



RESEARCH INSTITUTE

**Banking, Financial Services, and Insurance (BFSI)
Outsourcing
Report: June 2011 – Preview Deck**

**Topic: IT Applications Outsourcing in Banking –
Trends and Future Outlook**

Background of the research

The Banking, Financial Services, and Insurance (BFSI) industry is one of the largest adopters of IT application outsourcing (AO) services. To cater to this large market segment, a number and variety of service providers have developed capabilities to deliver AO services to BFSI companies.

Market growth objectives post the economic recession, advent of new technology paradigms, and the desire to create a globally integrated multi-channel environment, are placing demands on financial institutions to ensure that their applications portfolio is aligned to industry best-practices. As financial institutions strive to maintain and modernize their applications portfolio, they are consolidating their IT service provider base and are looking to identify strategic partners that can sustain the pace of technological advancement in this rapidly evolving industry. As a result of this consolidation exercise, financial institutions are signing larger and more strategic AO contracts with a fewer number of service providers, a phenomenon that is expected to meaningfully alter the AO services landscape in the BFSI segment.

In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global banking sector. We focus on:

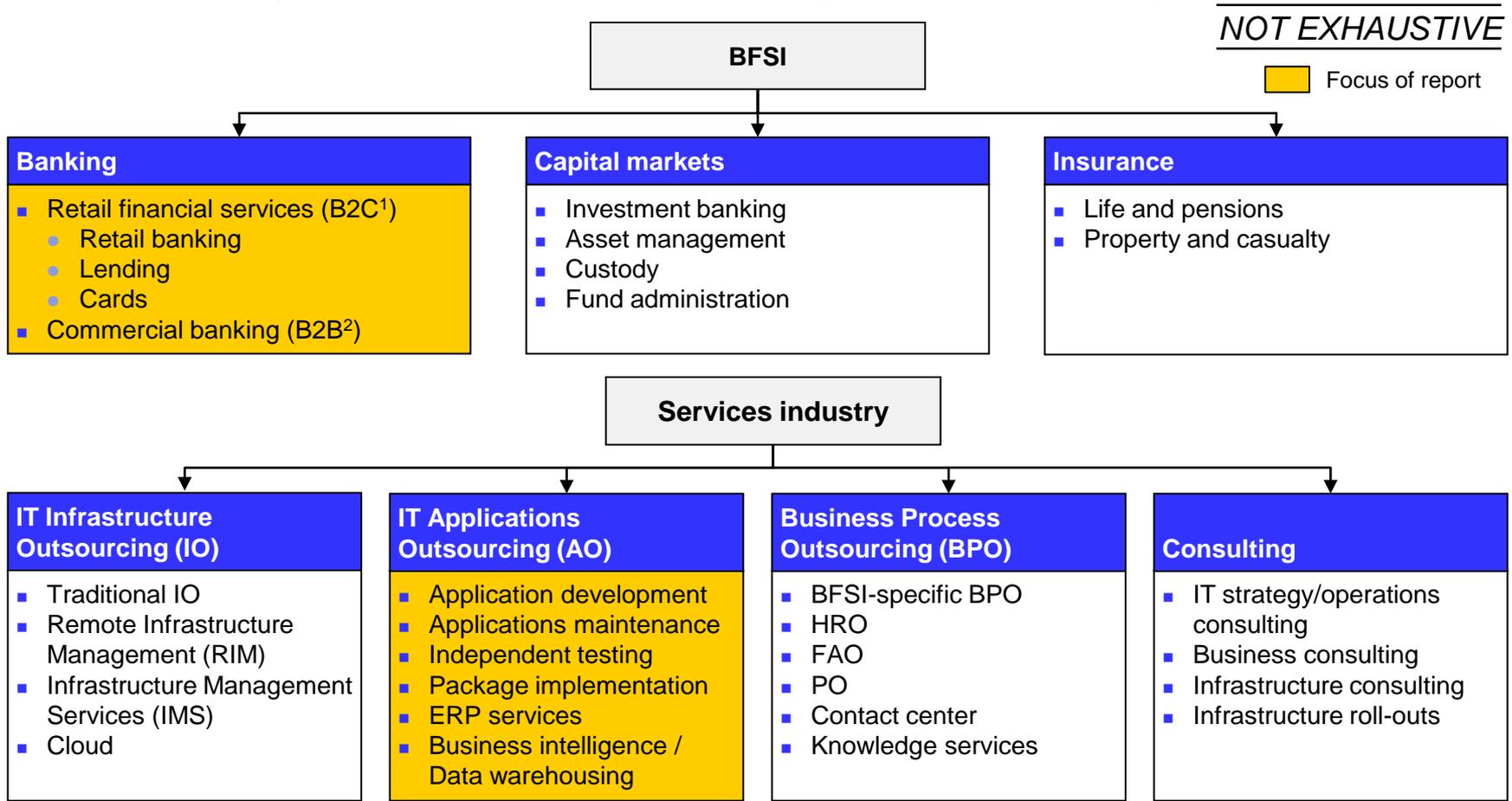
- Trends in AO in the BFSI segment
- Market trends and activity for large AO relationships in banking
- Drivers for change and future outlook for AO in banking
- Implications for banking buyers and service providers

Scope of this report:

- **Industry:** Banking (retail banking, wholesale banking, credit cards, loans and mortgages); **excludes** capital markets and insurance
- **Services:** Large (TCV >US\$25 million), multi-year (>3 years), annuity-based applications outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or captive

Topic	Page no.
Introduction and overview	3
Summary of key messages	11
Section I: BFSI ITO market overview	14
■ Transaction trends for BFSI ITO	17
■ Transaction trends for BFSI AO	21
Section II: Banking AO market overview	23
■ Trends and characteristics for large-sized transactions in Banking AO	24
● Size and growth	25
● Adoption trends – sub-functions, Lines of Business (LoBs), geography, buyer size	26
● Offshore leverage	30
● Delivery locations	31
● Renewals	33
Section III: Emerging themes and implications for key stakeholders	34
■ Market dynamics and growth themes	35
■ Implications for buyers	43
■ Implications for service providers	44
Appendix	45

This Everest report provides an insight into current trends and future outlook for large, multi-year application outsourcing relationships for the global Banking sector

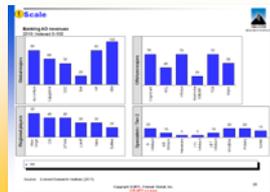


This report analyzes IT applications outsourcing in the Banking sub-vertical with a focus on large (TCV >US\$25 million), annuity-based, multi-year (>3 years) relationships

- 1 Business-to-consumer relationships
- 2 Business-to-business relationships

This report is a part of Everest Group's series of nine reports focused on applications outsourcing in BFSI in 2011

Market Trends in IT Applications Outsourcing Services



- Each report provides an overview of the application outsourcing market for the specific banking / capital markets / insurance sub-vertical
- The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders

Banking

Capital markets

Insurance

Service Provider Landscape: IT Application Outsourcing Services



Each report provides:

- Mapping of service providers on Everest's capability matrix i.e., Performance | Experience | Ability | Knowledge (PEAK) Matrix for the specific sub-vertical
- Assessment of service providers based on delivery capability and market success in establishing large AO contracts with financial institutions

Banking

Capital markets

Insurance

Service Providers' Profiles Compendium: IT Application Outsourcing services



Capability profiles of service providers capturing their AO services experience in specific sub-verticals. Each service provider profile includes:

- Service provider overview: Details of AO services capabilities, key investments, proprietary solutions, technological expertise
- Functional/LoB focus
- Transactions overview for application services offerings
- Delivery footprint

Banking

Capital markets

Insurance

Everest's BFSI research is based on two key sources of proprietary information



RESEARCH INSTITUTE

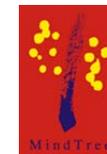
1

- Proprietary Everest database of **~345** large, multi-year AO contracts within BFSI (updated annually)
- The database tracks the following elements of each large AO relationship:
 - Buyer details including industry, size, and signing region
 - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
 - Activity broken down separately for banking, capital markets, and insurance, and by Lines of Business (e.g., retail banking, credit cards, loans and mortgages)
 - Scope includes coverage of buyer geography as well as functional activities
 - Global sourcing, including delivery locations and level of offshoring

2

- Proprietary Everest database of **operational capability of 20+ BFSI AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Key leaders
 - Major BFSI AO clients and recent wins
 - Overall revenues, total employees, and BFSI employees
 - Recent BFSI-related developments
 - BFSI AO delivery locations
 - BFSI AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis



Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis
Confidentiality: The Everest Research Institute takes our confidentiality pledge very seriously. Any information we collect, that is contract specific, will be presented back to the industry only in an aggregated fashion

This report is structured across three key sections, each containing insights on application outsourcing, with a specific focus on large-sized contracts

BFSI ITO market overview

Analysis dimensions

Analysis of the overall BFSI IT Outsourcing (ITO) market and transaction trends

- Market size and growth
- Adoption drivers
- Transaction characteristics (e.g., transaction volumes, value, frequency, scope)
- Market activity and adoption trends (e.g., by geography, sub-verticals, functions)

Banking AO market overview

Analysis specific to the banking AO market with a focus on large transactions

- Transactions activity and growth trends
- Demand characteristics for banking AO services by:
 - Geography
 - Lines of Business: Retail, cards, lending, and commercial
 - AO sub-functions
 - Buyer size
- Offshore leverage
- Global delivery locations
- Renewal activity

Emerging themes and implications

Analysis of emerging trends and their influence on the future of banking AO

- Factors altering the demand profile for banking AO services
- Major technology investment in the banking sector
- Implications for key stakeholders – buyers and service providers

Overview and abbreviated summary of key messages

This report provides an overview of the application outsourcing (AO) market for banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over 3 years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders, with regards to such large banking AO deals

Some of the findings in this report, among others, are:

BFSI ITO market overview

- The US\$72-80 billion BFSI ITO industry has returned to growth post-recession
- Europe is the most active region in BFSI ITO; AO is in scope in majority of all BFSI ITO transactions
- Large deals with TCV >US\$25 million form a significant portion of BFSI AO transactions

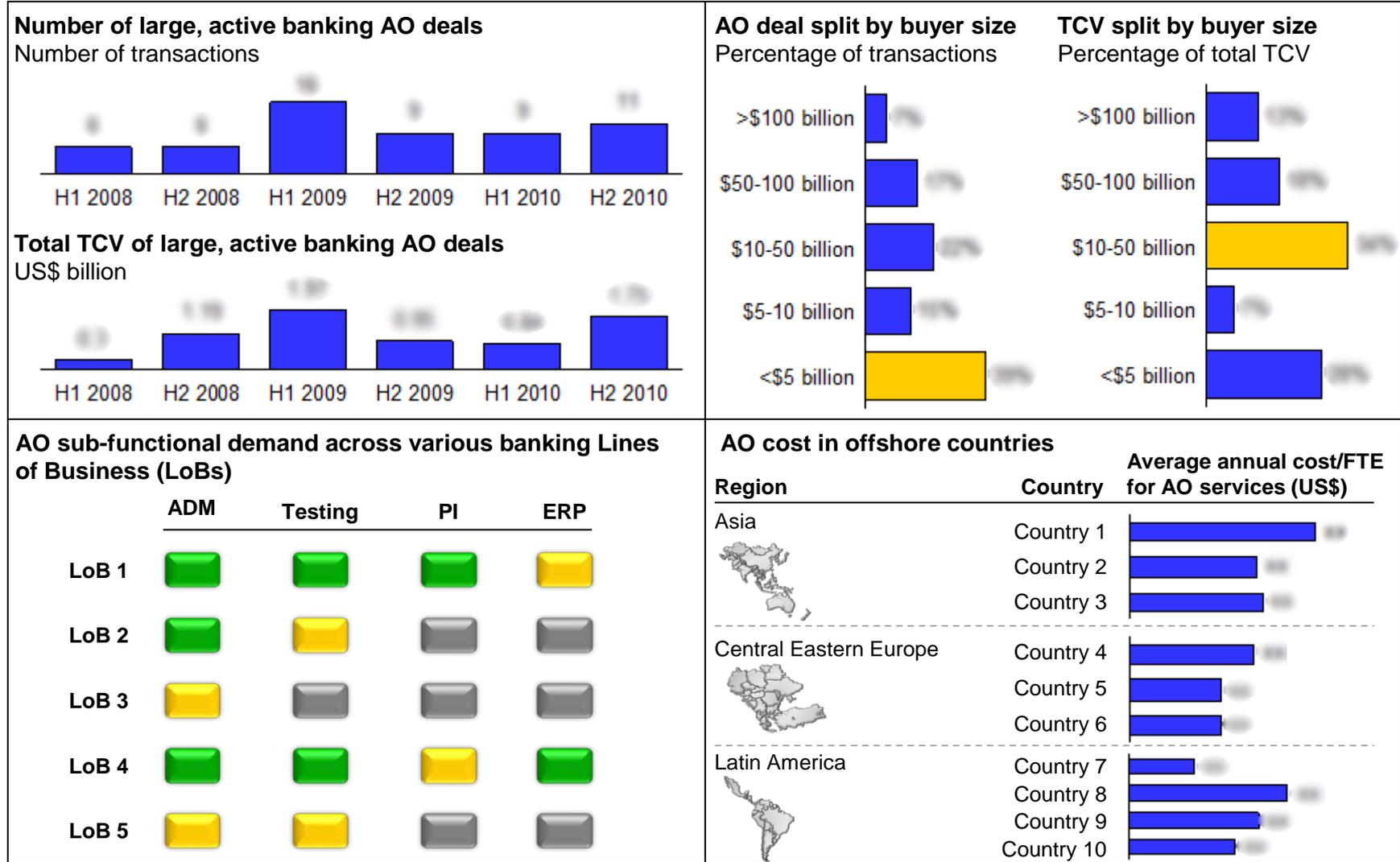
Banking AO market overview

- Most large-sized banking AO deals continue to be structured around application development and ongoing enhancements and maintenance
- Retail banking is the most active user of AO among banking Lines of Business
- Mid-sized banking institutions dominate the signing of large AO contracts
- While India continues to dominates offshore delivery, other destinations such as Brazil and China are gaining prominence
- Over US\$10 billion worth of banking AO contracts are up for renewal in the next five years creating significant value creation opportunities for buyers and service providers

Emerging themes and implications

- Restoring growth and improving profitability post the recession, managing increased regulatory complexity, and adapting to customer preferences are key factors driving increased banking AO demand

This study offers three distinct chapters providing a deep dive into key aspects of banking AO market; below are four charts to illustrate the depth of the report



Source: Everest Research Institute (2011)



Published



Current



Upcoming

Topic	Goals of the research	Release date
<p>Global lending BPO across credit cards, consumer loans, and commercial loans</p>	<p>The market size and potential of the global lending BPO by business segment and function. Adoption trends measured across buyer size and geography. Maturity of lending BPO sub-functions across business segments. Prevalence of various sourcing models. The lending BPO service provider landscape across business segments</p>	<p>January-2011</p>
<p>FS BPO Service provider profile compendium</p>	<p>Snapshots of 14 service providers playing in the FS BPO segment. Each 4-5 page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology landscape, recent developments, and delivery locations across all financial services segments including banking, capital markets, and insurance</p>	<p>March-2011</p>
<p>Global sourcing in FS BPO – Significant Traction, Yet Tremendous Potential</p>	<p>Coverage across retail banking, capital markets, and insurance. Offshore leverage through shared services and third-party outsourcing by financial services organizations. Potential offshorability and current offshore adoption of value chain elements for each business segment. Mature and emerging delivery locations and associated value proposition</p>	<p>April-2011</p>
<p>Market Trends for IT application services in Banking</p>	<p>Provides an overview of the application services market for the banking vertical, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders</p>	<p>June-2011</p>



Published



Current



Upcoming

Topic	Goals of the research	Release date
<p>Service provider landscape for IT application services in <i>Banking</i></p>	<p>Provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various suppliers on Everest's capability matrix.</p>	<p>June-2011</p>
<p>Service providers' capability assessment (profiles compendium) for IT application services in <i>Banking</i></p>	<p>Profiles of service providers capturing their IT AO capability in banking</p>	<p>Q2-2011</p>
<p>Insurance BPO market overview</p>	<p>This report explores the market size, growth, adoption trends, value drivers, process scope, technology landscape, delivery locations, and service provider landscape in the insurance BPO market</p>	<p>Q2-2011</p>
<p>Global third-party BPO service provider landscape in <i>Capital Markets</i></p>	<p>Coverage across investment banking, asset management, and custody and fund administration. Service provider segments and assessment of scale and scope of offerings. Role of global sourcing and technology. Individual service provider profiles</p>	<p>Q3-2011</p>



Published



Current



Upcoming

Topic	Goals of the research	Release date
Market Trends for IT application services in <i>Insurance</i>	Provides an overview of the application services market for the insurance vertical , capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders	Q3-2011
Service provider landscape for IT application services in <i>Insurance</i>	Provides a comprehensive assessment of the service provider landscape in AO services for insurance and maps various suppliers on Everest's capability matrix.	Q3-2011
Service providers' capability assessment (profiles compendium) for IT application services in <i>Insurance</i>	Profiles of service providers capturing their IT AO capability in insurance	Q3-2011
Market Trends for IT application services in <i>Capital Markets</i>	Provides an overview of the application services market for the capital markets vertical, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders	Q3-2011



Published



Current



Upcoming

Topic	Goals of the research	Release date
<p>Service providers' capability assessment (profiles compendium) for IT application services in <i>Capital Markets</i></p>	<p>Profiles of service providers capturing their IT AO capability in capital markets</p>	<p>Q3-2011</p>
<p>Service provider landscape for IT application services in <i>Capital Markets</i></p>	<p>Provides a comprehensive assessment of the service provider landscape in AO services for capital markets, and maps various suppliers on Everest's capability matrix</p>	<p>Q3-2011</p>

Additional research references



RESEARCH INSTITUTE

The following documents are recommended for additional insight into the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

- 1. Application Outsourcing in Banking – PEAK Into the Evolving Service Provider Landscape** (ERI-2011-11-R-0567): This report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various providers on Everest's PEAK matrix. The report further examines the distinctive characteristics of different service provider clusters i.e., Leaders, Major Contenders, Emerging Players, and recognizes the key implications of the rapidly changing landscape for banking buyers and service providers
- 2. Outsourcing Landscape in France: Global Sourcing and Service Provider Assessment** (ERI-2011-2-R-0541): This report provides an overview of the outsourcing market in France across market size and growth, key adoption trends, future industry outlook; and provides an in-depth analysis of the service provider landscape with a focus on the capabilities of the top-10 market leaders
- 3. Role of Global Sourcing in FS BPO – Significant Traction, Yet Tremendous Potential** (ERI-2011-10-R-0529): Beyond arbitrage, several other factors including access to new talent pools, risk diversification, and operational flexibility are driving financial services organizations to push the global sourcing envelope. This report examines the various global sourcing trends in FS BPO, across banking, capital markets, and insurance
- 4. Global Lending BPO Across Credit Cards, Consumer Loans, and Commercial Loans** (ERI-2011-10-R-0494): As financial services companies come out of one of the most tumultuous periods, this report provides key trends and insights into the global lending BPO across credit cards, consumer loans (including mortgages), and commercial loans across various dimensions such as market size and buyer adoption, prevalent and emerging sourcing models, and changing service provider landscape

For more information on this and other research published by the Everest Research Institute, please contact us:

Anneet Singh, VP – Global Sourcing:
Jimit Arora, Research Director:
Rajat Juneja, Senior Research Analyst:
Mridul Gupta, Research Analyst:

anneet.singh@everestgrp.com
jimit.arora@everestgrp.com
rajat.juneja@everestgrp.com
mridul.gupta@everestgrp.com

Everest Research Institute
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240

Phone: +1-214-451-3110
E-mail: info@everestresearchinstitute.com

About Everest Group



Everest Group is an advisor to business leaders on next generation global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.

Everest Group leads clients from insight to action



Contact us for more information about our consulting, research, and industry resources.

Dallas (Corporate Headquarters)

info@everestgrp.com
info@everestresearchinstitute.com
+1-214-451-3000
+1-214-451-3110

Canada

canada@everestgrp.com
+1-416-865-2033

New York

info@everestgrp.com
+1-646-805-4000



India/Middle East

india@everestgrp.com
+91-124-496-1000
+91-124-496-1100

UK

unitedkingdom@everestgrp.com
+44-870-770-0270

Netherlands & Continental Europe

benelux@everestgrp.com
+31-20-301-2138

www.everestgrp.com | www.everestresearchinstitute.com | www.sherpasinblueshirts.com