee members and senior managers
Basis for funding		Continuity of service, role and experience	Role and experience with a 90% threshold on the target to be achieved prior to the fund accumulating	Continuity of service over 3 years plus achievement of 3 year non-IFRS EPS targets and non-IFRS product revenue targets
Payout		Monthly or bi-weekly depending on jurisdiction	After performance for the financial year has been audited	On Board of Directors approval of the results for the final year of the Stock Appreciation Rights (SAR) plan
Payout subject to	**Forfeiture rules**	No	Yes	Yes
	KPIs	No	Yes	Yes
Performance range for Executive Directors and Executive Committee members and senior managers		None	0% to 150% of fixed salary, 0% below 90% target threshold	Up to 140% of on target LTIP value if all targets are exceeded by 20%, 0% below 85% target threshold
Settlement		Cash	Cash	Stock Appreciation Rights

Compensation elements for the Executive Chairman and Executive Committee members (executives)

The elements of the above table, together with their objectives, are as follows:

Fixed salary
- To compensate 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
- To make a significant portion of executive overall annual compensation variable and dependent on delivery of the Company's annual key targets of license revenue, cash collection, non-IFRS EBIT and non-IFRS EPS growth.
- The variable short term incentive is paid in cash.

Variable long term equity incentive
- To provide a balance of total compensation, via long term equity incentives, that is variable and linked directly to long term shareholder value creation;
- To incentivise sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth. Product revenue is defined as software licensing, including Software-as-a-Service, and maintenance revenues; and
- To retain executives for the long term.

The Executive Chairman's compensation is made up of a fixed salary, benefits, variable compensation as an annual incentive and Stock Appreciation Rights as a variable long term incentive.

2015 variable short term incentive

For 2015, the variable short term incentive became payable on 11 February 2016 after the year-end results were approved by the Board of Directors. The Incentive was awarded fully in cash this year.

For the Executive Director and Executive Committee, on target performance is rewarded at 100% of fixed salary.

Performance criteria

Annual targets for Executive Chairman and Executive Committee members are set by the Board of Directors based on recommendations by the Compensation Committee.

In 2015, the incentive plan was based on the following targets:

- For Executive Chairman, CEO and CFO/COO:
  - Total software licensing (40%)
  - Non-IFRS EPS (30%)
  - Operating cashflow (30%)
- For CTO, Group Product Director and Client Director:
  - Total software licensing (40%)
  - SaaS contract values (10%)
  - Cash inflows (30%)
  - Operating profit (20%)
- Annual incentive payouts for other senior managers are based on a mix of corporate and specific regional objectives.

2015 long term equity incentive

The Company grants Stock Appreciation Rights (SARs) to executives and senior managers with performance and vesting criteria. We continue to favour the use of SARs over restricted stock as they necessitate a growth in the share price, which itself is dependent on strong Company performance, before they have any value to the recipients. In this way we incentivise the management team to deliver strong revenue growth and profitability over the long term.

The tables below provide an overview of the schemes in place together with their performance criteria and pricing. The level and value of awards is commensurate with the individual's contribution to the business.

SARs are valued on a fair value basis by an independent organisation using the Enhanced American Model so as to comply with IFRS 2.

Overview of Executive SAR schemes

Target population	Performance criteria	Pricing of long term equity awards
Executive Chairman, Executive Committee members and senior managers	Grant conditions linked to the achievement of annual and 3 year cumulative non-IFRS EPS and/or non-IFRS product revenue targets, vesting after more than three years.	To ensure pricing integrity, long term equity awards are not issued at a discount to market price; they are priced at the closing market price on the day preceding the grant date.

The Schemes currently in place are outlined in the table below:

Year of Grant	Awards for Executive Chairman and Executive Committee	Exercise Price USD	Fair value USD	Grant date	Vesting date
2015	1,230,000	35.45	9.73	28 November 2014[3]	On Board of Directors approval of the results for the year ending 31 December 2017
2014	1,180,000	34.38	9.84	28 February 2014	On Board of Directors approval of the results for the year ending 31 December 2016
2013	3,554,999 550,000	16.32[1] 22.40[2]	5.42 6.28	31 October 2012 4 March 2013	On Board of Directors approval of the results for the year ending 31 December 2015, given on 11 February 2015 50% of resulting shares must be retained for 12 months

(1) The grant price was reduced to USD 15.21 as a result of dividend adjustments in 2013, 2014 and 2015.
(2) The grant price was reduced to USD 21.29 as a result of dividend adjustments in 2013, 2014 and 2015.
(3) Although the grant for 2015 was issued in November 2014 upon the approval of the strategic plan 2015-2017 by the Board of Directors, with service period starting 1 January 2015, the value has been included in the 2015 Compensation Report as it constitutes compensation for 2015.

Vesting profile

The vesting profile of SARs awarded in 2015 is the greater of:

i. Annual targets being achieved, divided equally (33.3%) for achievement in each year, 2015, 2016 and 2017 of the plan. There is no overachievement element on the awards linked to annual targets; and
ii. Cumulative target achievement being greater than 85% of the sum of the annual targets.

For 2013 and 2014, only one sixth is locked in after the first year of the plan, two sixths after the second year, and there is an override if a cumulative result of more than 85% is achieved.

Vesting conditions

Vesting of the SAR awards is subject to active employment until the end of the respective vesting period, and subject to achievement of performance targets described below.

The targets for each of the executive team SAR schemes are outlined below:

Year of grant	Vesting condition
2015	60% on Non-IFRS EPS Targets, 40% on Non-IFRS Product Revenues
2014	100% on Non-IFRS EPS Targets
2013	100% on Non-IFRS EPS Targets

Targets are considered commercially sensitive and are not disclosed in advance.

Over/under achievement of executive team SAR scheme

For achievement between 85% and 100% of target a pro-rated reduced amount will vest. For every 1% overachievement of the three years cumulative non-IFRS EPS target, an additional 2% of SARs may be granted up to a maximum of 140% of the total grant.

Any over or underachievement 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%

Achievement

Under the 2013 executive team SAR scheme the non-IFRS EPS performance targets and respective achievements were:

Scheme	Target	Actual achievement	Growth on prior year
2013	1.19	1.22	38%
2014	1.44	1.44	18%
2015	1.73	1.73	20%
Cumulative	4.36	4.39	25% CAGR

The cumulative non-IFRS EPS achievement of USD 4.39 is an achievement on target of 100.7%, representing 101.4% of the SARs granted, that ultimately vested on 12 February 2016; that is 4,162,469 SARs vested in total for the Executive Director and Executive Committee.

Contract terms for the Executive Chairman and Executive Committee members

The contractual notice periods of the Executive Chairman, being the sole executive member of the Board of Directors, and members of the Executive Committee do not exceed twelve months; there are no severance payment clauses.

In case of a change of control of Temenos Group AG, all SARs granted will become immediately vested and exercisable provided that their respective vesting period has started. A case of change of control occurs when a third party acquires the control of more than 50% ownership in Temenos Group AG.

In case of dismissal for cause, all unvested options and stock appreciation rights are forfeited. In case of termination, conditions vary by role and are described in each plan.

Compensation elements for Non-Executive Directors

The Non-Executive Directors were compensated in 2015 with a non-executive fee for their Board duties, together with a supplementary fee for Audit and Compensation committees' chairs.

Summary of key compensation changes in 2015

In 2015, we reviewed compensation of the Board of Directors and the Executive Committee against the Comparator Group. Our aim is to establish a sustainable and competitive policy for executive compensation and as a result of the benchmark we applied the following changes:

- The maximum variable cash compensation cap for 2015 was reduced from 200% to 150% for the Executive Chairman and the Executive Committee members;
- The 2015 LTIP was issued in November 2014. The award includes two performance measures: non-IFRS EPS and non-IFRS product revenue. Previous LTIPs were based on non-IFRS EPS only. Non-IFRS product revenue is defined as the sum of software licensing, SaaS and maintenance revenue. This change is intended to reflect and support the Temenos business model where growth and value from a shareholder perspective are driven predominantly by growth in product licensing and maintenance revenues; and
- A benchmarking exercise for the Non-Executive Directors found that the fees were lower than other companies in the Temenos comparator group and in the SMIM. Hence effective from 1 January 2015 the Board fees paid to Non-Executive Directors increased from USD 90,000 to USD 95,000. The fee for the Chairman of the Audit Committee and the Chairman of the Compensation Committee increased from USD 20,000 to USD 32,500.

Compensation for financial year under review

This section (pages 70 to 72) has been audited by Temenos' auditors, PwC.

As individuals are paid in currencies other than US dollars, the amounts in the tables below are converted into US dollars using the average exchange rate for 2015 and the average exchange rate for 2014 respectively. Comparison between these two years may be distorted through the exchange rate fluctuations.

The Long Term Incentive Plan (LTIP) Value included in the tables below represents the full fair value at the time of grant. The SARs value to the individual is only realised once (i) non-IFRS EPS and non-IFRS product revenue targets are achieved (which triggers vesting), (ii) the time vesting criteria have been satisfied and (iii) when the stock price rises above the grant price. The value of the LTIP in the tables below assumes an on target earning, i.e. the full fair value at 100%. The valuation method, conditions and grant details are explained in the paragraph titled Compensation Components.

Board of Directors

For the Executive Chairman out of the total 2015 compensation of USD 4,718,918, USD 2,481,018 has been earned, and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2016-2017 are achieved and the time vesting criteria have been satisfied. The amount earned includes the proportion of LTIPs at fair value for which targets have been achieved even though time vesting criteria have not yet been satisfied.

The total of all compensation, in US dollars, earned in 2015 and 2014 by each member of the Board of Directors is shown in the table below:

Name Board function	Fiscal year	Base salary	Variable short term incentive	All other compensation[1]	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges[2]	Total compensation including social security charges
A. Andreades[3] Executive Chairman	2015	601,338	630,809	129,921	**1,362,068**	3,356,850	**4,718,918**	122,978	**4,841,896**
	2014	617,060	196,401	133,858	**947,319**	3,542,400	**4,489,719**	114,721	**4,604,440**
S. Giacoletto–Roggio[4] Vice Chairman from 28.5.2014	2015	127,500	–	–	**127,500**	–	**127,500**	9,153	**136,653**
	2014	110,000	–	–	**110,000**	–	**110,000**	9,670	**119,670**
G. Koukis Member	2015	95,000	–	20,494	**115,494**	–	**115,494**	8,146	**123,640**
	2014	90,000	–	17,016	**107,016**	–	**107,016**	6,271	**113,287**
T. de Tersant[5] Member	2015	127,500	–	–	**127,500**	–	**127,500**	11,925	**139,425**
	2014	110,000	–	–	**110,000**	–	**110,000**	9,670	**119,670**
I. Cookson Member	2015	95,000	–	–	**95,000**	–	**95,000**	7,173	**102,173**
	2014	90,000	–	–	**90,000**	–	**90,000**	5,275	**95,275**
E. Hansen Member	2015	102,173	–	–	**102,173**	–	**102,173**	–	**102,173**
	2014	90,000	–	–	**90,000**	–	**90,000**	–	**90,000**
A. Yip Member from 28.5.2014	2015	95,000	–	–	**95,000**	–	**95,000**	8,445	**103,445**
	2014	53,000	–	–	**53,000**	–	**53,000**	5,120	**58,120**
C. Pavlou Vice Chairman until 28.5.2014	2014	45,222	–	–	**45,222**	–	**45,222**	2,828	**48,051**

(1) All other compensation includes life, medical, disability, accident insurances, pension and car allowance.
(2) Employer social security charges comprise actual charges on base salary and other compensation, and estimated social security charges to be paid for bonus and LTIPs (based on the fair value) granted in the year of compensation.
(3) Mr. Andreades' total compensation includes fees of USD 95,000 for his Board duties, the remainder is for his executive duties. Mr. Andreades' long term incentive plan compensation corresponds to the full fair value as at grant of the 2015 executive team SAR award.
(4) Mr. Giacoletto-Roggio's fees comprise a basic fee of USD 95,000 (USD 90,000 for 2014) annually plus USD 32,500 (USD 20,000 for 2014) annually for his duties as Chairman of the Compensation Committee. He does not receive additional fees for his duties as Vice-Chairman of the Company.
(5) Mr. de Tersant's fees comprise a basic fee of USD 95,000 (USD 90,000 for 2014) annually plus USD 32,500 (USD 20,000 for 2014) annually for his duties as Chairman of the Audit Committee.

Executive Committee

The total of all compensation, in US dollars, earned in 2015 and 2014 by the members of the Executive Committee is shown below. From the total compensation of USD 12,763,526, USD 7,022,826 has been earned and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2016-2017 as set out in the report are achieved. The amount earned includes the proportion of LTIPs for which targets have been achieved even though the time vesting criteria have not yet been satisfied.

The Executive Committee members included in both 2014 and 2015 were Mr. Arnott, Mr. Chuard, Mr. Loustau, Mr. Davis and Mr. Winterburn.

Function	Fiscal year	Base salary	Variable short term incentive[1]	All other compensation[2]	Total compensation before LTIP	LTIP value[3]	Total compensation	Employer social security charges[4]	Total compensation including social security charges
Executive Committee	2015	2,173,826	1,702,476	276,173	**4,152,476**	8,611,050	**12,763,526**	1,585,391	**14,348,917**
	2014	2,243,204	739,583	297,529	**3,280,316**	8,068,800	**11,349,116**	1,633,707	**12,982,823**

(1) The variable short term incentive includes an exceptional bonus of USD 150,000 which was awarded to two members of the Executive Committee for their specific contribution to sales performance during the year.
(2) All other compensation includes life, medical, disability, accident insurances, pension and car allowance.
(3) This corresponds to the full fair value as at grant of the 2015 executive team SAR award.
(4) Employer social security charges comprise actual charges on base salary and other compensation, and estimated social security charges to be paid for bonus and LTIPs (based on the fair value) granted in the year of compensation.

Highest paid member of the Executive Committee

As CEO, Mr. Arnott was the highest paid executive in 2015 with compensation, in US dollars, as below. 85% of his total compensation in 2015 is variable and conditional upon the 2015-2017 performance targets that have to be achieved. Out of the total 2015 compensation of USD 6,204,960, USD 3,221,093 has been earned, and the remainder will only be earned if the non-IFRS EPS and non-IFRS product revenue targets for the period 2016-2017 as set out in the report are achieved and the time vesting criteria have been satisfied.

Name Function	Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges	Total compensation including social security charges
D. Arnott	2015	779,358	841,707	108,095	**1,729,160**	4,475,800	**6,204,960**	575,213	**6,780,173**
Chief Executive Officer	2014	779,201	262,064	109,426	**1,150,691**	4,723,200	**5,873,891**	822,369	**6,696,260**

Compensation in CHF

Pursuant to Article 958d alinea 3 of the Swiss Code of Obligations compensation amounts may be quoted in the most significant currency of the business activity, in Temenos' case it is USD, but must also be quoted in CHF. The amounts quoted below in CHF are calculated taking the USD amount converted at the average exchange rate for the year for the Board of Directors, the Executive Committee and Highest Paid Executive Committee member respectively. The exchange rate used in 2015 was 0.962 (2014: 0.916) which explains the higher growth in the year-on-year compensation when translated into CHF.

Function	Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges	Total compensation including social security charge
Board of Directors	2015	1,196,412	606,917	144,719	**1,948,048**	3,229,709	**5,177,756**	161,462	**5,339,219**
	2014	1,103,570	179,827	138,141	**1,421,538**	3,243,460	**4,664,998**	140,596	**4,805,594**

Function	Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges	Total compensation including social security charge
Executive Committee	2015	2,091,492	1,637,995	265,713	**3,995,200**	8,284,905	**12,280,105**	1,525,344	**13,805,449**
	2014	2,053,902	677,170	272,421	**3,003,493**	7,387,881	**10,391,374**	1,495,840	**11,887,214**

Function	Fiscal year	Base salary	Variable short term incentive	All other compensation	Total compensation before LTIP	LTIP value	Total compensation	Employer social security charges	Total compensation including social security charge
D. Arnott	2015	749,840	809,827	104,001	**1,663,668**	4,306,278	**5,969,946**	553,427	**6,523,373**
Chief Executive Officer	2014	713,445	239,949	100,192	**1,053,585**	4,324,613	**5,378,198**	752,970	**6,131,168**

Loans granted to members of governing bodies

As of 31 December 2015 and 31 December 2014 the Company has no outstanding loans to members of the Board of Directors and Executive Committee. No loans were granted to persons related to the latter.

Shareholdings and equity incentives
Non-Executive Directors

Name	Position	31 December 2015 Shares	31 December 2014 Shares
S. Giacoletto-Roggio	Vice-Chairman	15,000	15,000
I. Cookson	Member	18,250	15,250
T. de Tersant	Member	3,000	3,000
E. Hansen	Member	11,000	11,000
G. Koukis	Member	–	–
A. Yip	Member	–	–

Executive Chairman and Executive Committee members'

As of 31 December 2015

Name	Position	Shares	Grant year[1]	Plan	Exercise price USD	Number of vested options/ SARs	Number of unvested SARs	Number of unvested profit shares
			SARs, options and performance shares					
A. Andreades	Executive Chairman	438,725	2012	2013-15 scheme	15.21	–	750,000	–
			2013	2013-15 scheme	21.29	–	150,000	–
			2014	2014 scheme	34.38	–	360,000	–
				2015 scheme	35.45	–	345,000	–
D. Arnott	CEO	4,000	2008	2009 scheme	11.37	6,915	–	–
			2011	2012 scheme	16.34	3,384	–	–
			2012	2013-15 scheme	15.21	–	1,050,000	–
			2013	2013-15 scheme	21.29	–	150,000	–
			2014	2014 scheme	34.38	–	480,000	–
				2015 scheme	35.45	–	460,000	–
M. Chuard	CFO/COO	11,322	2012	2013-15 scheme	15.21	–	680,000	–
			2013	2013-15 scheme	21.29	–	150,000	–
			2014	2014 scheme	34.38	–	240,000	–
				2015 scheme	35.45	–	230,000	–
A. Loustau	CTO	–	2012	2013-15 scheme	15.21	–	450,000	–
			2014	2013 Profit share		–	–	441
			2014	2015 scheme	35.45	–	45,000	–
			2015	2014 Profit share		–	–	1,434
M. Winterburn	Group Product Director	–	2012	2013-15 scheme	15.21	–	450,000	–
			2014	2013 Profit share		–	–	1,705
			2014	2015 scheme	35.45	–	75,000	–
			2015	2014 Profit share		–	–	1,552
M. Davis	Client Director	1,513	2009	2010 scheme	23.44	1,214	–	–
			2011	2012 scheme	16.34	1,471	–	–
			2012	2013-15 scheme	15.21	–	174,999	–
			2013	2013-15 scheme	21.29	–	100,000	–
			2014	2013 Profit share		–	–	2,046
			2014	2014 scheme	34.38	–	100,000	–
				2015 scheme	35.45	–	75,000	–
			2015	2014 Profit share		–	–	1,522

(1) Two grants were issued in 2014: the 2014 grant in February 2014 and the 2015 grant in November 2014.

No options and/or shares were held on 31 December 2015 and 2014 by persons related to the members of the Board of Directors and of the Executive Committee.

As of 31 December 2014

Name	Position	Shares	Grant year[1]	Plan	Exercise price USD	Number of vested options/ SARs	Number of unvested SARs	Number of unvested performance shares[2]	Number of unvested profit shares
			SARs, options and performance shares						
A. Andreades	Executive Chairman	435,779	2012	2013 scheme	15.64	–	750,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	360,000	–	–
				2015 scheme	35.45	–	345,000	–	–
D. Arnott	CEO	139,984	2008	2009 scheme	11.80	6,915	–	–	–
			2011	2012 scheme[3]	16.77	3,384	–	13,110	–
			2012	2013 scheme	15.64	–	1,050,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	480,000	–	–
				2015 scheme	35.45	–	460,000	–	–
M. Chuard	CFO	34,131	2009	2010 scheme	23.87	8,541	–	–	–
			2011	2012 scheme[3]	16.77	1,207	–	3,933	–
			2012	2013 scheme	15.64	–	680,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	240,000	–	–
				2015 scheme	35.45	–	230,000	–	–
A. Loustau	CTO	–	2011	2012 scheme[3]	16.77	2,220	–	13,110	–
			2012	2013 scheme	15.64	–	450,000	–	–
			2014	2013 Profit share		–	–	–	441
			2014	2015 scheme	35.45	–	45,000	–	–
M. Winterburn	Group Product Director	–	2011	2012 scheme[3]	16.77	1,471	–	6,553	–
			2012	2013-15 scheme	15.64	–	450,000	–	–
			2014	2013 Profit share		–	–	–	1,705
			2014	2015 scheme	35.45	–	75,000	–	–
M. Davis	Client Director	–	2009	2010 scheme	23.87	1,214	–	–	–
			2011	2012 scheme[3]	16.77	1,471	–	2,620	–
			2012	2013 scheme	15.64	–	174,999	–	–
			2013	2013 scheme	21.72	–	100,000	–	–
			2014	2013 Profit share		–	–	–	2,046
			2014	2014 scheme	34.38	–	100,000	–	–
				2015 scheme	35.45	–	75,000	–	–

(1) Two grants were issued in 2014: the 2014 grant in February 2014 and the 2015 grant in November 2014.
(2) and (3) Targets for the 2012 scheme were not met, and only 12.8% of the SARs were vested in February 2015. The remainder was forfeited. The numbers in the table reflect the amount outstanding after forfeiture.

Options outstanding for all senior management other than Board of Directors and Executive Committee
In addition to the holdings by the members of the Board of Directors and the Executive Committee, the following options/SARs are outstanding to other senior management:

Grant year	Plan	Exercise price USD	Number of vested SARs	Number of vested options	Number of unvested SARs	Number of unvested profit shares
2006	2006	8.67	6,521			
2006	2006	9.78	3,317			
2007	2007	14.45	20,530			
2007	2007	15.56	2,371			
2008	2009	11.37	71,145			
2009	2009	23.44		25,000		
2009	2010	23.44	28,834			
2010	2010	33.71		2,214		
2011	2011	32.40		3,000		
2011	2012	16.34	8,800			
2011	2012	16.77	1,297			
2012	2012	17.92	10,271			
2012	2012	16.61	5,316			
2012	2013	14.11			72,000	
2012	2013	15.10			30,000	
2012	2013	15.21			1,700,000	
2012	2013	15.53			15,000	
2012	2013	15.64			38,500	
2013	2013	17.01			30,000	
2013	2013	17.26			22,000	
2013	2013	19.11			30,000	
2013	2013	21.29			528,000	
2013	2013	21.31			10,000	
2013	2013	21.79			75,000	
2013	2013	22.31			4,999	
2013	2013	24.18			5,211	
2013	2013	25.56			5,000	
2014	2014	34.04			30,000	
2014	2014	34.38			140,000	
2014	2014	35.33			115,000	
2015	2014	36.85			5,000	
2014	2015	35.15			267,100	
2014	2015	35.45			448,000	
2015	2015	32.83			135,000	
2015	2015	34.49			5,000	
2015	2015	35.29			450,000	
2015	2015	35.34			87,500	
2015	2015	36.85			5,000	
2015	2015	46.79			3,000	
2015	2015	47.19			25,000	
2014	2013					37,311
2015	2014					9,171
Total			**158,402**	**30,214**	**4,281,310**	**46,482**

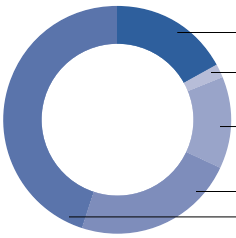
Pay for performance appraisal
To align with stockholders' interests, Temenos executive compensation programme is designed to foster a pay-for-performance culture.

The chart below shows a percentage split of aggregate compensation in 2015 for the Executive Committee. The fixed salary and benefits are the only fixed components; bonus, profit share and SAR awards being dependent on the achievement of results for 2015 and the period 2015 to 2017 for the LTIP.

In 2015, 81% of total compensation was variable and conditional upon performance targets. Out of this, 13% of total compensation representing the variable short term incentive for 2015 has been earned and 23% of total compensation representing the 2015 LTIP grant has been earned but still subject to future time vesting criteria and not vested. The remainder, 45% of total compensation is subject to future targets which if not achieved, then this variable compensation will not be earned.

Based on the growth delivered in 2015 in license revenue, non-IFRS EBIT, non-IFRS EPS and operating cash flow, the compensation for the Executive Committee was made up as follows:

2015 Executive Committee members



With regard to the long term incentive plan, the table below shows the trend of achievement of non-IFRS EPS targets:

SAR scheme	Proportion vested based on targets met
2007	100%
2008	forfeited
2009	60%
2010	30%
2011	forfeited
2012	12.8%
2013	101%

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

The year ahead: compensation of the Board of Directors and Executive Committee for 2016
At the Annual General Meeting in 2015, the shareholders approved total compensation including social charges for the Board of Directors of USD 6.3 million and for the Executive Committee of USD 17.5 million.

Changes that affect 2016 compensation
The key changes that are being made to compensation in 2016 are summarised below:

- As approved at the AGM in May 2015, the Executive Chairman and Executive Committee will receive a salary increase of 5% effective from 1 January 2016.
- LTIP awards will be granted in the year for which approval has been obtained. Hence for 2016 compensation, the LTIP is issued in February 2016.
- The Board fees paid to Non-Executive Directors increased from USD 95,000 to USD 100,000. The fees for the Chairman of the Audit Committee and for the Chairman of the Compensation Committee increased from USD 32,500 to USD 35,000.
- Mr. Davis stepped down from the Executive Committee on 9 March 2016 following the promotion of Mr. Chuard to CFO/COO.

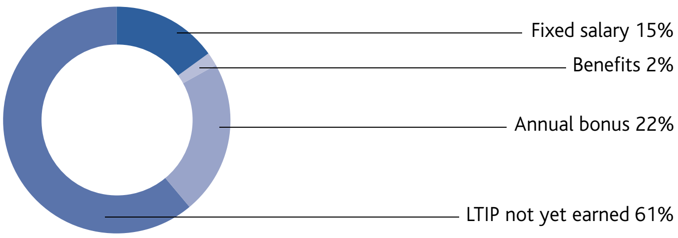
2016 variable short term incentive
For 2016, we shall maintain the variable short term incentive plan that will pay out when annual targets are achieved. The targets will be the based on the same measures as those in 2015. The maximum pay-out will be 100% of fixed salary for Executive Chairman, CEO and CFO/COO and 150% for the other members of the Executive Committee.

The targets are considered commercially sensitive and are not disclosed.

2016 long term incentive plan awards
The LTIP award for 2016 was issued in February 2016. 60% of the award is comprised of non-IFRS EPS targets, 40% of the award is comprised of non-IFRS product revenue targets. The targets for non-IFRS EPS are based on a CAGR of 15% for the three year period. The targets for non-IFRS product revenues are considered commercially sensitive and are not disclosed.

2016 compensation plan
For 2016, the split of aggregate compensation for the Executive Committee at the on-target level is shown below. The majority of compensation (83%) is at risk and dependent on achieving the annual total software licensing, operating cash flow and annual non-IFRS EPS and non-IFRS product revenue targets for the 2016 to 2018 financial years. The only fixed compensation which is guaranteed is the fixed salary and benefits which, in aggregate amount to 17% of the on-target total compensation.

2016 Executive Committee members



REPORT OF THE STATUTORY AUDITORS ON THE COMPENSATION REPORT

Report of the statutory auditor to the General Meeting Temenos Group AG, Geneva.

We have audited pages 70-72 of the accompanying remuneration report of Temenos Group AG for the year ended 31 December 2015.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Temenos Group AG for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Guillaume Nayet Audit expert Auditor in charge	Yazen Jamjum

Geneva, 18 February 2016

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Report of the statutory auditor to the General Meeting of Temenos Group AG, Geneva.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Temenos Group AG, which comprise the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet
Audit expert
Auditor in charge

Yazen Jamjum

Geneva, 18 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER

	2015 USD 000	2014 USD 000
Revenues		
Software licensing	**172,951**	139,667
SaaS & subscription	**26,452**	7,962
Total software licensing	**199,403**	147,629
Maintenance	**233,956**	223,398
Services	**109,144**	97,675
Total revenues (note 7)	**542,503**	468,702
Operating expenses		
Cost of sales	**158,467**	115,394
Sales and marketing	**90,262**	80,420
General and administrative	**77,168**	59,038
Other operating expenses	**119,849**	95,655
Total operating expenses (note 8)	**445,746**	350,507
Operating profit	**96,757**	118,195
Finance income	**2,823**	2,968
Finance costs	**(21,497)**	(14,830)
Finance costs – net (note 10)	**(18,674)**	(11,862)
Profit before taxation	**78,083**	106,333
Taxation (note 19)	**(11,739)**	(14,702)
Profit for the year	**66,344**	91,631
Attributable to:		
Equity holders of the Company	**66,344**	91,631
Non-controlling interest	**–**	–
	66,344	91,631
Earnings per share (in USD) (note 11):		
basic	**1.01**	1.36
diluted	**0.95**	1.32

Notes on pages 86 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	2015 USD 000	2014 USD 000
Profit for the year	**66,344**	91,631
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment defined benefit obligations (note 21)	**(1,379)**	(1,477)
	(1,379)	(1,477)
Items that are or may be subsequently reclassified to profit or loss		
Available-for-sale financial assets (note 24)	**(46)**	(84)
Cash flow hedges (note 24)	**(3,402)**	3,387
Currency translation differences (note 24)	**(25,997)**	(24,717)
	(29,445)	(21,414)
Other comprehensive income for the year, net of tax	**(30,824)**	(22,891)
Total comprehensive income for the year	**35,520**	68,740
Attributable to:		
Equity holders of the Company	**35,520**	68,740
Non-controlling interest	**–**	–
	35,520	68,740

Notes on pages 86 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2015 USD 000	2014 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 12)	**193,252**	192,610
Trade and other receivables (note 13)	**245,176**	231,647
Other financial assets (note 14)	**2,386**	3,143
Total current assets	**440,814**	427,400
Non-current assets		
Property, plant and equipment (note 15)	**15,610**	14,089
Intangible assets (note 16)	**737,998**	437,808
Trade and other receivables (note 13)	**17,135**	22,298
Other financial assets (note 14)	**110**	388
Deferred tax assets (note 19)	**17,307**	23,865
Total non-current assets	**788,160**	498,448
Total assets	**1,228,974**	925,848
Liabilities and equity		
Current liabilities		
Trade and other payables (note 17)	**101,247**	79,834
Other financial liabilities (note 14)	**2,034**	2,841
Deferred revenues	**213,197**	179,894
Income tax liabilities	**24,683**	14,177
Borrowings (note 18)	**15,011**	12,860
Provisions for other liabilities and charges (note 20)	**738**	649
Total current liabilities	**356,910**	290,255
Non–current liabilities		
Trade and other payables (note 17)	**3,989**	–
Other financial liabilities (note 14)	**14,030**	4,140
Income tax liabilities	**1,765**	1,782
Borrowings (note 18)	**445,441**	279,232
Provisions for other liabilities and charges (note 20)	**453**	958
Deferred tax liabilities (note 19)	**23,181**	1,087
Retirement benefit obligations (note 21)	**7,908**	6,356
Total non-current liabilities	**496,767**	293,555
Total liabilities	**853,677**	583,810
Capital and reserves attributable to the Company's equity holders		
Share capital	**210,774**	228,357
Treasury shares	**(19,686)**	(152,942)
Share premium and capital reserves (note 23)	**(148,516)**	(59,187)
Fair value and other reserves (note 24)	**(110,084)**	(80,639)
Retained earnings	**442,809**	406,449
	375,297	342,038
Non-controlling interest	**–**	–
Total equity	**375,297**	342,038
Total liabilities and equity	**1,228,974**	925,848

Notes on pages 86 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	2015 USD 000	2014 USD 000
Cash flows from operating activities		
Profit before taxation	**78,083**	106,333
Adjustments:		
Depreciation, amortisation and impairment of financial assets	**83,232**	64,339
Impairment charge of property, plant and equipment and intangible assets (notes 15 and 16)	**144**	163
Profit on disposal of intangible assets/business	**(34)**	(2,042)
Cost of share options (note 25)	**26,379**	12,122
Foreign exchange loss on non-operating activities	**6,193**	4,712
Interest expenses, net (note 10)	**13,499**	8,005
Net gain from financial instruments (note 10)	**(2,626)**	(2,584)
Other finance costs (note 10)	**4,019**	3,161
Other non-cash items	**(52)**	(450)
Changes in:		
Trade and other receivables	**(21,319)**	(8,707)
Trade and other payables, provisions and retirement benefit obligations	**11,909**	(13,859)
Deferred revenues	**27,765**	19,139
Cash generated from operations	**227,192**	190,332
Income taxes paid	**(10,890)**	(8,445)
Net cash generated from operating activities	**216,302**	181,887
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,187)**	(5,865)
Disposal of property, plant and equipment	**–**	24
Purchase of intangible assets	**(3,947)**	(4,350)
Disposal of intangible assets	**–**	2,000
Capitalised development costs (note 16)	**(45,293)**	(43,181)
Acquisitions of subsidiary, net of cash acquired (note 6)	**(297,726)**	–
Disposal of subsidiary or business, net of cash disposed	**34**	43
Settlement of financial instruments	**1,841**	3,352
Interest received	**68**	103
Net cash used in investing activities	**(351,210)**	(47,874)
Cash flows from financing activities		
Dividend paid	**(28,605)**	(26,633)
Acquisition of treasury shares	**–**	(119,948)
Proceeds from borrowings	**138,125**	2,025
Repayments of borrowings	**(149,358)**	(10,048)
Proceeds from issuance of bond	**190,568**	112,332
Interest payments	**(9,850)**	(6,345)
Payment of other financing costs	**(2,176)**	(1,964)
Payment of finance lease liabilities	**(31)**	(137)
Net cash generated from/(used in) financing activities	**138,673**	(50,718)
Effect of exchange rate changes	**(3,123)**	(6,334)
Net increase in cash and cash equivalents in the year	**642**	76,961
Cash and cash equivalents at the beginning of the year	**192,610**	115,649
Cash and cash equivalents at the end of the year	**193,252**	192,610

Notes on pages 86 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

	Share capital USD 000	Treasury shares USD 000	Share premium and capital reserves (note 23) USD 000	Fair value and other reserves (note 24) USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 January 2014	**239,798**	**(131,775)**	**16,442**	**(59,225)**	**342,928**	**408,168**
Profit for the year	–	–	–	–	91,631	91,631
Other comprehensive income for the year, net of tax	–	–	–	(21,414)	(1,477)	(22,891)
Total comprehensive income	–	–	–	(21,414)	90,154	68,740
Dividend paid	–	–	–	–	(26,633)	(26,633)
Share capital reduction	(11,441)	53,654	(42,213)	–	–	–
Cost of share options (note 25)	–	–	12,122	–	–	12,122
Exercise of share options	–	45,127	(45,127)	–	–	–
Acquisition of treasury shares	–	(119,948)	–	–	–	(119,948)
Costs associated with equity transactions	–	–	(411)	–	–	(411)
	(11,441)	(21,167)	(75,629)	(21,414)	63,521	(66,130)
Balance at 31 December 2014	**228,357**	**(152,942)**	**(59,187)**	**(80,639)**	**406,449**	**342,038**
Profit for the year	–	–	–	–	66,344	66,344
Other comprehensive income for the year, net of tax	–	–	–	(29,445)	(1,379)	(30,824)
Total comprehensive income	–	–	–	(29,445)	64,965	35,520
Dividend paid	–	–	–	–	(28,605)	(28,605)
Share capital reduction	(17,583)	119,948	(102,365)	–	–	–
Cost of share options (note 25)	–	–	26,379	–	–	26,379
Exercise of share options	–	13,308	(13,308)	–	–	–
Costs associated with equity transactions	–	–	(35)	–	–	(35)
	(17,583)	133,256	(89,329)	(29,445)	36,360	33,259
Balance at 31 December 2015	**210,774**	**(19,686)**	**(148,516)**	**(110,084)**	**442,809**	**375,297**

Notes on pages 86 to 130 are an integral part of these consolidated financial statements.

1. General information

Temenos Group AG ('the Company') was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of Temenos Group AG have been publicly traded on the SIX Swiss Exchange. On incorporation, Temenos Group AG succeeded TEMENOS Holdings NV in the role of the ultimate holding company of the Group. On 23 May 2006 the Company moved its seat of incorporation to Geneva, Switzerland. The registered office is 2 Rue de L'Ecole-de-Chimie, Geneva.

The Company and its subsidiaries (the 'Temenos Group' or 'the Group') are engaged in the development, marketing and sale of integrated banking software systems. The Group is also involved in supporting the implementation of the systems at various client locations around the world as well as in offering help desk support services to existing users of Temenos software systems. The client base consists of mostly banking and other financial services institutions.

These consolidated financial statements have been approved for issue by the Board of Directors on 11 February 2016.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities that are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Standards, amendments and interpretations relevant to the Group's operation and adopted by the Group as at 1 January 2015

- '2010-2012 cycle' annual improvements;
- '2011-2013 cycle' annual improvements;
- '2012-2014 cycle' annual improvements. The Group elected to early adopt these amendments.

The adoption of these amendments has not resulted in a significant impact on the Group's consolidated financial statements.

Standards, amendments and interpretations relevant to the Group's operation that are not yet effective and have not been early adopted by the Group

The following standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but the Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

- IFRS 9 (standard) 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018. This new standard replaces existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and introduces revised guidance on the classification, recognition, derecognition and measurement of financial assets and financial liabilities as well as a new expected credit losses model for calculating impairment on financial assets. It also includes new general hedge accounting requirements. Although the Group is still assessing the potential effect of this new standard, it is not expected to have a significant impact on the Group's financial statements. The Group will apply this new standard for the financial reporting period commencing on 1 January 2018.
- IFRS 15 (standard) 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018. This new standard replaces the current IAS 18 'Revenue', IAS 11 'Construction Contracts', IFRIC 13 'Customer Loyalty Programmes' and is fully converged with US Generally Accepted Accounting Principles ('US GAAP'). It establishes a comprehensive framework for determining core principles for revenue recognition, improves comparability and requests extensive disclosures. Although the Group expects that the new revenue recognition standard will have a substantial impact on the Group accounting policies, the Group is still assessing these impacts. The Group will apply this new standard for the financial reporting period commencing on 1 January 2018 but has not yet concluded on the transitional method.
- IFRS 16 (standard) 'Leases', effective for annual periods beginning on or after 1 January 2019. This new standard supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. It sets out a comprehensive new set of rules for recognition and measurement of arrangements containing a lease. Although the Group has not evaluated the full impact of this new standard, it is expected that it will result in the recognition of most of its operating lease commitments as a 'right to use' asset and a corresponding liability. The Group will apply this new standard for the financial reporting period commencing on 1 January 2019.
- IAS 1 (amendment) 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2016. This amendment provides clarification that information should not be obscured by aggregating or by providing immaterial information and that materiality considerations apply to all parts of the financial statements. The amendment provides additional examples of possible ways of ordering notes to clarify that understandability and comparability should be considered when determining the order of notes. This amendment is not expected to have a significant impact on the Group's financial statements. The Group will apply this amendment for the financial reporting period commencing on 1 January 2016.
- IAS 12 (amendment) 'Income Taxes', effective for annual periods beginning on or after 1 January 2017. This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This amendment is not expected to have a significant impact on the Group's financial statements. The Group will apply this amendment for the financial reporting period commencing on 1 January 2017.
- IAS 16 (amendment) 'Property, Plant and Equipment', IAS 38 (amendment) 'Intangible Assets', effective for annual periods beginning on or after 1 January 2016. These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset will not be any longer appropriate. The application of these amendments will modify the Group's amortisation method for customer related intangible assets. The Group will apply these amendments for the financial reporting period commencing on 1 January 2016.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of Temenos Group AG as well as its subsidiaries.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognised in profit or loss.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognised in profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency and the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Swiss francs.

Transactions in foreign currencies are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The financial statements of the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) with a different functional currency than the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate at the date of the reporting period;
- Income and expenses for each statement presenting profit or loss and other comprehensive income are translated on a monthly basis at the average exchange rates of the month (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- Equity items are translated at the historical rates; and
- All resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Gains or losses resulting from long term intragroup balances for which settlement is neither planned nor likely to occur in the foreseeable future are treated as a net investment in foreign operations (i.e. quasi-equity loans). The gains or losses recognised in the separate financial statements of the subsidiary are reclassified as cumulative translation adjustment to other comprehensive income in the Group's consolidated financial statements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity. They are recognised in the functional currency of the acquired entity and translated to the presentation currency using the closing rate.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand as well as short term deposits and investments with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, the Group reports repayments and proceeds from borrowings on a net basis when it relates to short term roll-forward of the revolving credit facility with the same banks (note 18).

2. Accounting policies continued

2.5 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, change of strategy and default or delinquency in payments are considered indicators that the trade receivable could be impaired. Given the complexity, the size and the length of certain implementation of service-related projects, a delay in the settlement of an open trade receivable does not constitute an objective evidence that the trade receivable is impaired. The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is either reduced through the use of an allowance account or directly written off when there is no expectation of future recovery. The impairment loss is recognised in profit or loss within 'Sales and marketing'. Subsequent recoveries are credited in the same account previously used to recognise the impairment charge.

Accrued income represents fees earned but not yet invoiced at the reporting date.

Non-current trade and other receivables represent balances expected to be recovered after 12 months.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows (in years):

Buildings	50
Furniture and fixtures	10
Office equipment	5
IT equipment*	4
Vehicles	4

* Computer software separately acquired is depreciated over the shorter of the license term and four years.

Leasehold improvements are depreciated over the shorter of the remaining lease term and useful life (ten years).

The assets' residual values and useful lives are reviewed and adjusted if necessary at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance are charged to profit or loss as incurred.

Gains or losses on disposals are determined by comparing the consideration received or receivable with the carrying amount and are recognised within 'General and administrative' in profit or loss unless otherwise specified.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment. The carrying amount is allocated to the cash-generating unit ('CGU') that is expected to benefit from the synergies of the business combination. CGU to which the Goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to the goodwill is recognised immediately as an expense and is not subsequently reversed.

Computer software

Software licenses separately acquired are capitalised when the Group can demonstrate that:

- It controls the asset;
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- The cost of the asset can be reliably measured.

The cost of the asset comprises its purchase price (including non-refundable purchase taxes) and any directly attributable cost of preparing the asset for its intended use. The cost of the asset is amortised using the straight-line method over its estimated useful life.

Software technologies acquired through business combinations are initially measured at fair value and then amortised using the straight line method over their estimated useful lives.

Customer related intangible asset

Customer-related intangible assets are assets acquired through business combinations. They are initially measured at fair value and then amortised using the straight line method over their estimated useful lives.

Internally generated software development

The Group follows a strategy of investing a substantial part of its revenues in research and development work which is directed towards the enhancement of its product platforms.

The costs associated with the development of new or substantially improved products or modules are capitalised when the following criteria are met:

- Technical feasibility to complete the development;
- Management intent and ability to complete the product and use or sell it;
- The likelihood of success is probable;
- Availability of technical and financial resources to complete the development phase;
- Costs can be reliably measured; and
- Probable future economic benefits can be demonstrated.

Directly attributable development costs that are capitalised include the employee costs and an appropriate portion of relevant overheads. Directly attributable development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development expenditures that are not directly attributable are recognised as an expense when incurred.

Internally generated software development costs are amortised using the straight-line method after the product is available for distribution. Development costs related to architecture developments are amortised over a five year period and development costs related to functional developments are amortised over a three year period.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group incurs withholding tax in various jurisdictions. An assessment is made to assess the ability to recover these withholding taxes against the normal tax liabilities occurring within the Group, and a provision is made to the extent that withholding tax is not recoverable.

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

When the effect of the time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense within 'Finance costs'.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

A provision for onerous leases is recognised when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting the obligations under the contract.

2. Accounting policies continued

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Effective interest costs are recognised within 'Finance costs' in profit or loss.

Fees directly attributable to the conclusion of 'bank facilities' are recognised as a prepayment for liquidity services that is subsequently amortised within 'Finance costs' over the life of the facilities.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.12 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as liabilities in the statement of financial position. The interest elements of the lease obligations are charged to profit or loss over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset (note 2.6) and the remaining lease term.

All other leases are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or other instruments are reported within share premium (note 23), net of tax, from the proceeds.

Where any subsidiary of the Group purchases the Company's shares (treasury shares), the consideration paid (including any directly attributable incremental costs) is presented as a deduction from equity. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is recognised as an increase in equity and the resulting gains or losses are presented within share premium (note 23).

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method. The related interest expense is recognised in profit or loss within 'Finance costs'.

2.15 Employee share based payments

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss , with a corresponding adjustment to equity.

When the instruments are exercised, the Group issues new shares or re-issues treasury shares. The consideration received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and capital reserves.

2.16 Employee benefits

Pension obligations

The Group operates various pension schemes including both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee's service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. For currencies where there is no deep market in such high quality corporate bonds, the market yields on government bonds that are consistent with the currency and the estimated terms of the post employment benefit obligations shall be used.

When a surplus in a plan exists, the Group measures the net benefit asset at the lower of the surplus and the present value of the future economic benefits available to the Group in the form of a reduction in future contributions or a cash refund.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the relevant contributions are recognised as personnel costs when they are due. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. gratuities). The entitlement of those benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using actuarial assumptions. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.17 Revenue recognition

The Group derives revenues from the following sources: (1) software licenses, software development services and hosting arrangements; (2) software maintenance (help desk services and rights to future product enhancements); and (3) software implementation and support services.

The Group recognises revenues in accordance with IAS 18: 'Revenue'. This requires the exercise of judgment and the use of estimates in connection with the determination of the amount of revenue to be recognised in each accounting period. In exercising such judgment, the Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18: 'Revenue'.

Revenues are recognised net of any tax collected on behalf of local tax authorities.

Software license

Software license revenues represent all fees earned from granting customers licenses to use the Group's software, either through an initial license or through the purchase of additional modules or user rights, but excludes any amounts that are related to maintenance. For software license arrangements that do not require significant modification or customisation of the underlying software, revenue is recognised when the following criteria are met:

- Evidence of an arrangement exists;
- Delivery has occurred;
- The risks and rewards of ownership have been transferred to the customer;
- The amount of revenue can be reliably measured and is not subject to future adjustments (i.e. fixed and determinable);
- The associated costs can be reliably measured; and
- Collection is probable.

Unless collection is deemed virtually certain, license revenue due after 12 months is deferred until 1) the collection becomes due within 12 months, 2) there were no delinquency in prior payments, and 3) the remaining balance is free from any uncertainties and future adjustments.

Sale of software license to a customer which is not the end-user (i.e. reseller arrangement) is recognised when evidence of sell-through exists or when the Group has received non-refundable consideration.

Sale of software license that are on a subscription basis combined with the maintenance services, so that effectively a service over time is provided, are accounted for under 'Software-as-a-Service'. This is regardless of whether the software is taken on premise or hosted in the cloud.

Software development services revenue represents fees charged to clients for developing requested additional functionality. Generic developments relating to country-specific requirements or functionalities that are re-usable in future sales but not yet readily available at the time of the sale are deferred and recognised upon delivery. Non-generic development fees are recognised on a percentage-of-completion basis over the period when the service is performed.

SaaS & subscription

Revenue from 'Software-as-a-Service' relates to hosting arrangements that provide the customer with the right to use Temenos' products over a certain period time. Fees for the ongoing hosting service are recognised either on a usage basis (if this can be reliably measured) or over the contractual term of the arrangement. Non-refundable one-time upfront fees consisting of standardisation set-up, initiation or activation services are recognised over the term of the arrangement unless related costs can be reliably measured and revenue can be separately determined based on market pricing for the same obligation. Other professional services such as consulting or training constitute separate obligation and are recognised when revenue recognition criteria for services, as described below, are met.

The revenue from subscription arrangements where a client will pay periodic fees to keep the license active is recorded under 'SaaS & subscription'.

Hosting arrangements and subscription arrangements entitles the client to corrective maintenance and product updates without additional charge. The updates include improvements to the existing software product that is licensed but does not include new products.

2. **Accounting policies** continued

2.17 Revenue recognition continued

Maintenance

Software maintenance is included in most software license arrangements and is generally priced as a percentage of the initial software license fees. Maintenance provides customers with rights to unspecified software product upgrades, maintenance enhancements and access to the help desk during the term of the support period and is recognised ratably on a straight-line basis over the term of the arrangement.

Services

Software implementation and support services represents income from consulting, training and implementation services sold separately under services contracts. Fixed-price arrangements are accounted for on a percentage-of-completion basis in accordance with the rules applicable to long term contract revenue recognition as defined in IAS 11 'Construction Contracts', whereby revenue recognised during the period represents the man days effort incurred up to the end of the reporting period as a percentage of the total estimated man days to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Fees relating to time and material contracts are recognised when man-days efforts are provided and collection is deemed probable.

Multiple element arrangements

In many cases, the Group enters into transactions with customers that include multiple elements such as software license, maintenance, development services and services revenues. The revenues from these arrangements are generally accounted for separately. The factors considered in determining whether the revenue should be accounted for separately include the nature of the services (i.e. whether they are essential to the functionality of the software license), the existence of the fair value for the separable elements (i.e. availability of services from other vendors), the timing of payments and the acceptance criteria on the realisability of the software license fee.

Revenue from multiple-element arrangements is allocated to the different elements based on their fair value. Fair value for professional service and software development service is determined by market pricing for equivalent performance obligation sold separately or the 'cost-approach plus reasonable margin' methodology when market data does not exist. When revenue is objectively determined for all undelivered elements with the exception of one delivered element, the residual method is used to allocate revenue to the delivered element. Revenue for delivered elements is recognised when the revenue recognition criteria described above are met and revenue is free from any future uncertainties or adjustments attributable to the undelivered elements from which a portion of the fees have been allocated. Revenue for any undelivered elements is deferred and recognised when the product is delivered or over the period in which the service is performed.

When the hosting arrangement is combined with a license sale of the software, the license revenue is recognised according to the revenue criteria above when, and only when, the customer can take possession of the product without significant penalties. Otherwise, license revenue is recognised on the same terms of the related hosting arrangement.

Fees collected in advance are reported within 'deferred revenues' and then subsequently recognised as revenue when the performance obligation starts. Fees that have been earned but not yet invoiced are reported under 'trade and other receivables'.

2.18 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are computed by dividing the profit or loss attributable to equity holders of the Company, adjusted for the effect that would result from the conversion of dilutive ordinary shares, by the weighted average number of ordinary shares plus the weighted average of number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer ('CEO').

2.20 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must commit to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.21 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables or as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

All financial assets are initially recognised at fair value plus, in the case of financial assets not subsequently reported at fair value through profit or loss, transactions costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are financial asset held for trading. A financial asset is classified in this category if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- A derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within 'Finance costs-net'.

FVTPL financial assets are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents (notes 2.4 and 2.5).

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, except for the current portion where the recognition of interest would be immaterial.

The effective interest income is recognised in profit or loss within 'Finance costs – net'.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the reporting date.

Available-for-sale financial assets are initially recognised at fair value and transaction costs are expensed in profit or loss. They are subsequently measured at fair value and the resulting gains or losses are recognised in other comprehensive income.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset has been impacted.

Objective evidence could include, amongst other:

- Significant financial difficulty of the counterparty;
- Financial reorganisation or change in strategy;
- Default or delinquency in payments; and
- It becomes probable that the counterparty will enter bankruptcy.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets carried at amortised costs with the exception of trade receivables, where the carrying amount may be reduced through the use of an allowance account (note 2.5).

2. Accounting policies continued

2.22 Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised costs, net of directly attributable costs.

Subsequent measurement
Financial liabilities at fair value through profit or loss (FVTPL)
Financial liabilities at fair value through profit or loss are financial liabilities held for trading and contingent consideration incurred in a business combination. A financial liabilities is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- A derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within 'Finance costs-net'.

FVTPL financial liabilities are classified as current liabilities.

Financial liabilities measured at amortised costs
Financial liabilities measured at amortised costs are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The resulting discounted interest charge is recognised in profit or loss within 'Finance costs'.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

2.23 Accounting for derivative financial instruments and hedging activities
Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at each reporting date. The method of recognising the gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates derivatives as either:

(a) Held for trading; or
(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

While providing effective economic hedges under the Group's risk management policies, certain derivatives are not designated as hedging instruments according to IAS 39 'Financial Instruments: Recognition and Measurement'. They are classified as held for trading and the changes in the fair value are immediately recognised within 'Finance costs – net'. Related cash-flows are reported as cash flows from investing activities.

When hedge accounting is designated, the Group documents at the inception of the hedge the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy. This process includes linking all derivatives designated as hedges to specific assets or liabilities or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item has a remaining maturity of more than 12 months. Derivatives not designated for hedge accounting are classified as a current asset or liability.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in other comprehensive income are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability (e.g. fixed assets, deferred revenue), the gains and losses previously deferred in other comprehensive income are included in the initial cost of the asset or the carry amount of the liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in other comprehensive income remains in equity and is recycled to profit or loss when the hedge item is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in profit or loss.

Derivatives designated and qualified as hedging instruments are classified as non-current assets or liabilities when they are expected to be recovered or settled more than twelve months after the reporting period.

2.24 Fair value measurement
The Group measures certain financial instruments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to or by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group's consolidated financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: Inputs for the asset or liability that are not based on observable market data.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period when the event or change in circumstances occurred.

For items categorised within level 3, the Group's finance team reviews and assesses on a regular basis but ,in all cases, at each interim period the inputs and reports to the Chief Financial Officer ('CFO') any changes that may have a significant effect on the reported fair value.

The Group has elected to use the exception provided by paragraph 48 of IFRS 13 ' Fair Value Measurement' to measure the credit risk element attributable to the Group's own credit risk (net short position) or the counterparty's credit risk (net long position) on a net basis for the financial assets and financial liabilities governed by a master netting agreement.

2.25 Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Group:

- Currently has a legally enforceable right to set-off the financial assets and financial liabilities; and
- Intends either to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

An enforceable right to offset financial assets and financial liabilities must not be contingent on a future event and must be currently legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy.

2.26 Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Comparative information
The Group has re-presented certain comparative information to reflect changes from new presentation or classification.

3. Financial instruments

3.1 Accounting classifications
The Group holds the following financial instruments to which the accounting policies and disclosures according to IFRS 7 'Financial Instruments: Disclosures' applies:

	2015 USD 000	2014 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	**1,266**	787
Derivatives instruments used for hedging	**1,120**	2,588
Available-for-sale financial assets	**110**	156
Loans and receivables (including cash and cash equivalents)	**439,004**	430,790
Total	**441,500**	434,321
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	**1,332**	1,631
Derivatives instruments used for hedging	**14,732**	5,350
Financial liabilities measured at amortised cost	**562,051**	369,676
Total	**578,115**	376,657

3.2 Financial risk factors
The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Chief Financial Officer ('CFO'). The CFO and his team identify, evaluate and mitigate financial risks when deemed necessary.

Market risk
(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to those described below. Foreign exchange risk arises from:

- Forecasted revenues and costs denominated in a currency other than the entity's functional currency;
- Monetary assets and liabilities denominated in a currency other than the entity's functional currency; and
- Net investments in foreign operations.

The Group makes efforts to mitigate its foreign exchange risk attributable to its future cash-flows by aligning the revenue streams to currencies that match the cost base and hedge the residual exposure by using derivatives instruments whenever hedge accounting is applicable. At any point in time, the Group's policy is to mitigate the next 12 months of future cash-flows in foreign currency. The Group uses forward contracts as hedging instruments.

Forecasted transactions designated as hedged items under cash flow hedge relationship mainly comprises of future revenue streams as well as future recurring operating costs such as personnel costs and office related costs. They are expected to occur each month during the hedging period. With the exception of future maintenance streams for which gains or losses affect profit or loss over the subsequent periods after the cash flows occur (straight line basis over the maintenance period), gains or losses are recognised during the same period when the related cash flows occur.

The Group has entered into a cross currency swap CHF/EUR to hedge the foreign exchange risk attributable to the bond issued in 2015. The terms of the cross currency swap match those of the bond. Expected cash flows occur on 17 June every year until 2022 and affect profit or loss every month during the life of the bond.

There was no ineffectiveness recognised during the period (2014: USD nil).

The Group economically hedges its short term material foreign currency exposures arising from monetary assets and liabilities by entering into forwards contracts. These derivatives are not designated as a hedging instrument according to IAS 39 'Financial Instruments: Recognition and Measurement' since the related gains or losses are recognised and presented within the same period and the same line item in profit or loss as the underlying exposures.

The Group does not follow a defined plan to hedge the risk from the net investments in foreign operations as long as the risk is kept at a reasonable level.

The table below illustrates the Group's principal foreign currency exposures:

	Net exposure	
	2015 FCY* 000	2014 FCY* 000
EURO	**2,676**	228
UK Pounds	**(580)**	(484)
Swiss Francs	**(3,985)**	(6,663)
India rupee	**(35,386)**	189,847

* Foreign currency.

A negative value represents a net liability exposure.

These exposures represent monetary assets and liabilities that are either:

- Denominated in one of the currencies above and measured in an entity with a different functional currency; or
- Denominated in another currency but measured in an entity whose functional currency is one of the above.

These amounts include the derivatives classified as held for trading but exclude the derivatives and the recognised assets and liabilities that are qualified as cash-flow hedge accounting.

Sensitivity analysis

The following table represents the effect of a reasonable shift in the currencies above against all the other currencies to which they are measured.

				2015
	EURO USD 000	**UK Pounds USD 000**	**Swiss Francs USD 000**	**India rupee USD 000**
Sensitivity assumption	**+10%**	**+10%**	**+10%**	**+10%**
Profit or (loss)	**282**	**(87)**	**(409)**	**(56)**
Other comprehensive income:				
Cash flow hedging related to future forecasted revenues or costs	**(1,690)**	**740**	**514**	**2,264**
Cash flow hedging related to recognised liabilities	**(3,793)**	**–**	**3,369**	**–**
	(5,483)	**740**	**3,883**	**2,264**
Equity	**(5,201)**	**653**	**3,474**	**2,208**
Sensitivity assumption	**–10%**	**–10%**	**–10%**	**–10%**
Profit or (loss)	**(282)**	**87**	**409**	**56**
Other comprehensive income:				
Cash flow hedging related to future forecasted revenues or costs	**1,690**	**(740)**	**(514)**	**(2,264)**
Cash flow hedging related to recognised liabilities	**3,793**	**–**	**(3,369)**	**–**
	5,483	**(740)**	**(3,883)**	**(2,264)**
Equity	**5,201**	**(653)**	**(3,474)**	**(2,208)**

3. Financial instruments continued

3.2 Financial risk factors continued

				2014
	EURO USD 000	UK Pounds USD 000	Swiss Francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+20%	+10%
Profit or (loss)	28	(76)	(673)	299
Other comprehensive income:				
Cash flow hedging related to future forecasted revenues or costs	(2,064)	2,025	1,616	3,784
Cash flow hedging related to recognised liabilities	–	–	995	–
	(2,064)	2,025	2,611	3,784
Equity	(2,036)	1,949	1,938	4,083
Sensitivity assumption	–10%	–10%	–20%	–10%
Profit or (loss):	(28)	76	673	(299)
Other comprehensive income:				
Cash flow hedging related to future forecasted revenues or costs	2,064	(2,025)	(1,616)	(3,784)
Cash flow hedging related to recognised liabilities	–	–	(995)	–
	2,064	(2,025)	(2,611)	(3,784)
Equity	2,036	(1,949)	(1,938)	(4,083)

Sensitivity assumption represents management's assessment of reasonably possible changes in spot rates.

(ii) Price risk
The Group is exposed to price risk arising from equity securities classified as available-for-sale (note 14).

An increase of 10% in the quoted price would increase the equity by USD 11 thousand (2014: USD 16 thousand). An equal opposite change would decrease the equity by USD 11 thousand (2014: USD 16 thousand).

(iii) Cash flow and fair value interest risk
The Group is exposed to cash flow interest rate risks arising from cash and cash equivalents and borrowings at variable rates.

The Group is not exposed to any profit or loss impact from its fixed rate borrowings since they are measured at amortised cost.

The primary objective of the Group's policy is to effectively predict its interest expenses for the current and future periods by minimising the effect due to interest change. When the risk is deemed to be substantial, the Group may enter into derivatives to hedge it. The Group analyses its exposure on a dynamic basis taking into consideration all the current terms of the financial assets or liabilities at variable rates, the current market forecasts and management's assessment of reasonable possible change in the interest rates. At 31 December 2015, the risk was not considered significant, as demonstrated by the sensitivity analysis below, and therefore, no derivatives were entered into.

Sensitivity analysis
A sensitivity simulation was performed on the net exposure of financial instruments with variable rates. With all other variables held constant, an increase of the interest rate by 100 basis point was tested. The result of the sensitivity analysis was USD 0.7 million (2014: USD 0.9 million) additional finance expense to profit or loss and, consequently, a reduction of equity for a similar amount.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables.

The carrying amount of the financial assets, as reported in the section 3.1 above, represents the maximum credit exposure.

The Group's policy is to determine the creditworthiness of any new prospective or existing customer at the initial phase of the negotiation. Payment terms and requirement of financial security are adapted according to the degree of the credit quality and the past experience.

The Group's policy also requires to continuously assess the credit risk for customers with significant balances. At present, the Group does not hold any collateral security.

In cases when delinquency in payments occurs, the Group may withhold services delivery under current implementation or limit the right to use its software.

The Group mitigates the credit risk for cash and cash equivalents and derivative financial instruments by conducting all the transactions with major reputable financial institutions.

Credit risk related to derivative financial instruments is mitigated through legally enforceable master netting agreements.

As at 31 December 2015 and 2014, there is no geographical concentration of credit risk as the Group's customer base is internationally dispersed and no individual customer represents more than 10% of the Group's outstanding 'trade and other receivables' balances.

The Group's management believes that no impairment allowance is necessary in respect of trade and other receivables not past due other than those already provided for.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its exposure to liquidity risk through short and long term forecasts and by seeking to align the maturity profiles of its financial assets with its financial liabilities. The Group's policy is to maintain an adequate level of liquidity to meet its liabilities expected to be settled in the short or near term, under both normal and stressed conditions. Any liquidity excess is primarily used to repay any drawn borrowing facilities (note 18) and then invested in short term deposits with maturities of three months or less.

The following table details the remaining contractual maturity of the Groups' non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2015					
Trade and other payables	87,657	9,629	2,683	1,667	–
Onerous lease provision	249	249	115	338	–
Borrowings	16,638	3,773	178,582	115,422	183,376
Total non-derivatives financial liabilities	**104,544**	**13,651**	**181,380**	**117,427**	**183,376**

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2014				
Trade and other payables	72,019	4,770	–	–
Onerous lease provision	76	76	–	643
Borrowings	11,782	2,825	14,860	279,214
Total non-derivatives financial liabilities	**83,877**	**7,671**	**14,860**	**279,857**

3. Financial instruments continued

3.2 Financial risk factors continued

The following table details the Groups' liquidity analysis for its derivative financial liabilities. These amounts represent the contractual undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to quoted prices in active markets for identical instruments.

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2015						
Cross currency swaps	–	1,994	1,632	8,218	5,982	11,339
Outflow foreign exchange derivatives	153,162	3,568	4,789	–	–	–
Inflow foreign exchange derivatives	(151,649)	(3,479)	(4,677)	–	–	–
Net settled foreign exchange derivatives	229	83	12	–	–	–
Total derivatives	**1,742**	**2,166**	**1,756**	**8,218**	**5,982**	**11,339**

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2014					
Cross currency swap	–	–	1,625	1,625	5,975
Outflow foreign exchange derivatives	83,240	7,710	10,206	4,810	–
Inflow foreign exchange derivatives	(81,916)	(7,236)	(9,853)	(4,643)	–
Net settled foreign exchange derivatives	693	–	–	217	–
Total derivatives	**2,017**	**474**	**1,978**	**2,009**	**5,975**

3.3 Capital risk management

The Group's principal objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group is also subject to external covenants under its facility agreement. These covenants require the Group to remain within certain thresholds used for calculating financial ratios that are primarily based on financial indebtedness, EBITDA and interest expenses.

The capital structure of the Group consists of borrowings (note 18), cash and cash equivalents (note 12) and equity attributable to equity holders of the parent.

3.4 Fair value measurement

The following table provides the level of the fair value hierarchy within which the carrying amounts of the financial assets and liabilities measured at fair value are categorised.

Year ended 31 December 2015

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	1,266	–	1,266
Equity securities	110	–	–	110
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,120	–	1,120
Total	110	2,386	–	2,496

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Forward foreign exchange contracts	–	1,332	–	1,332
Contingent consideration	–	–	4,640	4,640
Derivatives used for hedging				
Forward foreign exchange contracts	–	702	–	702
Cross currency swaps	–	14,030	–	14,030
Total	–	16,064	4,640	20,704

Year ended 31 December 2014

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	787	–	787
Equity securities	156	–	–	156
Derivatives used for hedging				
Forward foreign exchange contracts	–	2,588	–	2,588
Total	156	3,375	–	3,531

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL (re-presented)				
Forward foreign exchange contracts	–	1,631	–	1,631
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,590	–	1,590
Cross currency swap	–	3,760	–	3,760
Total	–	6,981	–	6,981

There were no transfers between Level 1 and 2 in the current and prior periods.

3. Financial instruments continued

3.4 Fair value measurement continued

Assets and liabilities in level 2

Forward foreign exchange contracts:

Discounting cash flow method. The expected future cash flows are based on forward exchange rate (provided by brokers) and fixed forward rate, both discounted over the contractual remaining period using a free-risk yield curve adjusted for credit risk.

Cross currency swaps:

Discounting cash flow method. The future cash flows are discounted using forward interest yield-curves attributable to each currency (including the currency basis spreads). The resulting fair value of the leg measured in foreign currency is translated using the sopt exchange rate.

There were no changes in valuation techniques during the period.

Assets and liabilities in level 3

Contingent consideration:

The fair value considers the present value of the expected payments discounted at a risk-adjusted rate of 8%. The expected payments are determined by considering the underlined target revenue based on the most recent financial budget approved by the management. The probability risk attributable to the financial budget is embedded into the discount rate.

Reconciliation from the opening balances to the closing balances:

	Contingent consideration USD 000
Balance at 1 January 2015	–
Acquisition of business (note 6)	4,502
Loss included in 'Cost of sales'	90
Loss included in 'Finance costs' (note 10)	48
Balance at 31 December 2015	**4,640**

All the losses above are attributable to the liabilities held at 31 December 2015.

Reasonably possible changes to the significant unobservable inputs, holding the other inputs constant, would not materially affect the fair value at the reporting date.

3.5 Offsetting financial assets and financial liabilities

Derivatives transactions entered into by the Group are governed by ISDAs or equivalent. Such agreements permit the Group for net settlement with the same counterparty in the normal course of business and, also, give the right to set-off exposure with the same counterparty in the event of default, insolvency or bankruptcy of either the entity or the counterparty.

Year ended 31 December 2015

	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set-off USD 000	Net amount USD 000
Financial assets					
Derivatives financial assets	2,386	–	2,386	1,089	1,297
Total	**2,386**	**–**	**2,386**	**1,089**	**1,297**
Financial liabilities					
Derivatives financial liabilities	16,064	–	16,064	1,089	14,975
Total	**16,064**	**–**	**16,064**	**1,089**	**14,975**

Year ended 31 December 2014

	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set off USD 000	Net amount USD 000
Financial assets					
Derivatives financial assets	3,375	–	3,375	1,772	1,603
Total	3,375	–	3,375	1,772	1,603
Financial liabilities					
Derivatives financial liabilities	6,981	–	6,981	1,772	5,209
Total	**6,981**	**–**	**6,981**	**1,772**	**5,209**

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

If the future sales and the size of the market opportunities are significantly lower than management's estimates the carrying value of goodwill may need to be reduced accordingly. However, unless any downturn is particularly severe and pervasive, it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2015 the carrying amount of the goodwill amounts to USD 462.5 million (2014: USD 308.9 million).

Deferred income taxes

The Group recognises deferred tax assets on carried forward losses and other temporary differences. The amount recognised is based on management's estimates and assumptions with regards to the availability of future taxable profits at the subsidiaries where the carried forward losses or temporary differences exist. Where the actual outcomes are to differ by 10% from management's estimates, the Group would:

- Increase the deferred tax asset by USD 560 thousand, if favourable; or
- Decrease the deferred tax asset by USD 560 thousand, if unfavourable.

However, were management to revise internal pricing arrangements, there could be a larger impact on deferred tax.

At 31 December 2015 the carrying amount of the deferred tax asset amounts to USD 17.3 million (2014: USD 23.9 million).

Critical judgements in applying the Group's accounting policies

Revenue recognition

As detailed in note 2.17, the Group is required to make an assessment for each new software license contract as to whether the underlying software requires significant modification or customisation by the Group in order to meet the customer's requirements. If significant modification or customisation is required, then the license fee is recognised based on percentage-of-completion. However, the majority of such modifications or customisations have not been deemed significant in current or prior periods.

The Group also exercises judgement in assessing uncertainties surrounding the probability of collection when payment terms are linked to service implementation milestones or other various contingencies exist. These assessments are made at the outset of the contract.

In respect of service revenue, the management exercises judgement in determining the percentage of completion, specifically with regards to the total man days remaining to complete the implementation.

Internally generated software development

As detailed in note 2.7, the Group is required to make an assessment for each ongoing project in order to determine at what stage a project meets the criteria outlined in the Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project. The total development expenses for the period was USD 161.2 million (2014: USD 106.1 million) and the total capitalised development costs was USD 45.3 million (2014: USD 43.2 million).

5. Group companies

The consolidated financial statements include the accounts of Temenos Group AG and the following entities as of 31 December 2015:

Company name	Country of incorporation	Ownership interest
TEMENOS AUSTRALIA PTY LIMITED	Australia	100%
TEMENOS ÖSTERREICH GMBH	Austria	100%
TEMENOS BELGIUM SA	Belgium	100%
ODYSSEY FINANCIAL TECHNOLOGIES S.A.	Belgium	100%
TEMENOS SOFTWARE BRASIL LTDA	Brazil	100%
TEMENOS HOLDINGS LIMITED	British Virgin Islands	100%
TEMENOS BULGARIA EOOD	Bulgaria	100%
TEMENOS CANADA INC.	Canada	100%
TEMENOS SOFTWARE CANADA LIMITED	Canada	100%
IGEFI CANADA INC	Canada	100%
TEMENOS SOFTWARE SHANGAI CO. LIMITED	China	100%
MULTIFONDS (SHANGHAI) INFORMATION AND TECHNOLOGY CO. LIMITED	China	100%
TEMENOS COLOMBIA SAS	Colombia	100%
TEMENOS COSTA RICA SA	Costa Rica	100%
TEMENOS (RUSSIA) LIMITED	Cyprus	100%
TEMENOS MIDDLE EAST LIMITED	Cyprus	100%
TEMENOS DENMARK APS	Denmark	100%
TEMENOS ECUADOR SA	Ecuador	100%
TEMENOS EGYPT LLC	Egypt	100%
TEMENOS FRANCE SAS	France	100%
TEMENOS HOLDINGS FRANCE SAS	France	100%
VIVEO GROUP SAS	France	100%
VIVEO FRANCE SAS	France	100%
IGEFI FRANCE SÀRL	France	100%
ODYSSEY FINANCIAL TECHNOLOGIES GmbH	Germany	100%
TEMENOS DEUTSCHLAND GMBH	Germany	100%
IGEFI DEUTSCHLAND GMBH	Germany	100%
TEMENOS HELLAS SA	Greece	100%
TEMENOS HONG KONG LIMITED	Hong Kong	100%
IGEFI HONG KONG	Hong Kong	100%
TEMENOS INDIA PRIVATE LIMITED	India	100%
FINANCIAL OBJECTS SOFTWARE (INDIA) PRIVATE LIMITED	India	100%
IGEFI SOFTWARE INDIA PRIVATE LIMITED	India	100%
TEMENOS SYSTEMS IRELAND LIMITED	Ireland	100%
IGEFI IRELAND LIMITED	Ireland	100%
TEMENOS ISRAEL LIMITED	Israel	100%
TEMENOS JAPAN KK	Japan	100%
TEMENOS KAZAKHSTAN LLP	Kazakhstan	100%
TEMENOS EAST AFRICA LIMITED	Kenya	100%
TEMENOS KOREA LIMITED	Korea	100%
TEMENOS FINANCE LUXEMBOURG SÀRL	Luxembourg	100%
TEMENOS LUXEMBOURG SA	Luxembourg	100%
TEMENOS SOFTWARE LUXEMBOURG SA	Luxembourg	100%
ODYSSEY GROUP S.A.	Luxembourg	100%
IGEFI GROUP SÀRL	Luxembourg	100%
TEMENOS (MALAYSIA) SDN BHD	Malaysia	100%
TEMENOS MEXICO SA DE CV	Mexico	100%
TEMENOS NORTH AFRICA LLC	Morocco	100%
TEMENOS (NL) BV	Netherlands	100%
TEMENOS HOLLAND BV	Netherlands	100%
TEMENOS INVESTMENTS BV	Netherlands	100%
TEMENOS PANAMA S.A.	Panama	100%

Company name	Country of incorporation	Ownership interest
TEMENOS PHILIPPINES, INC.	Philippines	100%
TEMENOS POLSKA SP.ZOO	Poland	100%
FINCH SOFTWARE LIMITED	Republic of Mauritius	100%
TEMENOS ROMANIA SRL	Romania	100%
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%
IGEFI SINGAPORE PTE LIMITED	Singapore	100%
TEMENOS AFRICA PTY LIMITED	South Africa	100%
DBS GLOBAL SOLUTIONS (PTY) LIMITED	South Africa	100%
TEMENOS HISPANIA SL	Spain	100%
TEMENOS HEADQUARTERS SA	Switzerland	100%
IGEFI SA	Switzerland	100%
IGEFI LICENSING SÀRL	Switzerland	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%
TEMENOS EURASIA BANKA YAZILIMLARI LTD SIRKETI	Turkey	100%
TEMENOS SOLUTIONS USA INC.	US	100%
TEMENOS USA, INC.	US	100%
EDGE IPK INC.	US	100%
TRINOVUS LLC	US	100%
TRINOVUS SYSTEMS LLC	US	100%
AKCELERANT SOFTWARE LLC	US	100%
IGEFI US LLC	US	100%
TEMENOS UKRAINE LLC	Ukraine	100%
TEMENOS UK LIMITED	UK	100%
FE MOBILE LIMITED	UK	100%
FINANCIAL OBJECTS LIMITED	UK	100%
FINANCIAL OBJECTS (UK) LIMITED	UK	100%
FINANCIAL OBJECTS INTERNATIONAL LIMITED	UK	100%
WEALTH MANAGEMENT SYSTEMS LIMITED	UK	100%
FAIRS LIMITED	UK	100%
GENISYS TECHNOLOGY LIMITED	UK	100%
IGEFI UK LIMITED	UK	100%
LYDIAN ASSOCIATES LIMITED	UK	100%
FINO SOFTWARE SERVICES LIMITED	UK	100%
WEALTH MANAGEMENT SOFTWARE LIMITED	UK	100%
ODYSSEY FINANCIAL TECHNOLOGIES PLC	UK	100%
EDGE IPK LTD	UK	100%
TEMENOS VIETNAM COMPANY LIMITED	Vietnam	100%

In addition to the Group companies listed above, some Group subsidiaries maintain branches or representative offices at the following locations: Beirut (Lebanon); Dubai (United Arab Emirates); Riyadh (Saudi Arabia); Moscow (Russia); Prague (Czech Republic); Kiev (Ukraine); Taipei (Taiwan); Islamabad (Pakistan); Jakarta (Indonesia); New-York (US); Stockholm (Sweden), Santo Domingo (Dominican Republic), Tunis (Tunisia), Nantes (France), Hong Kong (Hong Kong), Helsinki (Finland) and Renens (Switzerland).

Significant restrictions
Other than those described in note 12, there is no significant restriction on the Group's ability to access or use assets, and settle liabilities, of the above entities.

6. Business combinations

Prior year acquisitions
There were no acquisitions in the year ending 31 December 2014.

Current year acquisitions
Akcelerant Software LLC
On 9 February 2015, the Group acquired 100% of the share capital of Akcelerant Software LLC based in the US.

Akcelerant is a leading provider of software and services to the financial industry. The company offers multiple product lines and holds strong relationships with numerous best-of-breed service providers. Today, more than 500 financial institutions in North America are using Akcelerant technology.

The acquisition will significantly increase Temenos' competitiveness and accelerate business growth in the US market. It will also provide complementary products to the Group's portfolio of banking technology solutions.

The goodwill arising from the acquisition is mainly attributable to the cross-selling opportunities with the acquired customer base and the expansion of the Group's presence into the US market.

The goodwill recognised is expected to be tax deductible for income tax purposes.

Fair value of the consideration transferred at acquisition date:

	USD 000
Cash consideration	49,282
Contingent consideration	4,502
Total	53,784

Fair value of the identifiable assets acquired and liabilities assumed

	Total USD 000
Trade and other receivables	3,301
Property, plant and equipment (note 15)	94
Intangible assets (note 16)	38,236
Trade and other payables	(1,439)
Deferred revenues	(5,859)
Deferred tax liabilities (note 19)	(1,240)
Total	33,093
Goodwill (note 16)	20,691
Acquisition-related costs included in 'General and administrative' line in the statement of profit or loss	430
Consideration paid in cash	49,282
Cash and cash equivalents acquired	–
Cash outflow on acquisition	49,282

The fair value of the trade and other receivables approximates its carrying value and it is expected to be fully recoverable.

The revenue and profit or loss contributed by the acquiree in the period between the date of acquisition and the reporting date are USD 17.9 million and USD 3.9 million loss, respectively. This information includes the amortisation of the acquired intangible assets with the related tax effect.

Had the acquisition occurred on 1 January 2015, the Group's consolidated statement of profit or loss would have reported a pro-forma revenue of USD 19.3 million and a pro-forma loss of USD 4.7 million. These amounts reflect the adjustment of the acquired deferred income liability and the amortisation of the acquired intangible assets, with the related tax effect, for the pre-acquisition period.

The contingent consideration arrangement requires the Group to pay in cash an earn-out contribution based on the completion of a yearly revenue target over the earn out period ending 31 December 2017. The agreement requires a payment of USD 1.7 million each year from 2015 to 2017 provided that the yearly target is achieved. The selling shareholders are also entitled to an additional consideration if the cumulative revenue over the entire period exceeds a revenue threshold. However, this additional contribution is limited to a maximum amount of USD 1 million. The potential undiscounted consideration value is between nil and USD 6 million.

The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows. The risk-adjusted discount rate was 7.3%. At 31 December 2015, the fair value of the contingent consideration has increased to USD 4.6 million (note 17).

Multifonds

On 4 March 2015, the Group acquired 100% of the share capital of IGEFI Group Sàrl, trading as Multifonds, a leading global provider of fund administration software, based in Luxembourg.

Founded in 1995 and headquartered in Luxembourg, Multifonds provides software to financial services institutions globally, predominantly in the third-party fund administration market. Multifonds' software allows fund administrators to perform key accounting functions such as intra-day valuations and end-of-day NAV calculations as well as to support fund administrators in key investor servicing and transfer agency functions such as investor dealing and shareholder record keeping. Multifonds has over 470 employees in 12 offices globally.

The acquisition will give Temenos additional scale, access to highly complementary products, client relationships with more than 30 of the world's largest financial institutions, and exposure to the fast-growing fund administration market.

The goodwill arising from the acquisition is mainly attributable to the cross-selling opportunities with the acquired customer base and the expansion of the Group's presence into the fund administration market.

None of the goodwill is expected to be deductible for tax purposes.

Fair value of the consideration transferred at acquisition date:

	USD 000
Cash consideration	272,635
Total	272,635

Fair value of the identifiable assets acquired and liabilities assumed

	Total USD 000
Cash and cash equivalents	24,191
Trade and other receivables	16,987
Property, plant and equipment (note 15)	1,984
Intangible assets (note 16)	130,762
Trade and other payables	(9,386)
Provisions for other liabilities and charges (note 20)	(313)
Retirement benefit obligations (note 21)	(539)
Income taxes payable	(9,699)
Deferred revenues	(11,327)
Deferred tax liabilities (note 19)	(29,614)
Total	113,046

Goodwill (note 16)	159,589

Acquisition-related costs included in 'General and administrative' line in the statement of profit or loss.	3,283
Consideration paid in cash	272,635
Cash and cash equivalents acquired	(24,191)
Cash outflow on acquisition	248,444

The fair value of the trade and other receivables approximates its carrying value and it is expected to be fully recoverable.

The revenue and profit or loss contributed by the acquiree in the period between the date of acquisition and the reporting date are USD 33.7 million and USD 16.2 million loss, respectively. This information includes the amortisation of the acquired intangible assets with the related tax effect.

Had the acquisition occurred on 1 January 2015, the Group's consolidated statement of profit or loss would have reported a pro-forma revenue of USD 39.1 million and a pro-forma loss of USD 22.2. These amounts reflect the adjustment of the acquired deferred income liability and the amortisation of the acquired intangible assets, with the related tax effect, for the pre-acquisition period.

The initial accounting has been provisionally completed at 31 December 2015. The Group is still evaluating the fair value of certain liabilities assumed.

7. Segment information

The Chief Operating Decision Maker ('CODM') has been identified as the Group's Chief Executive Officer ('CEO'). He regularly reviews the Group's operating segments in order to assess performance and to allocate resources.

The CODM considers the business from a product perspective and, therefore, recognises the reporting segments as: 'Product' and 'Services'. Other representation of the Group's activity such as regional information is also presented to the CODM but it is not primarily used to review the Group's performance and to make decisions as to how to allocate resources. These two reporting segments are the Group's only operating segments, hence there is no segmental aggregation.

The 'Product' segment is primarily engaged in marketing, licensing and maintaining the Group's software solutions, including software development fees for requested functionality, as well as providing hosting and subscription arrangements. The 'Services' segment represents various implementation tasks such as consulting and training.

The CODM assesses the performance of the operating segments based on the operating contribution. This measure includes the operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated expenses mainly comprise of restructuring costs, termination benefits, acquisition-related costs, share based payment expenses, offices-related expenses and any other administrative or corporate overheads that cannot be directly attributable to the operating segments. Segment revenues provided to the CODM exclude the fair value adjustment recognised on deferred income liability acquired in business combination and hence total revenues allocated to the two segments exceed the IFRS reported figures.

Assets attributed to the reporting segments represent the net trade receivables and the accrued income (note 13).

The table below summarises the primary information provided to the CODM:

	Product		Services		Total	
	2015 USD 000	2014 USD 000	**2015 USD 000**	2014 USD 000	**2015 USD 000**	2014 USD 000
Revenues	**449,445**	371,027	**109,557**	97,675	**559,002**	468,702
Operating contribution	**204,479**	161,336	**20,141**	13,694	**224,620**	175,030
Total assets	**147,049**	140,709	**88,642**	89,956	**235,691**	230,665

All revenues are derived from external customers. The Group has a large number of customers and no individual customer contributed more than 10% of the Group's revenue in the current and prior year.

The accounting policies applied to the reportable segments are the same as the Group's accounting policies described in note 2 with the exception of the fair value adjustment on deferred income liability acquired in business combination.

Intersegment transactions are recognised as part of the allocated expenses. They are based on internal cost rates that excludes any profit margin.

Reconciliation to Group's consolidated financial statements	**2015 USD 000**	2014 USD 000
Total operating contribution from the reportable segments	**224,620**	175,030
Fair value adjustment on acquired deferred income liability	**(16,499)**	–
Depreciation and amortisation (note 8)	**(74,460)**	(49,584)
Unallocated expenses	**(36,904)**	(7,251)
Finance costs – net (note 10)	**(18,674)**	(11,862)
Profit before taxation	**78,083**	106,333

Total assets	**2015 USD 000**	2014 USD 000
Total assets allocated to the reportable segments	**235,691**	230,665
Unallocated items:		
Other receivables	**26,620**	23,280
Cash and cash equivalents	**193,252**	192,610
Other financial assets	**2,496**	3,531
Property, plant and equipment	**15,610**	14,089
Intangible assets	**737,998**	437,808
Deferred tax assets	**17,307**	23,865
Total assets per the statement of financial position	**1,228,974**	925,848

Geographical information

Revenues from external customers	**2015 USD 000**
Switzerland (country of the Group's domiciliation)	**28,856**
United Kingdom	**39,415**
Luxembourg	**48,058**
United States of America	**42,217**
Total – material countries	**158,546**
Rest of Europe*	**141,504**
Middle-East & Africa	**95,713**
Asia	**91,576**
Rest of America	**55,164**
Total revenues	**542,503**

* France was not separately reported in the 2015 geographical information as the revenues from external customers attributed to it was not material.

	2014 USD 000
Switzerland (country of the Group's domiciliation)	17,913
United Kingdom	35,233
France	23,639
Luxembourg	24,123
United States of America	21,721
Total – material countries	**122,629**
Rest of Europe	95,624
Middle-East & Africa	92,354
Asia	94,988
Rest of America	63,107
Total revenues	**468,702**

Revenues are based on the location where the license and maintenance is sold or the service is provided.

Non-current assets other than financial instruments and deferred tax assets	**2015 USD 000**
Switzerland (country of the Group's domiciliation)	**93,850**
Luxembourg	**388,373**
United Kingdom	**60,370**
France	**57,970**
United States of America	**77,541**
Other countries	**75,504**
Total	**753,608**

	2014 USD 000
Switzerland (country of the Group's domiciliation)	105,459
Luxembourg	135,096
United Kingdom	69,479
France	64,990
United States of America	22,930
Other countries	53,943
Total	451,897

8. Expenses by nature

	2015 USD 000	2014 USD 000
Third party licenses and commissions	**15,618**	11,815
Personnel costs and external consultants	**312,964**	252,185
Depreciation and amortisation (notes 15 and 16)	**74,460**	49,584
Travel expenses	**25,528**	26,654
Rent and other occupancy costs	**18,458**	16,069
Marketing and other professional costs	**18,615**	12,599
Other costs	**25,396**	24,782
Capitalised development costs (note 16)	**(45,293)**	(43,181)
	445,746	350,507

On 31 December 2015, the Group disposed of its 'Energy business', that was acquired in 2007 through the acquisition of Financial Objects Limited, for a consideration of USD 740 thousand net of cash disposed of. Consideration will be collected in 2016. The net gain on disposal contributed to the Group's profit was USD 250 thousand.

9. Employee benefit expenses

	2015 USD 000	2014 USD 000
Wages and salaries	**200,026**	170,828
Termination benefits	**4,501**	1,282
Social charges	**29,156**	25,350
Defined contribution pension costs	**5,617**	5,248
Defined benefit pension costs (note 21)	**2,455**	1,933
Cost of employee share option scheme (note 25)	**26,379**	12,122
	268,134	216,763

Included in the employee benefit expenses, is the remuneration of the key management personnel as illustrated below:

	2015 USD 000	2014 USD 000
Key management personnel of Temenos Group AG		
– short term cash compensation and benefits	**5,324**	3,999
– post employment benefits	**190**	222
– share based payment	**17,013**	6,750
	22,527	10,971
Non-Executive Directors		
– short term benefits	**655**	605

Remuneration of the Board of Directors and the Executive Committee in accordance with the Swiss Code of Obligations and the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies can be found in the compensation report of the annual report.

10. Finance costs – net

	2015 USD 000	2014 USD 000
Finance income:		
– Interest income on short term bank deposits and investments	**65**	88
– Interest income on non-current trade and other receivables	**132**	296
– Net gain on derivatives not designated as hedging instruments	**2,626**	2,584
Total finance income	**2,823**	2,968
Finance costs:		
– Interest expense on financial instruments measured at amortised costs	**(13,648)**	(8,389)
– Change in fair value of contingent consideration	**(48)**	–
– Other financing costs*	**(4,019)**	(3,161)
– Foreign exchange loss, net	**(3,782)**	(3,280)
Total finance costs	**(21,497)**	(14,830)
Finance costs – net	**(18,674)**	(11,862)

* Other financing costs mainly comprise of fees related to the financing facilities (including the commitment fees attributable to the undrawn portion) and fees related to guarantees in issue (note 18).

11. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Profit attributable to equity holders of the Company (USD 000)	**66,344**	91,631
Weighted average of ordinary shares outstanding during the year (in thousands)	**65,795**	67,416
Basic earnings per share (USD per share)	**1.01**	1.36

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the periods presented in these consolidated financial statements, the Group has only one category with a potential dilutive effect: 'Share options and restricted shares'.

For the period ended 31 December 2014 and 31 December 2015, this category was fully dilutive.

	2015	2014
Profit used to determine diluted earnings per share (USD 000)	**66,344**	91,631
Weighted average of ordinary shares outstanding during the year (in thousands)	**65,795**	67,416
Adjustments for:		
– Share options and restricted shares (in thousands)	**4,286**	2,057
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**70,081**	69,473
Diluted earnings per share (USD per share)	**0.95**	1.32

12. Cash and cash equivalents

The balance in respect of cash and cash equivalents consists of:

	2015 USD 000	2014 USD 000
Cash at bank and in hand	**173,054**	132,446
Short term deposits with banks	**20,198**	50,164
Other short term investments	**–**	10,000
	193,252	192,610

Included in the above amount, is USD 10.5 million (2014: USD 3.1 million) of cash and cash equivalents that are held in jurisdiction where regulatory exchange controls exist and, therefore, are not available for general use by the Group outside of such jurisdiction at the reporting date.

13. Trade and other receivables

	2015 USD 000	2014 USD 000
Trade receivables	**88,626**	94,846
Provision for impairment	**(23,552)**	(22,942)
Trade receivables – net	**65,074**	71,904
Accrued income	**170,617**	158,761
VAT and other taxation recoverable	**8,795**	7,936
Other receivables	**5,519**	2,620
Prepayments	**12,306**	12,724
Total trade and other receivables	**262,311**	253,945
Less non-current portion	**(17,135)**	(22,298)
Total current trade and other receivables	**245,176**	231,647

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. As the total carrying amount of the current portion of the trade and other receivables is due within the next 12 months after the reporting date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of these receivables are periodically assessed by reference to external credit ratings (if available) or to historical information about their default rates. The Group does not hold any collateral as security.

Fair values of the trade and other receivables qualified as financial assets and not measured at fair value

	Carrying amount		Fair value	
	2015 USD 000	2014 USD 000	2015 USD 000	2014 USD 000
Current trade and other receivables	**228,617**	215,882	**228,617**	215,882
Non-current trade and other receivables.	**17,135**	22,298	**16,853**	21,855
	245,752	238,180	**245,470**	237,737

The carrying amounts of the current trade and other receivables approximate their fair value. The fair value measurement of the non-current trade and other receivables is based on a discounted cash flow approach using a risk-free yield curve adjusted for credit risk and is within level 2 of the fair value hierarchy.

Ageing of the net trade receivables past due but not impaired:

	2015 USD 000	2014 USD 000
Past due less than 30 days	**19,340**	22,839
Past due 31-90 days	**6,830**	9,583
Past due 91-180 days	**6,255**	10,412
Past due 181-360 days	**9,449**	5,689
More than 360 days	**12,334**	16,085
	54,208	64,608

The Group believes that the unimpaired amounts that are past due are fully recoverable as there are no indicators of future delinquency or potential litigation.

Movements in the provision for impairment
The allowance account is used for impairment of trade receivables. The other classes do not contain any impaired assets.

	2015 USD 000	2014 USD 000
At 1 January	**22,942**	19,194
Provision for impairment	**4,912**	12,918
Used amounts	**(3,774)**	(8,842)
Recoveries	**(241)**	–
Unused amounts	**(23)**	(29)
Exchange (gain) or loss	**(264)**	(299)
At 31 December	**23,552**	22,942

Management acknowledges that there is an inherent risk linked to the Group's trade receivables in respect of the complexity of the Group's business and the existence of mid to long projects.

Included in 'Sales and marketing', is USD 8.8 million (2014: USD 14.8 million) of net impairment loss related to trade receivables. The Group has provided for the adverse probable outcome on a limited number of projects that are facing some implementation difficulties or funding issues.

14. Other financial assets and liabilities

	2015		2014	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cash flow hedges	**1,120**	**702**	2,588	1,590
Forward foreign exchange contracts – held for trading	**1,266**	**1,332**	787	1,631
Cross currency swaps – cash flow hedges	**–**	**14,030**	–	3,760
Available-for-sale investment	**110**	**–**	156	–
At 31 December	**2,496**	**16,064**	3,531	6,981
Reported as follows:				
Current	**2,386**	**2,034**	3,143	2,841
Non-current	**110**	**14,030**	388	4,140
At 31 December	**2,496**	**16,064**	3,531	6,981

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets as reported in the statement of financial position.

Available-for-sale investment financial assets includes equity securities of a publicly listed company in Australia.

15. Property, plant and equipment

Year ended 31 December 2015	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings & equipment USD 000	Land and buildings USD 000	Total USD 000
Cost					
At 1 January 2015	13,310	438	37,729	2,671	54,148
Foreign currency exchange differences	(458)	(9)	(1,625)	(93)	(2,185)
Acquisition of business (note 6)	15	–	2,063	–	2,078
Additions	686	44	5,005	–	5,735
31 December 2015	**13,553**	**473**	**43,172**	**2,578**	**59,776**
Depreciation and impairment					
At 1 January 2015	10,998	316	28,446	299	40,059
Foreign currency exchange differences	(285)	(5)	(1,139)	(13)	(1,442)
Charge for the year	943	65	4,374	48	5,430
Impairment loss	15	8	96	–	119
31 December 2015	**11,671**	**384**	**31,777**	**334**	**44,166**
Net book value					
31 December 2015	**1,882**	**89**	**11,395**	**2,244**	**15,610**
Year ended 31 December 2014					
Cost					
At 1 January 2014	12,183	421	35,111	2,729	50,444
Foreign currency exchange differences	(299)	(4)	(1,727)	(58)	(2,088)
Additions	1,426	21	4,345	–	5,792
31 December 2014	13,310	438	37,729	2,671	54,148
Depreciation and impairment					
At 1 January 2014	10,609	246	26,387	257	37,499
Foreign currency exchange differences	(230)	(2)	(1,329)	(8)	(1,569)
Charge for the year	559	62	3,295	50	3,966
Impairment loss	60	10	93	–	163
31 December 2014	10,998	316	28,446	299	40,059
Net book value					
31 December 2014	2,312	122	9,283	2,372	14,089

Leased assets, where the Group is a lessee, mainly comprise of Information Technology ('IT') hardware and some office equipment.

	Fixtures fittings & equipment USD 000
Net book value at 31 December 2015	**12**
Net book value at 31 December 2014	24

In all cases the assets leased are pledged as collateral against the finance lease liability.

16. Intangible assets

Year ended 31 December 2015	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2015	292,531	308,973	71,135	46,043	718,682
Foreign currency exchange differences	(5,622)	(26,712)	(3,392)	(3,441)	(39,167)
Acquisition of business (note 6)	–	180,280	78,562	90,436	349,278
Additions	45,293	–	6,105	–	51,398
31 December 2015	**332,202**	**462,541**	**152,410**	**133,038**	**1,080,191**
Amortisation					
At 1 January 2015	178,839	–	56,678	45,357	280,874
Foreign currency exchange differences	(2,274)	–	(2,405)	(3,057)	(7,736)
Charge for the year	34,967	–	21,596	12,467	69,030
Impairment loss	–	–	25	–	25
31 December 2015	**211,532**	**–**	**75,894**	**54,767**	**342,193**
Net book value					
31 December 2015	**120,670**	**462,541**	**76,516**	**78,271**	**737,998**
Year ended 31 December 2014					
Cost					
At 1 January 2014	255,934	341,308	71,624	50,815	719,681
Foreign currency exchange differences	(6,584)	(32,335)	(4,017)	(4,772)	(47,708)
Additions	43,181	–	3,528	–	46,709
31 December 2014	292,531	308,973	71,135	46,043	718,682
Amortisation					
At 1 January 2014	147,677	–	49,788	48,270	245,735
Foreign currency exchange differences	(2,194)	–	(3,519)	(4,766)	(10,479)
Charge for the year	33,356	–	10,409	1,853	45,618
31 December 2014	178,839	–	56,678	45,357	280,874
Net book value					
31 December 2014	113,692	308,973	14,457	686	437,808

Amortisation charge of USD 64.2 million (2014: USD 41.1 million) is included in the 'Cost of sales' line; USD 0.5 million (2014: USD 0.4 million) in 'Sales and marketing' line; USD 1.3 million (2014: USD 0.7 million) in 'Other operating expenses' line and USD 3.0 million (2014: USD 3.4 million) in 'General and administrative' line.

16. Intangible assets continued

Impairment tests for goodwill
Goodwill is allocated to the 'Product' reportable segment.

	2015			2014		
	Carrying amount USD 000	**Growth rate %**	**Discount rate %**	Carrying amount USD 000	Growth rate %	Discount rate %
'Product' segment	**462,541**	**1**	**10.59**	308,973	1	11.91
	462,541			308,973		

The recoverable amount of the cash-generating unit ('CGU') is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budget approved by the management covering a four year period (2014: a four year period) and then inflated over a perpetual period using the estimated growth rate assigned to the countries where the cash-generating unit operates. The growth rate does not exceed the long term average growth rate for the software industry in which the CGU performs its operations. The growth rate and the pre-tax discount rate used in the calculation are presented above.

Budgeted cash flow projections are determined based on the expectation of the future client signings of the Group's current pipeline. Budgeted gross margin is based on expectations of market development and efficiency leverage. Management believes that any reasonable change in any of the key assumptions on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the cash-generating unit.

The discount rate represents the Group's Weighted Average Cost of Capital adjusted for tax effect to determinate the pre-tax rate as required by IFRS.

17. Trade and other payables

	2015 USD 000	2014 USD 000
Trade payables	**27,935**	28,614
Accrued expenses	**56,397**	38,678
Contingent consideration	**4,640**	–
Other payables	**16,264**	12,542
Total trade and other payables	**105,236**	79,834
Less non-current portion	**(3,989)**	–
Total current trade and other payables	**101,247**	79,834

Except for contingent consideration, trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

Contingent consideration is initially and subsequently measured at fair value.

Fair values of the trade and other payables qualified as financial liabilities and not measured at fair value.

	Carrying amount		Fair value	
	2015 USD 000	2014 USD 000	**2015 USD 000**	2014 USD 000
Current trade and other payables	**99,633**	76,789	**99,633**	76,789
Non-current trade and other payables	**1,016**	–	**991**	–
	100,649	76,789	**100,624**	76,789

The carrying amounts of the current trade and other payables approximate their fair value. The fair value measurement of the non-current trade and other payables is based on a discounted cash flow approach using a free-risk yield curve adjusted for credit risk and is within level 2 of the fair value hierarchy.

18. Borrowings

	2015 USD 000	2014 USD 000
Current		
Obligations under finance leases	–	30
Other loans	**42**	58
Unsecured bonds	**4,969**	2,731
Bank borrowings	**10,000**	10,041
	15,011	12,860
Non-current		
Other loans	**13**	64
Unsecured bonds	**376,423**	200,770
Bank borrowings	**69,005**	78,398
	445,441	279,232
Total borrowings	**460,452**	292,092

Fair values of the borrowings

	Carrying amount		Fair value	
	2015 USD 000	2014 USD 000	2015 USD 000	2014 USD 000
Current borrowings	**15,011**	12,860	**15,011**	12,860
Non-current borrowings:				
Other loans	**13**	64	**13**	64
Unsecured bonds	**376,423**	200,770	**383,066**	202,147
Bank borrowings	**69,005**	78,398	**69,045**	76,782
	460,452	292,092	**467,135**	291,853

The carrying amounts of the current borrowings approximates their fair value. The fair value measurement of the non-current other loans and the non-current bank borrowings is based on a discounted cash flow method using the LIBOR or Swaps curve adjusted for credit risk and is within level 2 of the fair value hierarchy. The fair value measurement of the bonds is derived from their quotation on the SIX Swiss Exchange and is within level 1 of the fair value hierarchy.

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 USD 000	2014 USD 000
Swiss Francs	**381,392**	203,501
Euro	**26,807**	26,200
US Dollars	**52,198**	62,269
Other currencies	**55**	122
	460,452	292,092

Unsecured bonds

In May 2015, the Group issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon of 2% paid annually on 17 June. The bond will mature on 17 June 2022 at a redemption price of 100% of the principal amount.

In addition, the Group holds the following unsecured bonds:

- CHF 100 million with a coupon of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at par and was issued in 2013;
- CHF 100 million with a coupon of 2% paid annually on 31 January. The bond will mature on 31 January 2019 at par and was issued in 2014.

18. Borrowings continued

Bank facilities

The Group maintains a combined term loan and revolving credit facility with a pool of five large financial institutions. The pertinent details of the facility available to the Group are as follows:

Multicurrency term loan refinancing facility:

USD 100 million bearing interest at LIBOR/EURIBOR plus a variable margin dependent on certain financial covenants at the start of each interest rate fixing period. Utilised amounts are repayable in fixed installments between March 2014 and March 2017.

As at 31 December 2015, USD 79 million (2014: USD 88.4 million) was drawn under the refinancing facility.

Multicurrency revolving credit facility ('RCF'):

USD 250 million bearing interest at LIBOR/EURIBOR plus a variable margin dependent on certain financial covenants at the start of each interest rate fixing period. The facility is repayable in full on 21 March 2017.

As at 31 December 2015, a total of USD nil (2014: USD nil) was drawn under the RCF and guarantees totaling USD 13.2 million (2014: USD 12.6 million) were in issue.

Commitment fees are due on the undrawn portion of the revolving credit facility.

The facilities granted are subject to various financial covenants which have been adhered to during the year 2015 and 2014.

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2015 USD 000	2014 USD 000	**2015 USD 000**	2014 USD 000
Obligations under finance leases:				
repayable within one year	**–**	30	**–**	30
	–	30	**–**	30

The interest charge on obligations under finance leases is recognised in the statement of profit or loss within 'Finance costs'.

19. Taxation

Tax expense

	2015 USD 000	2014 USD 000
Current tax on profits for the year	**16,264**	16,515
Adjustments in respect of prior years	**(2,431)**	(903)
Total current tax	**13,833**	15,612
Deferred tax – origination and reversal of temporary differences	**(2,094)**	(910)
Total tax expense	**11,739**	14,702

Temenos Group AG is incorporated in Switzerland but the Group operates in various countries with various tax laws and rates. Consequently, the effective tax rate may vary from period to period to reflect the generation of taxable income in tax jurisdictions. A reconciliation between the reported income tax expense and the amount computed using a basic Swiss statutory corporate tax rate of 25%, is as follows:

	2015 USD 000	2014 USD 000
Profit before tax	**78,083**	106,333
Tax at the domestic rate of 25%	**19,521**	26,583
Non-taxable income and expenses	**1,901**	3,538
(Utilisation) generation of previously unrecognised losses – net	**(6,103)**	(5,238)
Tax adjustments related to prior periods	**(2,431)**	(903)
Reversal (recognition) of deferred tax assets on intellectual property	**5,526**	5,868
Non-taxable consolidation adjustment on intellectual property amortisation	**(12,763)**	(12,763)
Other movement on deferred tax assets and liabilities, including rate changes	**628**	(7,079)
Effects of different tax rates	**(982)**	(1,190)
Overseas withholding tax	**4,860**	3,518
Other tax and credits	**1,582**	2,368
Total tax expense	**11,739**	14,702

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2014: USD nil) and no income tax charged or credited directly to equity (2014:USD nil).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities shown in the consolidated balance sheet are as follows:

	2015 USD 000	2014 USD 000
Deferred tax assets – to be recovered after more than 12 months	**11,342**	14,899
Deferred tax assets – to be recovered within 12 months	**5,965**	8,966
Deferred tax assets	**17,307**	23,865
Deferred tax liabilities – to be recovered after more than 12 months	**(18,346)**	(600)
Deferred tax liabilities – to be recovered within 12 months	**(4,835)**	(487)
Deferred tax liabilities	**(23,181)**	(1,087)
Net deferred tax assets/(liabilities)	**(5,874)**	22,778

An assessment of the realisability of deferred tax assets is made on a country by country basis, based on the weight of available evidence including factors such as recent earnings history and expected future taxable income. Deferred tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits is probable. The majority of the deferred tax assets recognised are expected to be utilised after more than twelve months.

The Group has not recognised deferred tax assets of USD 55,202 thousand (2014: USD 42,809 thousand) in respect of losses amounting to USD 223,551 thousand (2014: USD 205,329 thousand) that can be carried forward against future taxable income. Losses amounting to USD 42,098 thousand (2014: USD 83,616 thousand) will expire within the next 5 years, USD 8,321 thousand (2014: USD 19,458 thousand) will expire within 5 to 10 years and USD 9,305 thousand (2014: USD 14,364 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 998 thousand (2014: USD 6,561 thousand) in respect of temporary differences arising on an intra-group transfer of intellectual property. There are no unrecognised deferred tax assets in respect of these temporary differences (2014: nil).

19. Taxation continued

The gross movement on the deferred income tax account is as follows:

	2015 USD 000	2014 USD 000
At 1 January	**22,778**	22,036
Income statement credit	**2,094**	910
Foreign currency exchange differences	**108**	(168)
Acquisition of business (note 6)	**(30,854)**	–
At 31 December	**(5,874)**	22,778

The movement in deferred tax assets is as follows:

	Tax losses USD 000	Taxable intellectual property USD 000	Taxable goodwill USD 000	Other USD 000	Total USD 000
At 1 January 2014	11,054	12,429	134	1,200	24,817
Credited (charged) to the income statement	5,215	(5,871)	(24)	(13)	(693)
Foreign currency exchange differences	(170)	–	–	(89)	(259)
At 31 December 2014	16,099	6,558	110	1,098	23,865
Credited (charged) to the income statement	(85)	(5,526)	408	(1,067)	(6,270)
Foreign currency exchange differences	(257)	–	–	(31)	(288)
At 31 December 2015	**15,757**	**1,032**	**518**	**–**	**17,307**

The movement in deferred tax liabilities is as follows:

	Acquisition fair value adjustment USD 000	Other USD 000	Total USD 000
At 1 January 2014	(2,582)	(199)	(2,781)
Credited to the income statement	1,404	199	1,603
Foreign currency exchange differences	91	–	91
At 31 December 2014	(1,087)	–	(1,087)
Credited to the income statement	8,364	–	8,364
Acquisition of business (note 6)	(30,854)	–	(30,854)
Foreign currency exchange differences	396	–	396
At 31 December 2015	**(23,181)**	**–**	**(23,181)**

20. Provisions for other liabilities and charges

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2015	317	795	180	315	1,607
Foreign currency exchange differences	(9)	(43)	19	(19)	(52)
Increase in provisions recognised in profit or loss	302	762	888	–	1,952
Acquisition of business (note 6)	313	–	–	–	313
Used during the year	(588)	(564)	(984)	–	(2,136)
Unused during the year	(197)	–	–	(296)	(493)
31 December 2015	**138**	**950**	**103**	**–**	**1,191**

Reported as follows:

2015					
Current	138	497	103	–	738
Non-current	–	453	–	–	453
31 December 2015	**138**	**950**	**103**	**–**	**1,191**
2014					
Current	317	152	180	–	649
Non-current	–	643	–	315	958
31 December 2014	317	795	180	315	1,607

Legal provision
The amounts represent provisions for certain legal claims brought against the Group. The balance at 31 December 2015 is expected to be utilised in 2016. Management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2015.

Property provision
The amounts represent the net present value of the estimated future costs associated with onerous leases and dilapidations. Provision for onerous lease represents the lowest cost to exit the lease contract. Provision for dilapidations represents the estimated costs to be incurred at the date of exit.

The non-current portion has not been discounted as the effect of the time value was not material.

Included in the non-current portion, are USD 338 thousand of dilapidation costs that will be settled when the related leases are terminated which is not expected to occur within the next 12 months.

Termination benefits
The amounts represent the benefits payable for the period with no future economic benefits to the Group. The carrying amount is expected to be fully utilised in 2016.

21. Retirement benefit obligations

The Group maintains defined contribution plans for its employees of which many are state-sponsored. The relevant contributions are charged to the statement of profit or loss when incurred. No assets or liabilities are recognised in the Group's statement of financial position in respect of such plans, apart from prepayments and accruals not settled at the reporting date.

In certain countries, the Group has a legal obligation to make one-time payments to employees reaching retirement age or departing. Such gratuities are based on the amount of the employees' final salary and their length of service. With the exception of India, these plans are unfunded. These plans are categorised as defined benefit plans.

The Group also operates funded defined benefit pension plans in Switzerland that represent the principal portion of the Group's defined benefit obligation at 31 December 2015.

Pension plans in Switzerland

Swiss based plans entitle retired employees to receive either a capital or an annual pension payment. Final benefit is based on retirement savings accumulated over the working life period of the employees. The plans are administrated by separate funds that are legally separated from the entity. Two Swiss plans are funded through institutional investments and one plan is funded by the conclusion of an insurance contract.

Swiss based pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), which stipulates that pension plans are to be managed by independent and legally autonomous units. Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the LPP specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case the plan's statutory funding falls below a certain level, various measures can be taken such as the increase of the current contribution, lowering the interest rate on the retirement account balances or a reduction of the additional prospective benefits. The employer can also make additional restructuring contributions.

The Swiss based pension plans are administrated by a legal foundation under the supervision and management of one of the largest insurance companies for pension plans based in Switzerland. The Board of Trustee is composed of equal numbers of employee and employer representatives. Its responsibilities are to set-out the strategy of the plans, approve the budget for the administrative expenses etc. Each individual plan is then governed by a sub-committee that is equally composed of representatives of employer and plan participant. The primary objective of this committee is to implement the investment strategy set out by the Board of Trustee. It mainly consists of determining the asset allocation, the investment structure and approving the delegation to an asset manager. The committee is also responsible for the appropriation of the prospective result within the framework set out by the LPP.

As all the plans within the Group are not exposed to materially different risks and as a significant portion of the Group's obligation is contributed by the Swiss plans, the management has decided not to present additional disaggregation of the disclosures presented below unless explicitly required by IAS 19 'Employee Benefits'.

The amounts recognised in the statement of financial position at 31 December are as follows:

	2015 USD 000	2014 USD 000
Present value of funded obligations	**31,586**	25,469
Fair value of plan assets	**(25,711)**	(21,418)
Surplus of funded plans	**5,875**	4,051
Present value of unfunded obligations	**2,014**	2,029
Impact of asset ceiling	**19**	276
Net liability in the statement of financial position	**7,908**	6,356

The movement in the net defined benefit liability (asset) over the year is as follows:

	Present value of obligation USD 000	Fair value of plan assets USD 000	Total USD 000	Effect of asset ceiling USD 000	Total USD 000
Balance at 1 January 2015	27,498	(21,418)	6,080	276	6,356
Current service cost	2,202	–	2,202	–	2,202
Other cost	–	91	91	–	91
Interest expense/(income)	488	(328)	160	2	162
	2,690	(237)	2,453	2	2,455
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	–	177	177	–	177
– Actuarial loss (gain) from:					
– Demographic assumptions	836	–	836	–	836
– Financial assumptions	345	–	345	–	345
– Experience adjustment	279	–	279	–	279
– Change in asset ceiling	–	–	–	(258)	(258)
	1,460	177	1,637	(258)	1,379
– Exchange differences	(587)	288	(299)	(1)	(300)
– Acquisition of business (note 6)	1,018	(479)	539	–	539
Contributions:					
– Employers	–	(2,521)	(2,521)	–	(2,521)
– Plan participants	1,007	(1,007)	–	–	–
Payment from/to plans:					
– Benefit received	514	(514)	–	–	–
– Settlements	–	–	–	–	–
	1,952	(4,233)	(2,281)	(1)	(2,282)
Balance at 31 December 2015	**33,600**	**(25,711)**	**7,889**	**19**	**7,908**
Balance at 1 January 2014	25,290	(22,063)	3,227	1,752	4,979
Current service cost	1,743	–	1,743	–	1,743
Other cost	–	77	77	–	77
Interest expense/(income)	643	(570)	73	40	113
	2,386	(493)	1,893	40	1,933
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	–	(511)	(511)	–	(511)
– Actuarial loss (gain) from:					
– Demographic assumptions	85	–	85	–	85
– Financial assumptions	2,269	–	2,269	–	2,269
– Experience adjustment	1,148	–	1,148	–	1,148
– Change in asset ceiling	–	–	-	(1,514)	(1,514)
	3,502	(511)	2,991	(1,514)	1,477
– Exchange differences	(2,648)	2,258	(390)	(2)	(392)
Contributions:					
– Employers	–	(1,641)	(1,641)	–	(1,641)
– Plan participants	764	(764)	–	–	–
Payment from plans:					
– Benefit paid	(1,796)	1,796	–	–	–
– Settlements	–	–	–	–	–
	(3,680)	1,649	(2,031)	(2)	(2,033)
Balance at 31 December 2014	27,498	(21,418)	6,080	276	6,356

21. Retirement benefit obligations continued

One Swiss plan has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

The defined benefit obligation is calculated using the projected unit credit method. This reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions primarily regarding discount rates used and projected rates of remuneration growth. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or government bonds in countries where there is not a deep market in corporate bonds.

Plan assets	2015	2014
Equity securities:		
– Quoted	**19%**	14%
– Unquoted	**0%**	0%
Fixed income securities:		
– Quoted	**15%**	21%
– Unquoted	**0%**	0%
Real estate	**12%**	11%
Insurance contracts	**50%**	52%
Other	**5%**	2%
	100%	100%

The committee of each plan annually performs an asset-liability assessment. The objective of such assessment is to select an appropriate asset allocation to match cash flows of the assets with the plan obligations while maximising the return and minimising the risk.

Actuarial assumptions
These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk and market risk (investment risk).

Actuarial assumptions are based on the requirement set out by IAS 19 'Employee Benefits'. They are unbiased and mutually compatible estimates of variables that determine the ultimate cost of providing post employment benefits. They are based on market expectations at the reporting date for the period over which the obligations are to be settled. They are set on an annual basis by independent actuaries.

Actuarial assumptions consist of demographic assumptions such as employee turnover and financial assumptions such as interest rates, salary growth and consumer price inflation. The actuarial assumptions vary based upon local economic and social conditions.

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2015	2014
Discount rate	**1.43%**	1.75%
Inflation	**0.93%**	0.96%
Future salary growth	**1.88%**	1.77%

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumption is:

			2015
	Change in assumption	**Increase USD 000**	**Decrease USD 000**
Discount rate	**50bps**	**(1,379)**	**1,492**
Future salary growth	**0.50%**	**435**	**(417)**

			2014
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(1,105)	1,186
Future salary growth	0.50%	410	(390)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur since some of the assumptions are correlated. The sensitivity analyses have been calculated using the same methodology as applied when determining the pension liability in the statement of financial position.

Expected contributions to post employment defined benefit plans for the year ending 31 December 2016 are USD 2,029 thousand.

At 31 December 2015, the weighted-average duration of the defined benefit obligation was 9 years (2014: 8 years).

22. Share capital

As at 31 December 2015, the issued shares of Temenos Group AG comprised 66,617,568 ordinary shares of a nominal value of CHF 5 each. All issued shares are fully paid.

The changes in the number of issued and outstanding shares in the year ended 31 December 2015 are summarised below:

	Number
Total number of shares issued, as at 31 December 2014	69,888,362
Treasury shares	(4,270,359)
Total number of shares outstanding, as at 31 December 2014	65,618,003
Share capital reduction	(3,270,794)
Movement in treasury shares	3,632,202
Total number of shares outstanding, as at 31 December 2015	**65,979,411**

As at 31 December 2015, the number of treasury shares held by the Group amounted to 638,157 (2014: 4,270,359).

During the period, 3,270,794 treasury shares were cancelled as a share capital reduction (approved by the 2015 Annual General Meeting of Shareholders).

Temenos Group AG also has conditional and authorised capital, comprising:

Authorised shares available until 6 May 2017	13,900,000
Conditional shares that may be issued on the exercise of employee share options	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

23. Share premium and capital reserves

	Share premium USD 000	Employee share options reserve USD 000	Discount on shares issued to employees USD 000	Negative premium arising on creation of Temenos Group AG USD 000	Total USD 000
Balance at 1 January 2014	122,935	110,781	(148,818)	(68,456)	16,442
Cost of share options (note 25)	–	12,122	–	–	12,122
Exercise of share options	(2,350)	–	(42,777)	–	(45,127)
Loss on issuance of treasury shares related to the share capital reduction	(42,213)	–	–	–	(42,213)
Costs associated with equity transactions	(411)	–	–	–	(411)
Balance at 31 December 2014	77,961	122,903	(191,595)	(68,456)	(59,187)
Cost of share options (note 25)	–	26,379	–	–	26,379
Exercise of share options	656	–	(13,964)	–	(13,308)
Loss on issuance of treasury shares related to the share capital reduction	(102,365)	–	–	–	(102,365)
Costs associated with equity transactions	(35)	–	–	–	(35)
Balance at 31 December 2015	**(23,783)**	**149,282**	**(205,559)**	**(68,456)**	**(148,516)**

Share premium
The share premium primarily includes the following transactions:

- Premium on issuance of new shares at a price above the par value;
- The equity component determined at the issuance of the convertible bond in 2006 and the premium resulting from the early redemption occurred in 2010;
- The expenses incurred in issuing new shares or acquiring own shares;
- Gains or losses on the sale, issuance or cancellation of treasury shares.

Share options reserve
As detailed in note 25, the Group has issued instruments to employees. The fair value of these instruments is charged to the statement of profit or loss over the period that the related service is received, with a corresponding credit made to the share options reserve.

Discount on shares issued to employees
As detailed in note 25, the Group has issued instruments to employees. When the instruments are exercised, the Group fulfills its obligations by issuing newly created shares out of conditional capital or by reissuing treasury shares purchased by the Group. To the extent that the consideration received by the Group in respect of these shares issued or reissued are less than their fair value at the time of exercise, this amount is allocated to discount on shares issued to employees.

Negative premium arising on creation of Temenos Group AG
Temenos Group AG was incorporated on 7 June 2001. The issued and outstanding shares of TEMENOS Holdings Limited (previously known as Temenos Holdings NV) were exchanged shortly before the initial public offering for Temenos Group AG shares, thus rendering Temenos Holdings Limited a wholly owned subsidiary of Temenos Group AG. The number of shares acquired was 40,104,336 which prior to the exchange had a nominal value of USD 0.001 per share, totaling USD 39 thousand. The new shares in Temenos Group AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113,538 thousand. Expenses related to the initial public offering of Temenos Group AG, and share premium items arising prior to the creation of Temenos Group AG, were recorded against this account.

A deficit of USD 62,277 thousand was recorded to share premium on the cancellation of shares repurchased in 2000. This was transferred into 'negative premium arising on creation of Temenos Group AG' during the period ended 31 December 2001.

24. Fair value and other reserves

	Cumulative translation adjustment USD 000	Available-for-sale investment USD 000	Fair value gains (losses) on qualifying cash flow hedges USD 000	Total USD 000
Balance at 1 January 2014	(57,916)	193	(1,502)	(59,225)
Currency translation differences	(24,717)	–	–	(24,717)
Transfer to profit or loss within 'Personnel costs'	–	–	(539)	(539)
Transfer to profit or loss within 'Software licensing revenue'	–	–	(759)	(759)
Transfer to deferred revenues	–	–	299	299
Transfer to finance costs	–	–	11,811	11,811
Net fair value gain	–	(84)	(7,425)	(7,509)
Balance at 31 December 2014	(82,633)	109	1,885	(80,639)
Currency translation differences	(26,287)	–	–	(26,287)
Transfer to profit or loss within 'Personnel costs'	–	–	(582)	(582)
Transfer to profit or loss within 'Software licensing revenue'	–	–	(2,061)	(2,061)
Transfer to deferred revenues	–	–	(650)	(650)
Transfer to finance costs	290	–	(7,442)	(7,152)
Net fair value loss	–	(46)	7,333	7,287
Balance at 31 December 2015	**(108,630)**	**63**	**(1,517)**	**(110,084)**

25. Share based payments

Share options

Share options are granted to executive board members and selected employees. Share options are conditional on the employee completing a specified period of service (the vesting period). The vesting period for the unvested options is a minimum of three years and the options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	**156,183**	**$14.24**	692,390	$17.14
Forfeited during the year	**–**	**$n/a**	(24,250)	$8.63
Exercised during the year	**(125,968)**	**$11.11**	(511,957)	$18.00
Outstanding at the end of the year	**30,215**	**$25.08**	156,183	$14.24

All of the outstanding options (2014: 156,183) were exercisable at the balance sheet date with a weighted average exercise price of USD 25.08 (2014: USD 14.24). The options exercised during the year had a weighted average share price at the time of exercise of USD 37.68 (2014: USD 36.99).

25. Share based payments continued

Share appreciation rights

Share appreciation rights are granted to executive board members and selected employees. Share appreciation rights are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified cumulative earnings per share targets. In case of over achievement of earnings per share targets, certain share appreciation right grants may be increased by a maximum of 40% of the original grant. The vesting period for the unvested share appreciation rights is a minimum of three years and the share appreciation rights have a maximum contractual term of eleven and a quarter years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

A summary of the movements in the number of share appreciation rights outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Number of rights	**Weighted average exercise price (USD)**	Number of rights	Weighted average exercise price (USD)
Outstanding at the beginning of the year	**11,100,412**	**22.51**	10,000,201	17.66
Granted during the year	**838,672**	**33.22**	3,497,600	34.99
Forfeited during the year	**(394,530)**	**21.51**	(584,521)	17.70
Exercised during the year	**(295,636)**	**16.37**	(1,812,868)	19.39
Outstanding at the end of the year	**11,248,918**	**23.20**	11,100,412	22.51

446,525 of the outstanding share appreciation rights (2014: 494,758) were exercisable at the balance sheet date with a weighted average exercise price of USD 16.20 (2014: USD 17.45). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 41.60 (2014: USD 36.08).

As described above, in case of over achievement of earnings per share targets, certain share appreciation right grants may be increased by a maximum of 40% of the original grant. There are 95,672 share appreciation rights to be issued as a result of the application of the over achievement provisions from grants in prior years (2014: nil). As at 31 December 2015 there were 3,903,100 remaining share appreciation rights (2014: 10,326,275) that may be subject to the over achievement provisions with a weighted average exercise price of USD 35.12 (2014: USD 22.88).

Share options and share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows:

2015 **Exercise price (USD)**	**Number**	**Remaining contractual life (years)**
7.76-9.78	**38,318**	**2.70**
11.37	**78,060**	**3.17**
14.11-15.64	**5,518,832**	**6.76**
16.21-19.11	**183,956**	**6.41**
21.29-23.44	**1,271,630**	**6.92**
24.18-26.26	**57,523**	**4.80**
32.40-33.71	**140,214**	**8.98**
34.04-36.85	**3,962,600**	**8.69**
46.79-47.19	**28,000**	**9.90**
	11,279,133	

2014 Exercise price (USD)	Number	Remaining contractual life (years)
6.27-7.84	77,100	0.76
8.19-9.78	89,982	2.81
11.80	93,246	4.17
14.54-15.79	5,784,643	7.80
16.64-18.54	235,428	7.20
19.54-22.74	1,241,465	8.18
23.46-26.26	225,546	4.76
30.88-32.83	7,000	6.45
34.04-36.37	3,502,185	9.59
	11,256,595	

Fair value of stock options and share appreciation rights

The fair value of options and share appreciation rights granted during the period is determined using an 'Enhanced American Pricing Model'.

The weighted average fair value of options and share appreciation rights granted during the period was USD 9.53 (2014: USD 9.74). The significant inputs into the model were: weighted average share price at grant date of USD 34.10 (2014: USD 35.32), weighted average exercise price of USD 34.80 (2014: USD 35.01), standard deviation of expected share price returns of 37.9% (2014: 38.24%), weighted average option lives of 4.55 years (2014: 5.86 years), weighted average annual risk-free interest rate of 1.76% (2014: 1.86%) and weighted average expected dividend yield of 1.47% (2014: 1.44%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period.

Performance, loyalty and profit share plan shares

	2015 Number of shares	2014 Number of shares
Outstanding at the beginning of the year	**247,202**	746,621
Granted during the year	**24,092**	67,186
Forfeited during the year	**(11,474)**	(471,471)
Exercised during the year	**(91,022)**	(95,134)
Outstanding at the end of the year	**168,798**	247,202

Loyalty shares

A grant of 1,228 Loyalty shares was made in 2015 (2014: 1,338). Loyalty shares are conditional on the employee completing a specified period of service. The vesting period is three years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the Loyalty shares in cash. The weighted average fair value of Loyalty shares granted during the period determined by the share price on the date of grant was USD 37.45 (2014: USD 35.36). None of the Loyalty shares were exercisable on the balance sheet date (2014: nil).

Performance shares

A grant of 117 (2014: 5,623) Performance shares was made to certain employees. Performance shares are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified cumulative earnings per share targets. In case of over achievement of earnings per share targets, certain performance share grants may be increased by a maximum of 40% of the original grant. The vesting period is a minimum of three years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the performance shares in cash. The weighted average fair value of Performance shares granted during the period determined by the share price on the date of grant was USD 37.45 (2014: USD 35.36). None of the Performance shares were exercisable at the balance sheet date.

Profit share plan

For the years ended 31 December 2013 and 31 December 2014 a profit share plan was in place for the Group's employees. Under the terms of the plan, part of the amount due to certain employees is not paid in cash but will instead be satisfied by the award of restricted shares. These restricted shares will only vest unconditionally after a further one or two years period of service. The Group has no legal or constructive obligation to repurchase or settle the shares in cash. In 2015, 22,747 share awards were granted in respect of the 2014 profit share plan. The weighted average fair value of Profit share plan shares granted during the period determined by the share price on the date of grant was USD 37.45 (2014: USD 34.38). None of the Profit share plan shares were exercisable at the balance sheet date.

The total expense recorded in the income statement in respect of employee share options, share appreciation rights, performance and loyalty shares and the profit share plan is USD 26,379 thousand (2014: USD 12,122 thousand).

26. Dividend per share

Dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of the Shareholders. The dividend proposed for the 2015 financial year is amounting to CHF 31.5 million (CHF 0.45 per share) and it is not yet recorded as a liability. This amount may vary depending on the number of shares outstanding as of the ex-dividend date.

The dividend paid in 2015 related to 2014 financial year amounted to CHF 26.3 million (CHF 0.40 per share).

27. Commitments and contingencies

The Group has obligations under operating leases relating to office premises and leased equipment. The leases have varying terms, escalation clauses and renewal rights.

Payments recognised as an expense are as follows:

	2015 USD 000	2014 USD 000
Lease expense	**15,822**	13,996
Sub-lease income	**(1,790)**	(1,535)
	14,032	12,461

The future aggregate minimum lease and sub-lease payments under non-cancellable operating leases are as follows:

	2015 USD 000	2014 USD 000
No later than 1 year	**13,080**	11,470
Later than 1 year and no later than 5 years	**37,360**	25,312
Later than 5 years	**3,230**	4,325
Total	**53,670**	41,107

The increase in current and future periods expenses primarily reflect the additional offices acquired from Multifonds and Akcelerant Software LLC.

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business (note 18). The Group is also involved in various lawsuits, claims, investigations and proceedings incidental to the normal conduct of its operations. These matters mainly include the risks associated with personnel litigation, tax claims and contractual disputes.

Although an estimate of the future financial effects cannot be reliably and precisely estimated at the reporting date, it is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for in note 21.

28. Related party transactions and balances

Remuneration of executive and Non-Executive Directors is described in note 9. Equity compensation for executive and Non-Executive Directors granted in the form of options, SARSs and shares is described in note 25.

There were no other significant transactions with related parties during the year ended 31 December 2015.

29. Events after the reporting period

There are no reportable events that occurred after the reporting period.

REPORT OF THE STATUTORY AUDITORS ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

Report of the statutory auditor to the General Meeting of Temenos Group AG, Geneva.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Temenos Group AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet
Audit expert
Auditor in charge

Yazen Jamjum

Geneva, 18 February 2016

UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	2015 CHF 000	2014 CHF 000
Assets		
Current assets		
Liquid funds	**1,783**	1,227
Receivables from other group entities	**47,427**	55,100
Prepayments	**223**	263
Total current assets	**49,433**	56,590
Non-current assets		
Long term receivables from other group entities	**270,676**	120,676
Investments in subsidiaries (note 2)	**858,304**	858,304
Total non-current assets	**1,128,980**	978,980
Total assets	**1,178,413**	1,035,570
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**742**	1,498
Payables to other group entities	**303**	7,103
Short term interest-bearing liabilities (note 7)	**4,934**	2,705
Other liabilities	**369**	335
Tax payable	**1,629**	2,339
Deferred unrealised exchange gain	**1,008**	3,568
Total current liabilities	**8,985**	17,548
Non-current liabilities		
Long term interest-bearing liabilities (note 7)	**373,705**	198,842
Long term interest-bearing payables to other group entities	**154,100**	154,100
Total non-current liabilities	**527,805**	352,942
Shareholders' equity		
Share capital (note 3)	**333,088**	349,442
Ordinary legal reserve (note 4)	**11,249**	11,207
General reserve from capital contributions (note 4)	**220,795**	242,786
Reserve for treasury shares from capital contributions (note 4)	**–**	4,326
Reserve for treasury shares (note 4)	**16,864**	24,468
Retained earnings (note 4)	**59,627**	145,120
Treasury shares (note 5)	**–**	(112,270)
Total shareholders' equity	**641,623**	665,079
Total shareholders' equity and liabilities	**1,178,413**	1,035,570

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2015 CHF 000	2014 CHF 000
Income from investments in subsidiaries (note 8)	**10,000**	10,000
Financial (expense)/income	**(3,380)**	(2,738)
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(3,853)**	(5,000)
Profit before taxation	**2,767**	2,262
Taxation	**(705)**	(1,419)
Profit of the year	**2,062**	843

1. Legal status and principal activities

Temenos Group AG ('the Company') was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of Temenos Group AG have been publicly traded on the SIX Swiss Exchange.

Temenos Group AG is the ultimate holding company of the Group and is not otherwise engaged in trading, financing or investing activities, except as the holder of all the issued and outstanding shares of the subsidiaries described in note 2.

The financial statements of Temenos Group AG comply with the requirements of the Swiss law for companies, the Swiss Code of Obligations (SCO).

The 2015 financial statements were prepared for the first time in accordance with the new Swiss Accounting Legislation (Title 32 of the Swiss Code of Obligations). To ensure comparability, prior-year balance sheet and income statement were adjusted to the new classification requirements.

Valuation principles
Assets are valued at no more than their acquisition cost.

Investments in subsidiaries are valued individually except when they are combined due to their similarity in terms of activities and geographical location.

Treasury shares are valued at historical acquisition value without subsequent valuation adjustment. Gains and losses from disposals of treasury shares are recorded directly in capital reserves.

Liabilities are valued at nominal value.

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognised in the income statement, except unrealised gains that are deferred on balance sheet as per the Swiss Code of Obligations.

2. List of direct subsidiaries

The following are the direct subsidiaries of the Company, which are wholly-owned unless otherwise indicated (percentage of voting rights).

	Voting rights
Temenos Holdings Limited, British Virgin Islands (holding company) 40,105 shares of a nominal value of USD 1 each.	100%
Temenos Headquarters SA, Switzerland (holding and licensing company) 1,000 shares of a nominal value of CHF 100 each.	100%
Temenos Investments BV, Netherlands (holding company) 180 shares of a nominal value of EUR 100 each.	100%
Temenos Egypt LLC, Egypt (operating company) 2 shares of a nominal value of EGP 100 each.	50%
Temenos Luxembourg SA, Luxembourg (operating company) 47,250 shares of a nominal value of EUR 25 each.	100%
Temenos Finance Luxembourg SÀRL, Luxembourg (financing company) 37,500 shares of a nominal value of EUR 1 each.	100%
Temenos UK Limited, United Kingdom (holding and operating company) 10,994,218 shares of a nominal value of GBP 20 each.	100%
Temenos Holdings France SAS, France (holding company) 28,010,000 shares of a nominal value of EUR 10 each.	100%
Temenos USA Inc., USA (operating company) 100 shares of a nominal value of USD 0.01 each.	100%
Temenos Panama SA, Panama (dormant company) 100 shares of a nominal value of USD 100 each.	100%

3. Share capital

The shares issued by the Company during the year are set out below:

	2015 Number	2014 Number
Total number of Temenos Group AG shares issued, as at 1 January	**69,888,362**	72,023,148
Shares issued and alloted on exercising of employee share options	**–**	–
Share capital reduction approved at the 2015 and 2014 Annual General Meetings	**(3,270,794)**	(2,134,786)
Total number of Temenos Group AG shares issued, as at 31 December	**66,617,568**	69,888,362

Temenos Group AG also has conditional and authorised capital, comprising:

	2015
Authorised shares that may be issued in the context of acquisition or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchange (available to the Board until 6 May 2017)	13,900,000
Conditional shares that may be issued on the exercise of employee share options	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

The holdings of more than 3% of the voting rights of all issued shares, as at 31 December 2015 are as follows:

Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	15.77%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	9.10%
Aviva plc	5.28%
Alken Luxembourg S.A.	5.21%
UBS Fund Management (Switzerland) AG	3.27%
BlackRock, Inc	3.26%
MFS Investment Management	3.06%

4. Share premium and capital reserves

	Share capital CHF 000	Ordinary legal reserve CHF 000	General reserve from capital contributions CHF 000	Reserve for treasury shares from capital contributions CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Treasury shares CHF 000	Total CHF 000
Balance at 1 January 2014	360,116	11,187	246,872	46,424	24,468	161,378	(50,035)	800,410
Appropriation of available earnings:								
– to General legal reserve	–	20	–	–	–	(20)	–	–
Repayment of 'General Reserve from Capital Contributions' as per 2014 Annual General Meeting ('AGM') resolution	–	–	(23,904)	–	–	–	–	(23,904)
Share capital reduction as per 2014 Annual General Meeting ('AGM') resolution:								
– dissolution of treasury shares	(10,674)	–	–	–	–	(39,361)	50,035	–
Treasury shares movement of the year	–	–	–	–	–	–	(112,270)	(112,270)
Reserve for treasury shares movement of the year	–	–	42,098	(42,098)	–	–	–	–
Reclassification of 1997 to 2010 issuance costs	–	–	(22,280)	–	–	22,280	–	–
Profit of the year	–	–	–	–	–	843	–	843
Balance at 31 December 2014	349,442	11,207	242,786	4,326	24,468	145,120	(112,270)	665,079
Appropriation of available earnings:								
– to General legal reserve	–	42	–	–	–	(42)	–	–
Repayment of 'General Reserve from Capital Contributions' as per 2015 Annual General Meeting ('AGM') resolution	–	–	(26,317)	–	–	–	–	(26,317)
Share capital reduction as per 2015 Annual General Meeting ('AGM') resolution:								
– dissolution of treasury shares	(16,354)	–	–	–	–	(95,117)	111,471	–
Treasury shares used for Temenos Employee Share Option Schemes	–	–	–	–	–	–	285	285
Transaction costs on treasury shares	–	–	–	–	–	–	514	514
Reserve for treasury shares movement of the year	–	–	4,326	(4,326)	(7,604)	7,604	–	–
Profit of the year	–	–	–	–	–	2,062	–	2,062
Balance at 31 December 2015	**333,088**	**11,249**	**220,795**	**–**	**16,864**	**59,627**	**–**	**641,623**

The reserve for treasury shares decreased to CHF 16,864,071 in line with the value of treasury shares held by Temenos Group AG through a subsidiary as at 31 December 2015.

As per the 2015 Annual General Meeting resolution, the share capital was reduced by CHF 16,353,970 (3,270,794 shares of CHF 5 each, refer to note 3).

The value of these treasury shares on the balance sheet as at 31 December 2014 was CHF 111,470,942. These treasury shares were cancelled in 2015.

5. Treasury shares, including shares held by subsidiaries (carrying value)

Temenos Group AG holds directly or through a subsidiary a total of 638,157 shares at 31 December 2015 (2014: 4,270,359) that entirely may be used in conjunction with M&A, for resale or for allotting to members of the Temenos Employee Share Option Schemes at the time that they exercise their stock appreciation rights or options.

	2015		2014	
	Quantity	**Value CHF 000**	Quantity	Value CHF 000
Temenos Group AG				
1 January	**3,278,809**	**112,270**	2,134,786	50,035
Acquisitions	**–**	**–**	3,278,809	112,270
Disposals	**(3,278,809)**	**(112,270)**	(2,134,786)	(50,035)
31 December	**–**	**–**	3,278,809	112,270
Other consolidated companies				
1 January	**991,550**	**28,794**	2,199,635	70,892
Acquisitions	**–**	**–**	–	
Disposals	**(353,393)**	**(11,930)**	(1,208,085)	(42,098)
31 December	**638,157**	**16,864**	991,550	28,794
Total balance as of 31 December	**638,157**	**16,864**	4,270,359	141,064

6. Contingent liabilities

Temenos Group AG is a guarantor under the Group facility agreement concluded by Temenos Finance Luxembourg Sàrl as borrower, in March 2013 for a total amount of USD 350 million.

7. Bonds issued by Temenos Group AG

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

In March 2014, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.00% paid annually on 31 January. The bond will mature on 31 January 2019 at a redemption price of 100% of the principal amount.

In June 2015, the Group issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 2.00% paid annually on 17 June. The bond will mature on 17 June 2022 at a redemption price of 100% of the principal amount.

	2015 CHF 000	2014 CHF 000
Bond CHF 100,000,000 - 2.75% - 25 April 2013 - 25 July 2017	**99,342**	99,342
Bond CHF 100,000,000 - 2.00% - 31 March 2014 - 31 January 2019	**99,500**	99,500
Bond CHF 175,000,000 - 2.00% - 17 June 2015 - 17 June 2022	**174,862**	–
Long term interest-bearing liabilities	**373,705**	198,842
Accrued bond interests at year-end	**4,934**	2,705
Short term interest-bearing liabilities	**4,934**	2,705
Total bonds issued by Temenos Group AG	**378,639**	201,547

8. Income from investments in subsidiaries

Temenos Group AG recognised an income from investments in subsidiaries of CHF 10 million following the decision of one of its direct subsidiaries made in December 2015 to distribute a dividend in relation to the 2015 fiscal year.

9. Proposal for the appropriation of available earnings

Based on the approved and audited financial statements for the financial year 2015, the Board of Directors proposes to the General Meeting 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 the 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:

	2015 CHF 000	2014 CHF 000
Reserves from capital contributions		
Balance before distribution	**220,795**	247,112
Repayment of General reserve from capital contributions*	**(31,500)**	(26,317)
Balance after distribution	**189,295**	220,795
Retained earnings		
Retained earnings brought forward	**145,078**	161,358
Transfer to Reserve for Treasury shares	**7,604**	–
Share capital reduction - dissolution of treasury shares	**(95,117)**	(39,361)
Reclassification of 1997 to 2010 issuance costs	**–**	22,280
Net income	**2,062**	843
Retained earnings available for appropriation	**59,627**	145,120
Appropriation to legal reserves	**(103)**	(42)
Retained earnings to be carried forward	**59,524**	145,078

* 2014 comparative has been corrected from CHF 26,247,201 to CHF 26,316,999 to reflect the actual payment made in 2015. The dividend paid was CHF 0.40 per share as approved by the General Meeting. The difference is explained by the amount of treasury shares as of the ex-dividend date.

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). The dividend will be payable as of 18 May 2016 (Payment date).

Temenos treasury shares are not entitled to dividends.

10. Number of full-time equivalent

Temenos Group AG does not have any employee as of 31 December 2015 and 2014 and consequently no pension liabilities.

11. Additional information, cash-flow statement and management report

According to article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the cash-flow statement and the management report are not presented, as Temenos Group AG prepares the consolidated financial statements in accordance with a recognised financial reporting standard.

12. Significant events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 11 February 2016 and will be submitted to the Annual General Meeting of shareholders for approval on the 10 May 2016.

There were no other significant events after the balance sheet date.

13. Disclosure of compensation and participations as per article 663bbis of the Swiss Code of Obligations (SCO)

Shareholdings and Equity Incentives

Non-Executive Directors

Name	Position	**31 December 2015 Shares**	31 December 2014 Shares
S. Giacoletto-Roggio	Vice-Chairman	**15,000**	15,000
I. Cookson	Member	**18,250**	15,250
T. de Tersant	Member	**3,000**	3,000
E. Hansen	Member	**11,000**	11,000
G. Koukis	Member	**–**	–
A. Yip	Member	**–**	–

Executive Chairman and Executive Committee members

As of 31 December 2015

			SARs, Options and Performance Shares					
Name	Position	Shares	Grant year[1]	Plan	Exercise price (USD)	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Profit Shares
A. Andreades	Executive Chairman	438,725	2012	2013-15 scheme	15.21	–	750,000	–
			2013	2013-15 scheme	21.29	–	150,000	–
			2014	2014 scheme	34.38	–	360,000	–
				2015 scheme	35.45	–	345,000	–
D. Arnott	CEO	4,000	2008	2009 scheme	11.37	6,915	–	–
			2011	2012 scheme	16.34	3,384	–	–
			2012	2013-15 scheme	15.21	–	1,050,000	–
			2013	2013-15 scheme	21.29	–	150,000	–
			2014	2014 scheme	34.38	–	480,000	–
				2015 scheme	35.45	–	460,000	–
M. Chuard	CFO/COO	11,322	2012	2013-15 scheme	15.21	–	680,000	–
			2013	2013-15 scheme	21.29	–	150,000	–
			2014	2014 scheme	34.38	–	240,000	–
				2015 scheme	35.45	–	230,000	–
A. Loustau	CTO	–	2012	2013-15 scheme	15.21	–	450,000	–
			2014	2013 Profit share	–	–	–	441
			2014	2015 scheme	35.45	–	45,000	–
			2015	2014 Profit share	–	–	–	1,434
M. Winterburn	Group Product Director	–	2012	2013-15 scheme	15.21	–	450,000	–
			2014	2013 Profit share	–	–	–	1,705
			2014	2015 scheme	35.45	–	75,000	–
			2015	2014 Profit share	–	–	–	1,552
M. Davis	Client Director	1,513	2009	2010 scheme	23.44	1,214	–	–
			2011	2012 scheme	16.34	1,471	–	–
			2012	2013-15 scheme	15.21	–	174,999	–
			2013	2013-15 scheme	21.29	–	100,000	–
			2014	2013 Profit share	–	–	–	2,046
			2014	2014 scheme	34.38	–	100,000	–
				2015 scheme	35.45	–	75,000	–
			2015	2014 Profit share	–	–	–	1,522

(1) Two grants were issued in 2014: the 2014 grant in February 2014 and the 2015 grant in November 2014.

No options and/or shares were held on 31 December 2015 and 2014 by persons related to the members of the Board of Directors and of the Executive Committee.

13. Disclosure of compensation and participations as per article 663bbis of the Swiss Code of Obligations (SCO) continued

Executive Chairman and Executive Committee members continued

As of 31 December 2014

			SARs, Options and Performance Shares						
Name	Position	Shares	Grant year[1]	Plan	Exercise price (USD)	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares[2]	Number of unvested Profit Shares
A. Andreades	Executive Chairman	435,779	2012	2013-15 scheme	15.64	–	750,000	–	–
			2013	2013-15 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	360,000	–	–
			2014	2015 scheme	35.45	–	345,000	–	–
D. Arnott	CEO	139,984	2008	2009 scheme	11.80	6,915	–	–	–
			2011	2012 scheme[3]	16.77	3,383	–	13,110	–
			2012	2013-15 scheme	15.64	–	1,050,000	–	–
			2013	2013-15 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	480,000	–	–
			2014	2015 scheme	35.45	–	460,000	–	–
M. Chuard	CFO	34,131	2009	2010 sheme	23.87	8,541	–	–	–
			2011	2012 scheme[3]	16.77	1,208	–	3,933	–
			2012	2013-15 scheme	15.64	–	680,000	–	–
			2013	2013-15 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	240,000	–	–
			2014	2015 scheme	35.45	–	230,000	–	–
A. Loustau	CTO	24,373	2011	2012 scheme	16.77	2,220	–	13,110	–
			2012	2013-15 scheme	15.64	–	450,000	–	–
			2014	2013 Profit share	–	–	–	–	441
			2014	2015 scheme	35.45	–	45,000	–	–
M. Winterburn	Group Product Director	–	2011	2012 scheme[3]	16.77	1,472	–	6,553	–
			2012	2013-15 scheme	15.64	–	450,000	–	–
			2014	2013 Profit share	–	–	–	–	1,705
			2014	2015 scheme	35.45	–	75,000	–	–
M. Davis	Client Director	–	2009	2010 scheme	23.87	1,214	–	–	–
			2011	2012 scheme[3]	16.77	1,472	–	2,620	–
			2012	2013-15 scheme	15.64	–	174,999	–	–
			2013	2013-15 scheme	21.72	–	100,000	–	–
			2014	2013 Profit share	–	–	–	–	2,046
			2014	2014 scheme	34.38	–	100,000	–	–
			2014	2015 scheme	35.45	–	75,000	–	–

(1) Two grants were issued in 2014: the 2014 grant in February 2014 and the 2015 grant in November 2014.

(2) and (3) Targets for the 2012 scheme were not met, and only 12.8% of the SAR's were vested in February 2015. The remainder was forfeited. The numbers in the table reflect the amount outstanding after forfeiture.

FINANCIAL HIGHLIGHTS
IN MILLIONS OF US DOLLARS EXCEPT EARNINGS PER SHARE

	2015	2014	2013	2012	2011
Revenues	**542.5**	468.7	467.8	450.2	473.5
Operating expenses	**445.7**	350.5	374.3	401.1	475.5
Operating profit/(loss)	**96.8**	118.2	93.5	49.1	(2.0)
Profit/(loss) before taxation	**78.1**	106.3	82.4	37.7	(16.1)
Net profit/(loss) after tax	**66.3**	91.6	68.2	25.1	(28.3)
EBITDA	**171.2**	167.8	142.5	96.6	44.7
Diluted earnings per share (in USD)	**0.95**	1.32	0.98	0.36	(0.41)
Cash generated from operations	**227.2**	190.3	169.3	97.7	102.0
Current assets	**440.8**	427.4	372.4	380.8	416.7
Non-current assets	**788.2**	498.5	545.9	521.9	501.1
Total assets	**1,229.0**	925.9	918.3	902.7	917.8
Current liabilities (excluding deferred revenues)	**143.7**	110.4	125.5	142.0	165.5
Deferred revenues	**213.2**	179.9	171.8	156.7	142.7
Total current liabilities	**356.9**	290.3	297.3	298.7	308.2
Non-current liabilities	**496.8**	293.6	212.8	216.2	261.4
Total liabilities	**853.7**	583.9	510.1	514.9	569.6
Total equity	**375.3**	342.0	408.2	387.8	348.2
Total equity and liabilities	**1,229.0**	925.9	918.3	902.7	917.8

Capital structure

The registered share capital is divided into 66,617,568 shares on issue with a par value of CHF 5.

Appropriation of profits

Temenos expects to pay a dividend in 2016.

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Annual General Meeting

10 May 2016

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2015
Sector	Technology/Software
Market Segment	SIX Main Market
Index Member	SMIM/SPI
Swiss Security No	124 5391
ISIN No	CH0012453913
Symbol	TEMN
Number of issued shares at 31.12.2015	66,617,568
Number of registered shares at 31.12.2015	66,617,568
Market price high/low (CHF)	52.90/26.80
Market Price 31.12.2014 (CHF)	35.50
Market Price 31.12.2015 (CHF)	51.95
Market Capitalisation high/low (CHF m)*	3,524/1,873
Share capital nominal value at 31.12.2015 (CHFm)	333

* Based on the number of registered shares at the time.

Key figures per share	2015
Basic earnings per share (USD)	1.01
Diluted earnings per share (USD)	0.95
Non-IFRS earnings per share (USD)	1.73
Consolidated shareholders' equity (USD m)	375.3
Consolidated shareholders' equity per share (USD)	5.63

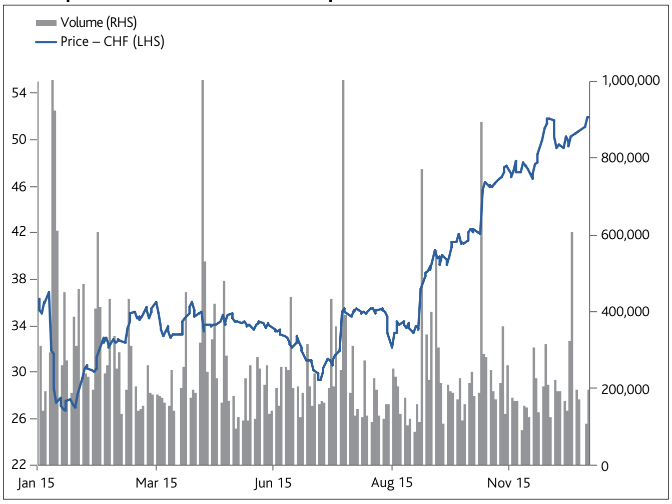
Major shareholders of Temenos Group AG* (08.03.2016)

Name	Number of shares	Percentage of the share capital
Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	10,505,329	15.77%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	6,061,610	9.10%
Aviva plc	3,517,460	5.28%
Alken Luxembourg S.à.r.l	3,468,034	5.21%
BlackRock, Inc.	2,174,244	3.26%
MFS Investment Management	2,037,283	3.06%
UBS Fund Management (Switzerland) AG	2,003,324	3.01%

* On the basis of Temenos Group AG registered capital of 66,617,568 shares, and based on the notifications received.

Please refer to page 56 for the status as of 31.12.2015

Development of the Temenos share price



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