



Topic: IT Outsourcing in Banking – Annual Report 2014: The Return of the King

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report: June 2014

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Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com

European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com

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¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

Strained revenue growth, low interest rates, the rise of digital consumers, and growing pressure of regulatory compliance continued to adversely affect the profitability of banks in 2013. This has forced global banks to rethink and reinvent their business models as well as technological priorities. As a result, 2013 saw strong return of discretionary spend – led by investments in development of specific applications for regulatory compliance, risk management, channel-specific initiatives (social, mobile, etc.), and customer analytics.

Consequently, the service provider competitive landscape is also intensifying as service providers continue to ramp up their capabilities, invest in innovative technologies, form alliances, and acquire strategic targets to address the growing and complex technology needs of banks and financial institutions.

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
- Emerging priorities of buyers and key investment themes in banking AO
- Future outlook for 2014-2015

The research also captures key movements in volumes/values of banking AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

Scope of this report

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

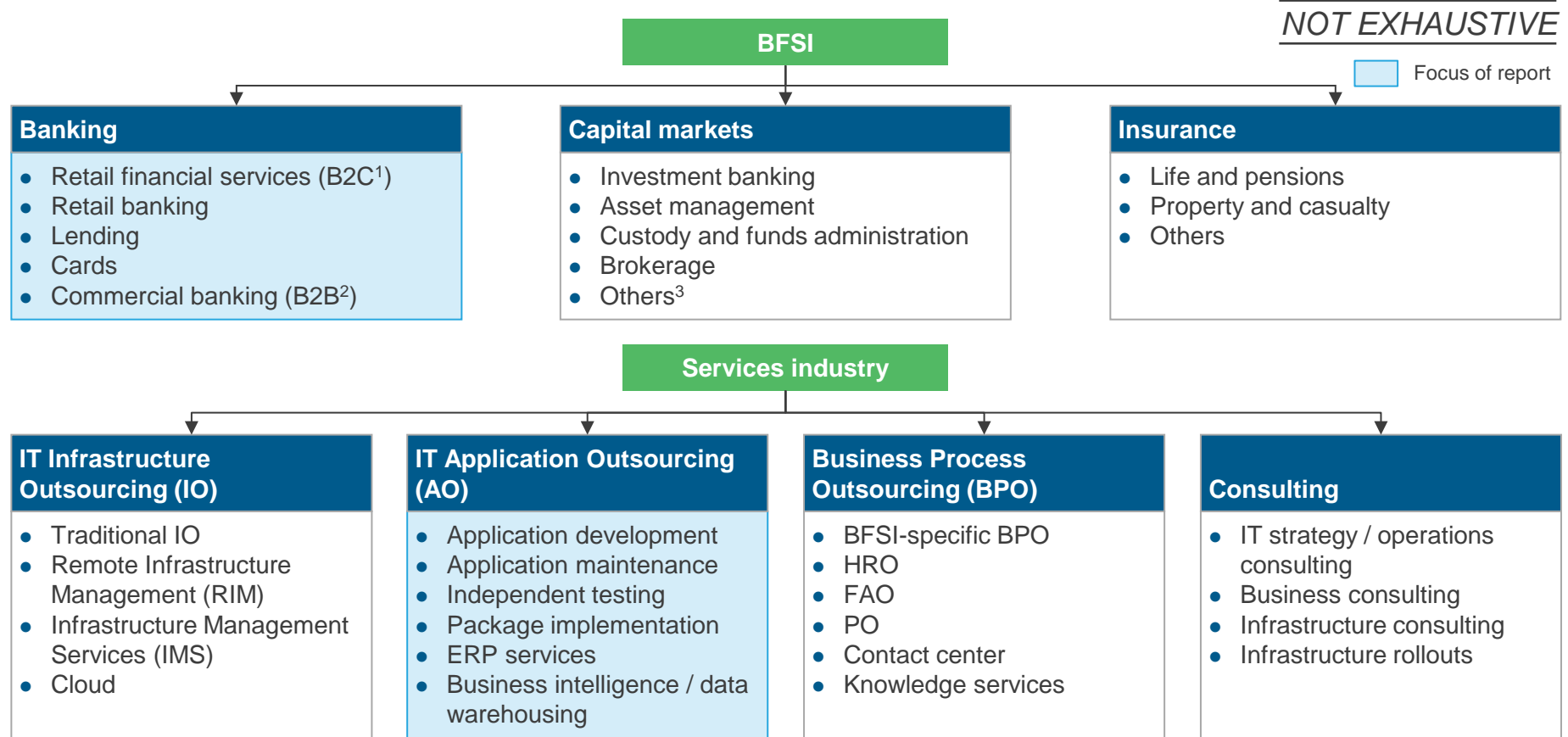
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This report provides an insight into the current trends and future outlook for large, multi-year application outsourcing relationships in the global banking sector



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

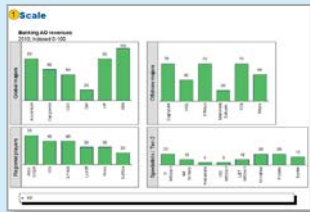
1 Business-to-consumer relationships

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 nine reports focused on AO in BFSI in 2014

IT Outsourcing in BFSI – Annual Report



Each report provides:

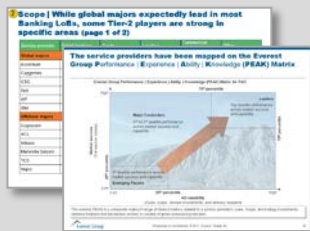
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements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

Banking

Capital Markets

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 Emerging Players
- Comparative evaluation of BFSI-AO capabilities of provider categories such as global majors, offshore majors, regional players, and tier-2 specialists. Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice
- The 2014 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

Banking

Capital Markets

Insurance

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
- Delivery footprint

Banking

Capital Markets

Insurance

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

1

- Everest Group's proprietary database of 400+ large, active, 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, insurance, and by LoB (e.g., retail banking, credit cards, and loans & mortgages)
 - Scope includes coverage of buyer's 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)
- 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



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 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 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\$105-130 billion BFSI ITO market continues to be the largest industry segment of the global ITO industry. The number of BFSI outsourcing transactions witnessed a significant increase, which was driven by a resurgence in demand; TCV also registered a strong growth
- Average contract duration for banking deals remained similar to 2012
- The share of banking and capital markets ITO deals increased; outsourcing spend from insurance firms remained flat as compared to last year
- New deals continue to make up the majority of total ITO deals within the BFSI industry
- Majority of the BFSI ITO deals originated from EMEA (Europe, Middle East, and Africa). All the geographies witnessed a strong surge in deal activity

Banking AO overview

- Overall, both the number of large application outsourcing deals and their TCV witnessed a strong growth in 2013
- North America was the dominant signing geography (both in terms of number and TCV) for large banking AO deals in 2013
- Mid-sized retail banking firms in North America accounted for the majority of banking AO TCV in 2013

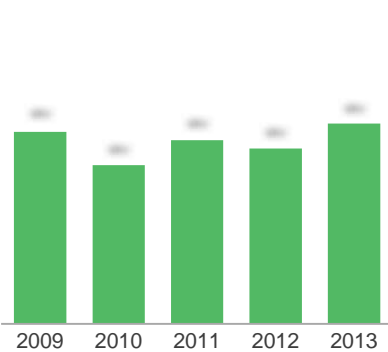
Emerging priorities of buyers, and key investment themes

- Structural cost reduction, maintaining a steady risk profile, enhancing customer centricity, and business control were key business priorities for global banking firms in 2013
- Key technology implications of these business priorities were: industrialization of IT solutions, customer analytics and insights, IT transformation, data management, and risk management

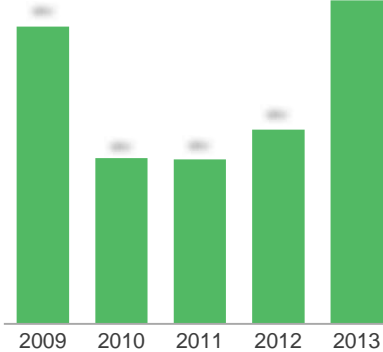
This study offers three distinct chapters providing a deep dive into key aspects of banking AO market; below are four charts to illustrate the depth of the report

Number and TCV of large-sized transactions in banking AO

Number of large, active banking AO contracts
2009-2013; Number of transactions

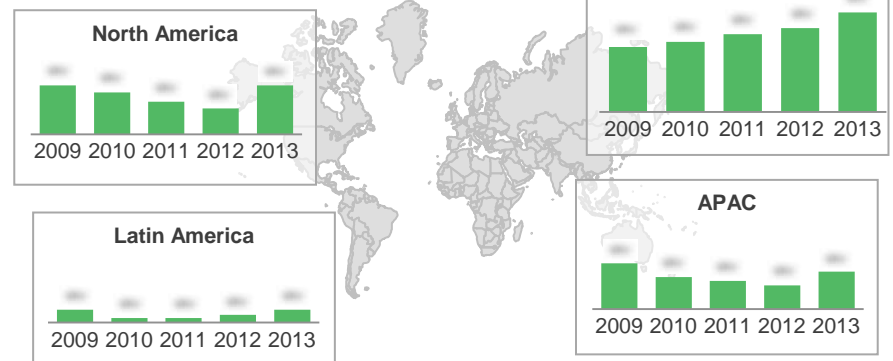


Total TCV of large, active banking AO contracts
2009-2013; US\$ billion



Number of BFSI ITO transactions by source regions

BFSI ITO transactions by geography
2009-2013; Number of transactions

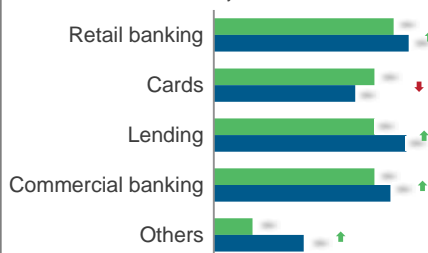


AO subfunctional demand across various banking Lines of Business (LoBs)

Banking LoBs included in large AO transactions

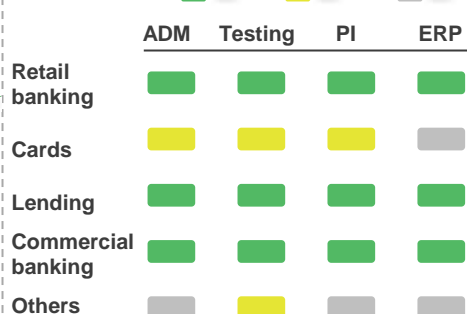
Frequency of inclusion

↑ Increase from last year
 ↔ No/minimal change from last year
 ↓ Decrease from last year



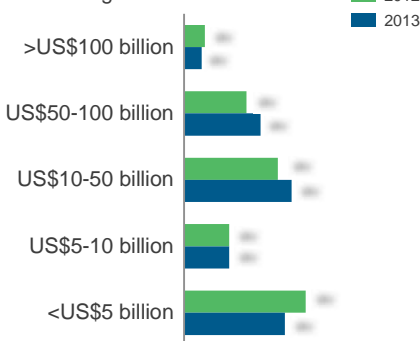
Subfunctional demand across different LoBs

Frequency of inclusion

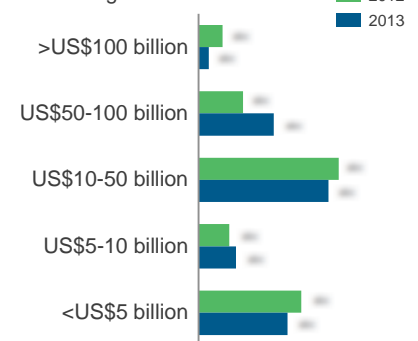


Adoption trends by buyer size

Transaction distribution by buyer size
Percentage of transactions



TCV split by buyer size
Percentage of total TCV



Source: Everest Group (2014)

BFSI ITO research calendar

Topic	Release date
IT Application Outsourcing (AO) in Insurance – Service Provider Profile Compendium	January-2014
Webinar Deck: State of the Global Services Market: 2014 Predictions	January-2014
IT AO in Capital Markets – Service Provider Profile Compendium	February-2014
Analytics in Banking: War is Ninety Percent Information	June-2014
IT Outsourcing in Banking – Annual Report 2014: The Return of the King	June-2014
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
IT Outsourcing in Banking – Service Provider Profile Compendium 2014	Q3-2014
IT Outsourcing in Insurance – Annual Report 2014	Q3-2014
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
IT Outsourcing in Insurance – Service Provider Profile Compendium 2014	Q3-2014
IT Outsourcing in Capital Markets – Annual Report 2014	Q4-2014
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4-2014
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2014	Q4-2014

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. **Mobile Banking Adoption Trends** ([EGR-2014-11-R-1109](#)); 2014. This report provides an overview of the global mobile banking and payments market, including mobile payment transaction volume, number of users, and degree of investments in mobility. It also includes region-wise adoption trends in mobile banking and payments across North America, Europe, Middle East and Africa, Asia Pacific, and Latin America along with an in-depth analysis of the mobile banking apps launched by the top American, European, and APAC banks
2. **Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance** ([EGR-2014-11-R-1134](#)); 2014. This report provides an overview of regulatory compliance related IT outsourcing in banking and capital markets. It captures key regulations in this space along with their business, technology, and sourcing implications. The report captures key adoption trends and growth in value/volume of regulatory compliance related transactions, and key regulatory compliance-related investments by service providers. Finally, the report provides insights into evolving trends in the market and implications for buyers and service providers
3. **IT Outsourcing in Banking – Annual Report 2013: Banking For the Next Generation** ([EGR-2013-11-R-0893](#)); 2013. 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 2013 with regards to such large banking AO deals

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

Jimit Arora, Vice President:

jimit.arora@everestgrp.com

Rajat Juneja, Practice Director:

rajat.juneja@everestgrp.com

Kiranjeet Kaur, Senior Analyst:

kiranjeet.kaur@everestgrp.com

Pallavi Saxena, Senior Analyst

pallavi.saxena@everestgrp.com

Everest Group

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

Phone: +1-214-451-3110

Email: info@everestgrp.com



At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
- 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

Dallas (Headquarters)

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

New York

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

Toronto

canada@everestgrp.com
+1-647-557-3475

London

unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi

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