Everest Group
RESEARCH

IT Outsourcing in European Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing Market Report: November 2015 – Preview Deck

EGR-2015-11-PD-1606

Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available
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- **BFSI[1] Business Process**
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- **Recruitment Process**
- **Contact Center**
- **Transaction Intelligence**

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
  - BFSI ITO
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**

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1 Banking, financial services, and insurance

EGR-2015-11-PD-1606

Background and scope of the research (page 1 of 2)

Background of the research

Globally, BFSI is the largest vertical constituting 22-26% of the total share in ITO spending. Europe remained the largest source geography in terms of number of BFSI IT outsourcing transactions in 2014 with 54% of transactions sourced from this region

The European banking and capital markets industry is undergoing an evolution. Despite positive outlook in Europe, BFS firms are still holding onto a recession mentality as they continue to operate in an uncertain regulatory environment. Firms have cost reduction and efficiency improvement on top of their agenda. Demand for AO services is the highest in UK and is on the rise in Nordics and few parts of Continental Europe. Firms are moving towards digitization which constitutes majority of their IT investments. Service provider landscape in Europe has been dominated by large-sized providers and is witnessing an emergence of mid-sized regional players with expertise in niche segments. Service providers in Europe are investing in increasing their delivery footprint in the region and building portfolio of offerings in areas such as risk & regulatory compliance, payments, mobility, big data, social media, and cloud. In order to succeed in the market, it is essential for service providers to understand specific challenges in the market environment as well as buyers' preferences and devise an effective approach

In this research:

- We analyzed current trends and the future outlook for large, multi-year application outsourcing relationships for the European banking and capital markets sector. We focus on:
  - Banking and capital markets ITO market overview (focus on Europe); market trends and activity for large AO relationships in European banks and capital markets firms

- We assessed **20 banking AO service providers** and **18 capital markets AO providers** in Europe for their capabilities in providing these services in the region. The focus is on:
  - European banking and capital markets AO service provider landscape
  - European banking and capital markets AO PEAK Matrix characteristics

EGR-2015-11-PD-1606

Background and scope of the research (page 2 of 2)

Scope of the research

- **Industry**
  - Banking: Retail banking, wholesale banking, credit cards, loans, and mortgages
  - Capital markets: Investment banking, asset management, custody and funds administration, and brokerage services
- **Services:** Large (TCV > US$25 million), multi-year (>3 years), and annuity-based application outsourcing
- **Geography:** Europe
- **Sourcing model:** Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)
- **Service providers assessed**

Banking AO in Europe

Accenture, Capgemini, Cognizant, CGI, CSC, Dell Services, EPAM, HCL, HP, IBM, ITC Infotech, Infosys, L&T Infotech, Luxoft, Mphasis, Tata Consultancy Services, Tech Mahindra, Unisys, Virtusa, Wipro

Capital markets AO in Europe

Accenture, Capgemini, Cognizant, CGI, CSC, Dell Services, EPAM, HCL, IBM, IGATE, Infosys, L&T Infotech, Luxoft, Mphasis, Syntel, Tata Consultancy Services, Tech Mahindra, Wipro

Table of contents (page 1 of 2)

EGR-2015-11-PD-1606

Table of contents (page 2 of 2)

This Everest Group report examines the service provider landscape for large annuity contracts in banking and capital markets industry in Europe

NOT EXHAUSTIVE

Focus of report

BFSI

Banking
- Retail financial services (B2C[1])
- Retail banking
- Lending
- Cards
- Commercial banking (B2B[2])

Capital markets
- Investment banking
- Asset management
- Custody and funds administration
- Brokerage
- Others[3]

Insurance
- Life and pensions
- Property and casualty
- Others

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Application development
- Application maintenance
- Independent testing
- Package implementation
- ERP services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

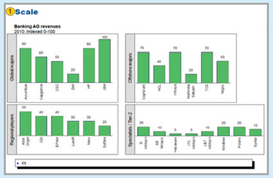
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

Digital Services
Services in next-generation technologies leveraged by enterprises to enable transformation including social, mobility, analytics, cloud, and others (artificial intelligence, robotics process automation, internet of things, machine-to-machine, etc.)

1 Business-to-consumer relationships
2 Business-to-business relationships
3 Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management

This report is a part of the Everest Group's series of reports focused on ITO in BFSI in 2015

IT Outsourcing in BFSI – Annual Report

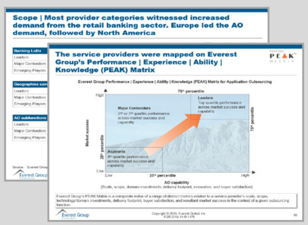


Each report provides:

- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Global Banking
- Global Capital Markets
- Global Insurance

IT Outsourcing in BFSI – Service Provider Landscape

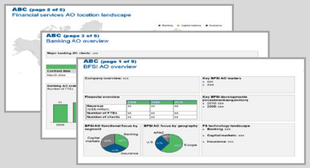


Each report provides:

- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Aspirants
- Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice along with comparative evaluation of their BFSI-AO capabilities
- The 2015 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

- Global Banking
- Global Capital Markets
- Global Insurance
- **Banking and Capital Markets (BCM) in Europe**
- Insurance in Europe
- Mobility in BCM
- Mobility in Insurance
- Analytics in BCM
- Analytics in Insurance
- Risk and regulatory compliance in BCM

BFSI ITO – Service Provider Profile Compendium

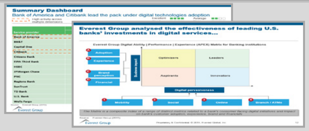


Capability profiles of service providers capturing their AO services experience in specific subverticals. Each service provider profile includes:

- Service provider overview – details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional / Line of Business (LoB) focus
- Transactions overview for application services offerings and delivery footprint

- Global Banking
- Global Capital Markets
- Global Insurance

Enterprise Digital Effectiveness with APEX Matrix



Two reports as part of an "open source" evaluation of the digital effectiveness of the largest retail banks in UK and the U.S. and mapping them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in the U.S. retail banks
- APEX Matrix for Digital in UK retail banks

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

1

- Everest Group's proprietary database of 500+ large, active, multi-year AO contracts within BFSI (updated annually through primary data collection via service provider RFIs)[1]
- 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, insurance, and by line of business (for example, credit cards, lending, retail banking, and commercial banking)
  – Scope includes coverage of buyer geography as well as functional activities
  – Global sourcing including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ BFSI AO service providers** (updated annually through primary data collection via service provider RFIs)
- The database tracks the following capability elements for each service provider:
  – Major BFSI AO clients and recent wins
  – Overall revenue, 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

Accenture[1], Capgemini[1], CGI, Cognizant, CSC[1], Dell Services, EPAM, HCL, HP, IBM[1], IGATE, ITC Infotech, Infosys, L&T Infotech, Luxoft, Mphasis[1], Syntel, Tata Consultancy Services, Tech Mahindra, Unisys, Virtusa, Wipro

1 Assessment for Accenture, Capgemini, CSC, IBM, and Mphasis excludes service provider inputs, and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with banking buyers

Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

Overview and abbreviated summary of key messages

This report provides an analysis of the capabilities of 20 leading banking AO service providers and 18 leading capital markets AO service providers, specific to European market. These providers are mapped on Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix, which is a composite index of a range of distinct metrics related to each provider's capability and market success. The report provides landscape of service providers for banking and capital markets AO in Europe and assesses service providers on a number of capability-related dimensions

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

European banking and capital markets AO service provider landscape

- Europe is a major geography for BFS IT outsourcing services after North America, with about 37% of the overall global IT services demand (in USD terms) coming from this region
- Home to some of the largest global banks and capital markets institutions, Europe is burdened with changing regulations and weak macroeconomic situations especially in the Eurozone countries
- Diverse culture (United Kingdom, Nordics, Benelux, Continental Europe, Eastern Europe, and Russia) makes it a unique market with high demand for IT resources with language proficiency
- UK and Nordics (Denmark, Finland, Norway, and Sweden) accounted for a significant share of all BFS AO deals announced in the European region
- Capital markets buyers dominated between 2010-2014 with high TCV deals in Europe as compared to their banking counterparts

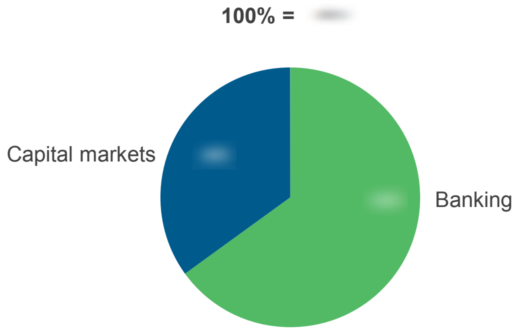
PEAK Matrix characteristics

- Analysis of the service provider landscape for banking and capital markets AO leveraging the Everest Group's PEAK Matrix reveals three distinct categories of service providers: Leaders, Major Contenders, and Aspirants
- Leaders account for 68% of the overall European banking AO market and 58% of the overall European capital markets AO market in terms of active ACV
- Banking Leaders and Major Contenders have high focus on UK and Continental Europe while Aspirants have a more balanced regional focus with more than one-third of their transactions originating from Russia and Nordics
- Capital markets Leaders and Major Contenders source more than two-third of their transactions from UK
- Fixed price remains the primary pricing model in all categories; Output-based pricing is most common among the Major Contenders

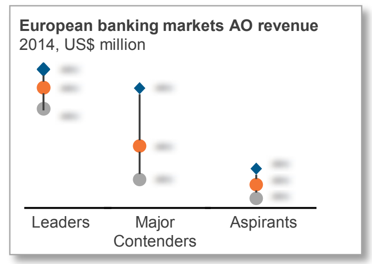
This study offers a deep dive into key aspects of the banking and capital markets AO service provider landscape in Europe; below are three charts to illustrate the depth of the report

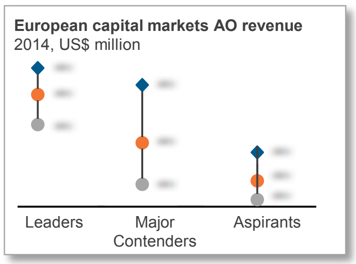
European banking and capital markets ITO market size

2014, US$ billion



European banking and capital markets AO scale by provider segment





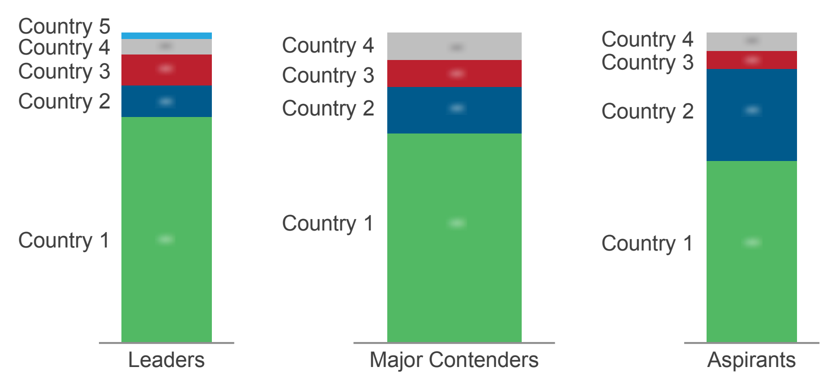
Service provider capability assessment dashboard for banking and capital markets AO in Europe

Measure of capability: ● Very high ◕ Medium-high ◑ Medium ◔ Low ○ Minimal

Service provider	Delivery capability					Market success
	Scale	Scope	Domain investments	Delivery footprint	Innovation	
Service provider 1	●	◑	◔	◔	◑	◔
Service provider 2	●	●	◕	●	●	◑
Service provider 3	●	●	●	◕	◕	◕
Service provider 4	◑	◑	◑	◔	●	◑
Service provider 5	◑	◑	◑	◔	◑	◑
Service provider 6	◔	◑	◔	◔	◑	◔
Service provider 7	◕	◕	◕	◕	◕	●
Service provider 8	◔	◑	◔	◑	◑	◕

European large, active banking AO contracts by country

2014, Percentage of transactions



Source: Everest Group (2015)

BFSI ITO research calendar (page 1 of 2)

Published | Current

Topic	Release date
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2014	January 2015
IT Outsourcing (ITO) in Insurance – Service Provider Profile Compendium 2014	February 2015
Demand Trends in Mid-Tier and Super-regional Banks in the United States	April 2015
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015	June 2015
IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave	June 2015
Enterprise digital effectiveness – APEX Matrix for digital in U.S. retail banks 2015	July 2015
Enterprise digital effectiveness – APEX Matrix for digital in UK retail banks 2015	July 2015
IT Outsourcing in Global Capital Markets – Annual Report 2015	August 2015
IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	September 2015
IT Outsourcing in Global Banking – Service Provider Profile Compendium 2015	September 2015
IT Applications Outsourcing in Capital Markets - Service Provider Profiles Compendium – 2015	September 2015
IT Outsourcing in Banking and Capital Markets in Europe – SPL with PEAK Matrix™ Assessment 2015	November 2015
IT Outsourcing in Global Insurance – Annual Report 2015	Q4 2015
IT Outsourcing in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
IT Applications Outsourcing in Insurance - Service Provider Profiles Compendium – 2015	Q4 2015

BFSI ITO research calendar (page 2 of 2)

Published Current

Topic	Release date
IT Outsourcing in Insurance in Europe – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015	Q4 2015
Mobility in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015	Q4 2015
Analytics in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015	Q4 2015
Social media adoption trends in insurance sector	Q4 2015
Mobility in Global Insurance – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015	Q4 2015
Analytics in Global Insurance - Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015	Q4 2015
Payments trends in Global banking, capital markets, and insurance sector	Q4 2015

Additional research references

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

1. **IT Outsourcing in Global Banking – Service Provider Landscape with PEAK Matrix Assessment 2015: Rise of the Challengers** (EGR-2015-11-R-1479); 2015. This report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain investments, buyer satisfaction, and delivery footprint of each provider's banking AO practice. Finally, the 2015 banking AO PEAK analysis focuses on identifying the "Star Performers," providers with the strongest forward movement over time in terms of market success and capability advancements

2. **IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2015: A Crowded Marketplace** (EGR-2015-11-R-1521); 2015. This report provides a comprehensive assessment of the service provider landscape in AO services for capital markets and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain investments, buyer satisfaction, and delivery footprint of each provider's banking AO practice. Finally, the 2015 banking AO PEAK analysis focuses on identifying the "Star Performers," providers with the strongest forward movement over time in terms of market success and capability advancements

3. **IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave** (EGR-2015-11-R-1496); 2015. This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2015 with regards to such large banking AO deals

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Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

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