IT Outsourcing in European Banking and Capital Markets – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2014

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing Market Report: December 2014 – Preview Deck

EGR-2014-11-PD-1336

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1 Banking, financial services, and insurance

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

Background of the research

Globally, BFSI is the largest vertical in terms of the total share in ITO spending. Of the global BFSI ITO activity in the last five years, Europe accounted for the highest wallet share. Further, within ITO transactions, Application Outsourcing (AO) accounted for a majority of the engagements.

The European banking and capital markets industry is currently going through an evolution. While the industry has been dominated by large-sized service providers, it is witnessing an emergence in tier-2 regional service providers. Demand for AO services is on the rise in Continental Europe region while Nordics and Germany remain underserved with scope of generating higher demand in near future. Further, the European banks and financial firms continue to operate in an uncertain regulatory environment and a strong move towards digitization which constitute the majority of the IT investments in the region. Chief Information Officers (CIOs) in Europe are looking at leveraging the next-generation services, such as social media, mobility, analytics, and cloud, to achieve cost arbitrage while enhancing customer experience and meeting regulatory compliance. As both European buyers (banks and capital markets firms) and global service providers seek to design solutions for these challenges, it is essential to understand the specific changes in the market environment, and devise an effective approach to adapt accordingly.

In this research:

- We analyze the 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 (global with a focus on Europe)
  - Market trends and activity for large AO relationships in European banks and capital markets firms

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

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This report provides an insight into the current trends and future outlook for application outsourcing by banking and capital markets firms 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[4] 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

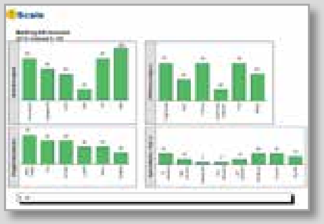
This report analyzes IT applications outsourcing in banking and capital markets subvertical within Europe with a focus on large (TCV > US$25 million), annuity-based, multi-year (>three years) relationships

1 Business-to-consumer relationships
2 Business-to-business relationships
3 Includes other capital markets functions such as structured finance, treasury, Foreign Exchange (FX), and horizontal functions including risk management
4 Defined in appendix

Everest Group RESEARCH

This report is a part of Everest Group's series of nine reports focused on AO in BFSI in 2014

Market Trends in IT Application Outsourcing Services



Each report provides:

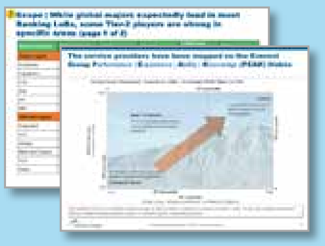
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional breakouts of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements in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

Banking

Capital Markets

Insurance

Service Provider Landscape: IT Application Outsourcing Services



Each report provides:

- Assessment of the 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, delivery footprint, and buyer satisfaction of each provider's BFSI AO practice
- The 2014 BFSI AO PEAK Matrix analyses focus on identifying "Star Performers", i.e., providers with strongest forward movement over time – in terms of both market success and capability advancements

Banking

Capital Markets

Insurance

Service Provider Profile Compendium: IT Application Outsourcing Services

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 Total Contract Value (TCV), Annual Contract Value (ACV), term, start date, service provider FTEs, and pricing structure
  - Activity broken down separately for banking, capital markets, insurance, and by LoB[1] (e.g., investment banking, asset management, custody and funds administration, and brokerage services)
  - 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 25+ 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, Capgemini, CGI, Cognizant, CSC, Dell Services, endava, epam, HCL, Hexaware, hp, IBM, Infosys, IGATE, ITC Infotech, L&T Infotech, Luxoft, Mphasis, Syntel, TATA Consultancy Services, Tech Mahindra, Unisys, Wipro

1 Lines of Business

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. It also includes segment-wise analysis incorporating enterprises' feedback about service providers.

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

European banking and capital markets AO service provider landscape

- The service provider landscape for capital markets AO services is broadly divided into four major categories of providers – global majors, offshore majors, regional players, and tier-2 Indian providers
- The share of large capital markets AO deals in banking and capital markets grew significantly in 2013 to 45% as firms leveraged technology for regulatory compliance, to cut costs and drive efficiency
- The European banking and capital markets industry witnessed a strong return in discretionary spend in areas such as application development for customer centricity, digital technologies, and regulatory compliance

PEAK Matrix for capital markets AO

- 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 Emerging Players
- Leaders account for ~ 60% of the overall European banking AO market in terms of active ACV as well as the number of contracts
- Major Contenders and Emerging Players are beginning to explore the performance-linked model with more than 25% of banking and capital markets AO contracts with this model

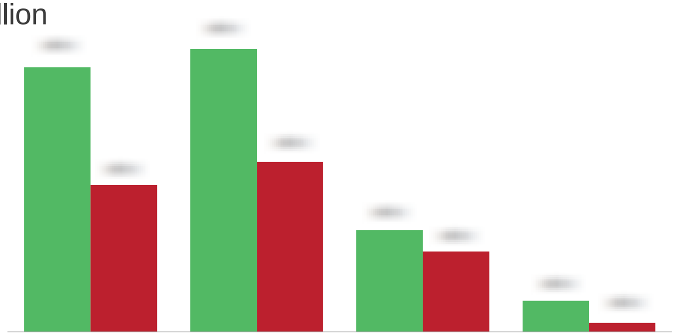
Implications for buyers and service providers

- Although dominance by large global players is more pronounced in European market, small regional specialists are challenging their prominence
- Regulatory & risk management, analytics and mobility are top IT investment areas for banking and capital markets firms in Europe

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

Average banking and capital markets AO revenue from Europe

US$ million

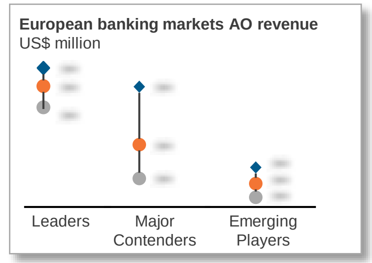


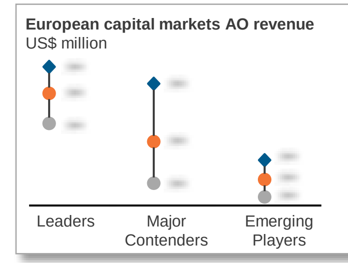
Service provider capability assessment dashboard for banking and capital markets AO in Europe

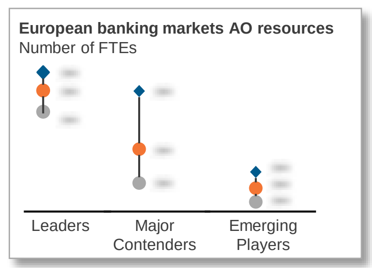
Measure of capability: High | Medium-high | Medium | Low

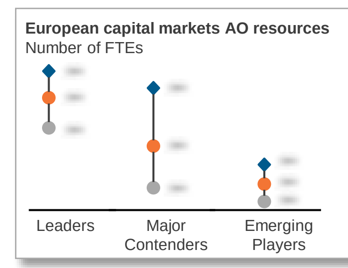
	Scale	Scope	Domain investments	Delivery footprint	Buyer satisfaction	Market success
Service provider 1	High	High	Medium-high	High	High	Medium
Service provider 2	High	High	High	Medium-high	Medium-high	Medium-high
Service provider 3	Medium	Medium	Medium	Low	High	Medium
Service provider 4	Medium	Medium	Medium	Low	Medium	Medium
Service provider 5	Low	Medium	Low	Low	Medium	Low
Service provider 6	Medium-high	Medium-high	Medium-high	Medium-high	Medium-high	High
Service provider 7	Low	Medium	Low	Medium	Medium	Medium-high

European banking and capital markets AO scale by provider segment









Category	Global majors	Offshore majors	Regional players	Tier-2 Indian providers
Leaders	Service provider 1			
Major Contenders			Service provider 5 Service provider 6	Service provider 7 Service provider 8
Emerging Players		Service provider 2 Service provider 3		Service provider 9 Service provider 10

Source: Everest Group (2014)

Everest Group RESEARCH

BFSI ITO research calendar

Published | Current

Topic	Release date
IT Applications Outsourcing in Insurance – Service Provider Profiles Compendium – 2013	January 2014
Mobile Banking Adoption Trends	May 2014
Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance	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	July 2014
IT Outsourcing in Banking – Service Provider Profile Compendium 2014	August 2014
IT Outsourcing in Capital Markets – Annual Report 2014	September 2014
IT Outsourcing in Insurance – Annual Report 2014	October 2014
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2014	October 2014
IT Outsourcing in European Banking and CM – Service Provider Landscape with PEAK Matrix™ Assessment 2014	December 2014
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4 2014
IT Outsourcing in European Banking and CM – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4 2014
Banking and capital markets AO demand trends by banking Tiers: Focus on mid-market	Q4 2014
IT Applications Outsourcing in Insurance - Service Provider Profiles Compendium – 2014	Q1 2015
Banking and Capital Markets ITO Enterprise Survey Results 2015	Q1 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 Banking – Annual Report 2014** (EGR-2014-11-R-1145); 2014. 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 2014 with regards to such large banking AO deals

2. **IT Outsourcing in Capital Markets – Annual Report 2014** (EGR-2014-11-R-1228); 2014. This report provides an overview of the Application Outsourcing (AO) market for the capital markets 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 2014 with regards to such large capital markets AO deals

3. **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

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