

Technology Sector



(Banking Software Developers)

January 2016

**Global Demand
/Supply**

**Key Suppliers in
Pakistan**

**Market Share
and Competition
in Pakistan**

**Opportunities and
Challenges**

Technology | Rising demand across Globe

Banking in Digital Era

- ◆ In 2015, the banks across the globe cited technology (IT Modernization) as their biggest priority. To put that in perspective, it was the fourth highest priority in 2014.

2014		2015 ¹
Channels - 1		1 - IT Modernization
Innovation - 2		2 - Innovation
Risk Man./ Regulatory Compliance - 3		3 - Channels
IT Modernization - 4		4. Attracting/ Retaining Talent
Attracting/ Retaining Talent - 5		5 - Risk Man./ Regulatory Compliance
Acquisitions - 6		6 - Promotions/ Marketing
Promotions/ Marketing - 7		7 - Acquisitions

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Key Suppliers in
Pakistan

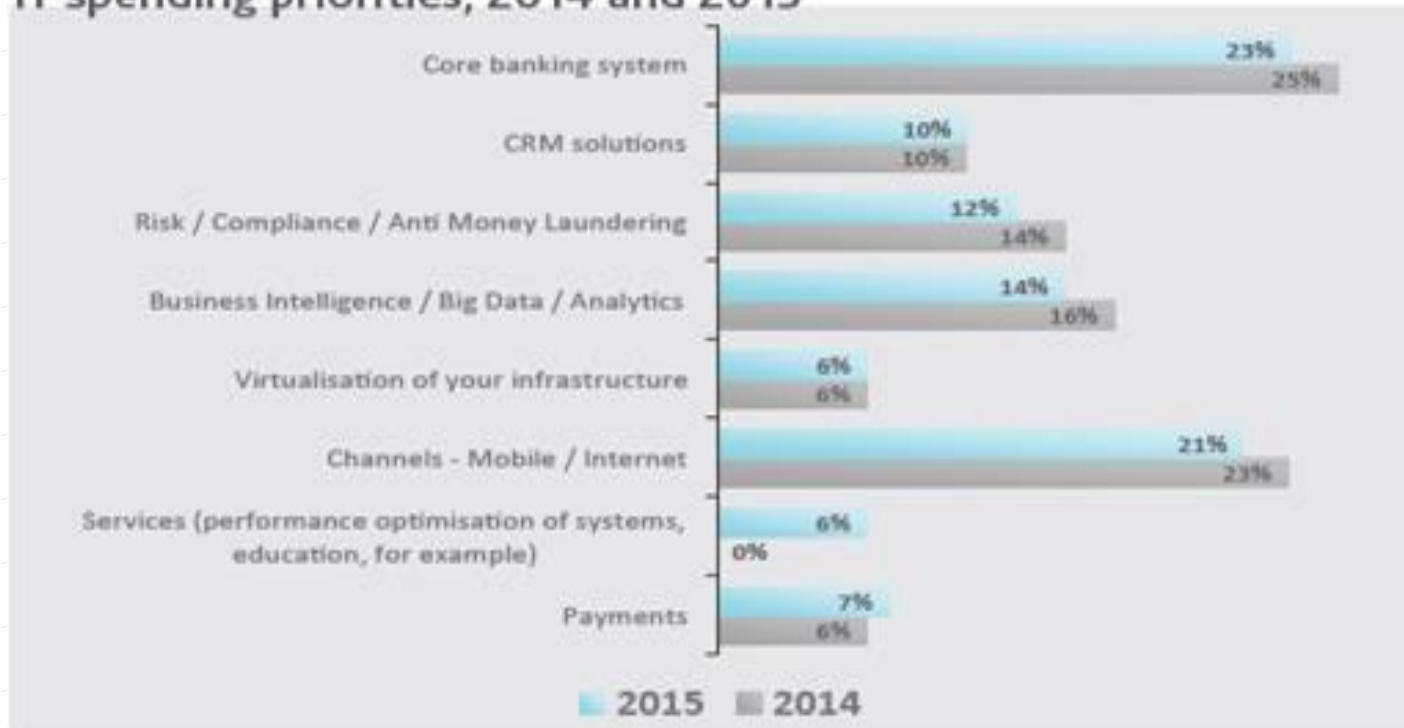
Market Share
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Opportunities and
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Rising Focus on IT investment

- ◆ As in 2014, the core banking was the number one IT investment priority in 2015 (23% of the banks)
- ◆ Core banking constitutes half of total IT assets | in absolute term the number of core banking deals in the market has fallen, meaning there could be pent-up demand

IT spending priorities, 2014 and 2015 ²



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Banking Software Developers

– Profile of key players in Pakistan ³

	LOCAL		INTERNATIONAL			
	Autrosoft Dynamics	Sidat Hyder	Misys	Oracle FSS (I.Flex)	Sunguard (System Access)	Temenos
Established in	2000	1986	1979	1993(IFLEX) 2008 (Oracle FSS)	1983 System Access 2007 Sunguard	1990
Head Office	Pakistan	Pakistan	UK	India	Singapore	Switzerland
Product Name	AutoBanker	Bank Essentials	Equation	FLEXCUBE	Symbols	Globus/T24
Country Developed in	Pakistan	Pakistan	New Zealand & UK	India	Singapore	Spain & UK
Developed (Year)	2003		1982 (1975)	1998	1988	1990
Pakistan Support Office	Yes	Yes	No	Yes	No	No

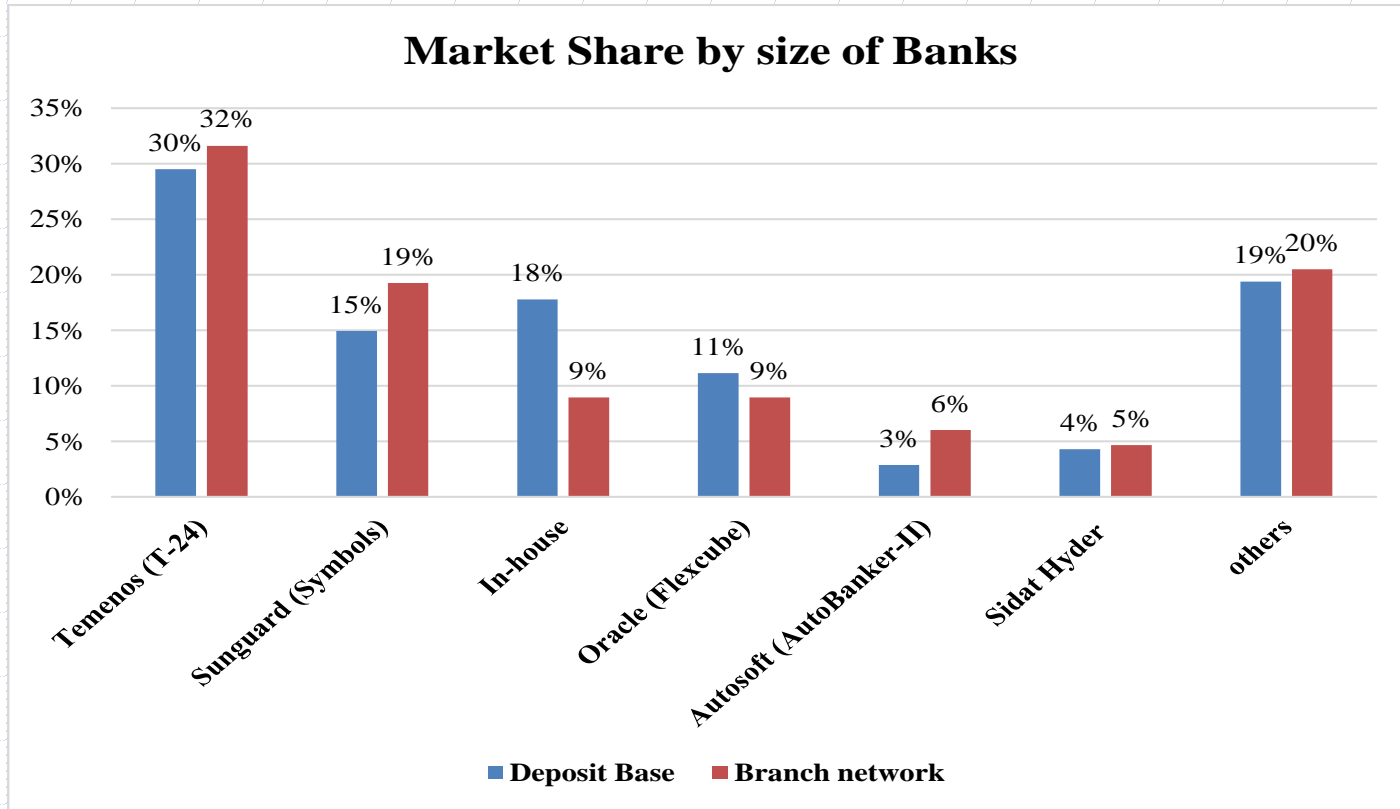
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Key Suppliers in Pakistan

Market Share and Competition in Pakistan

Opportunities and Challenges

Market Share⁴ based on size of banks



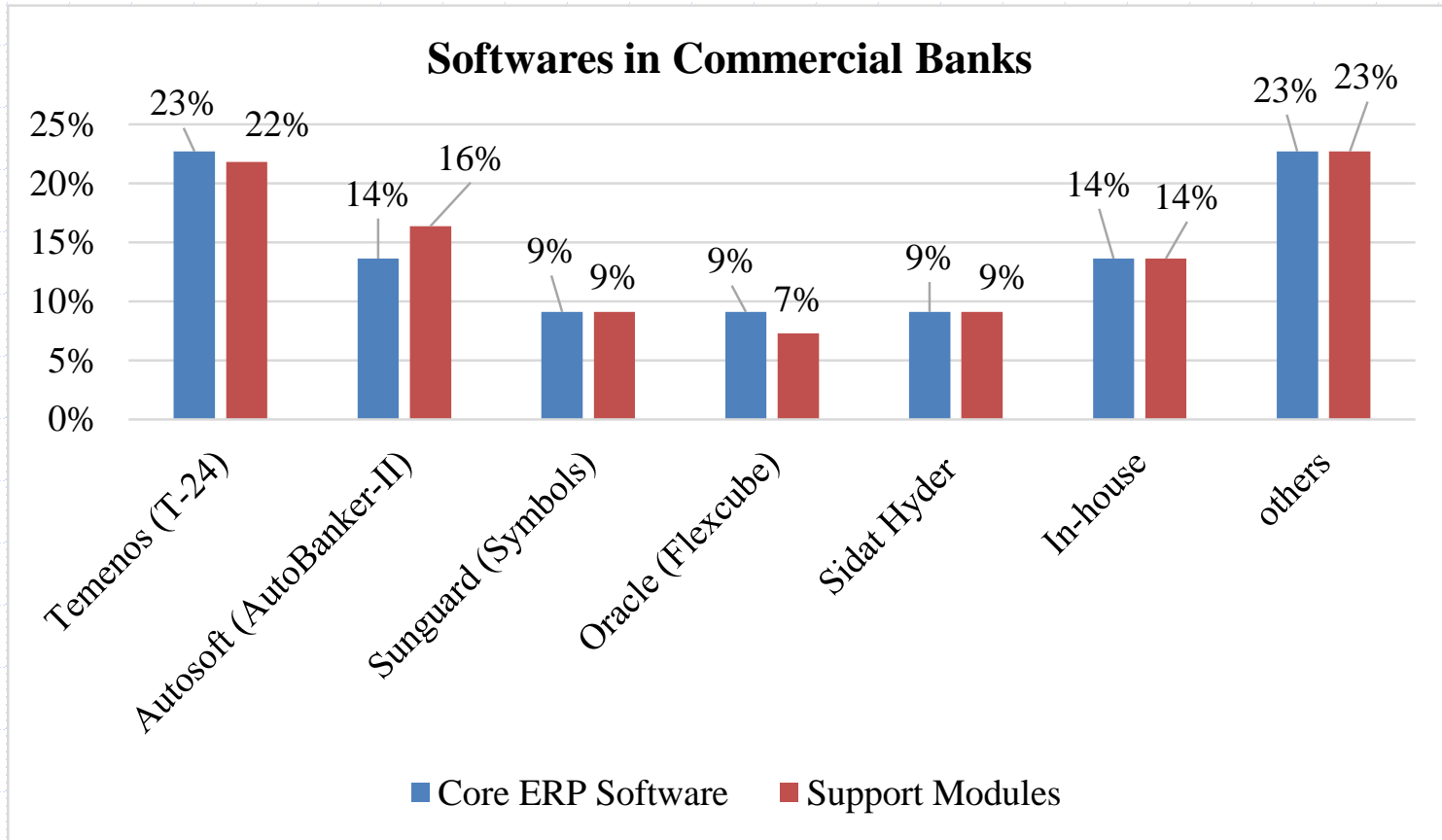
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Market Share⁴ based on number of products deployed



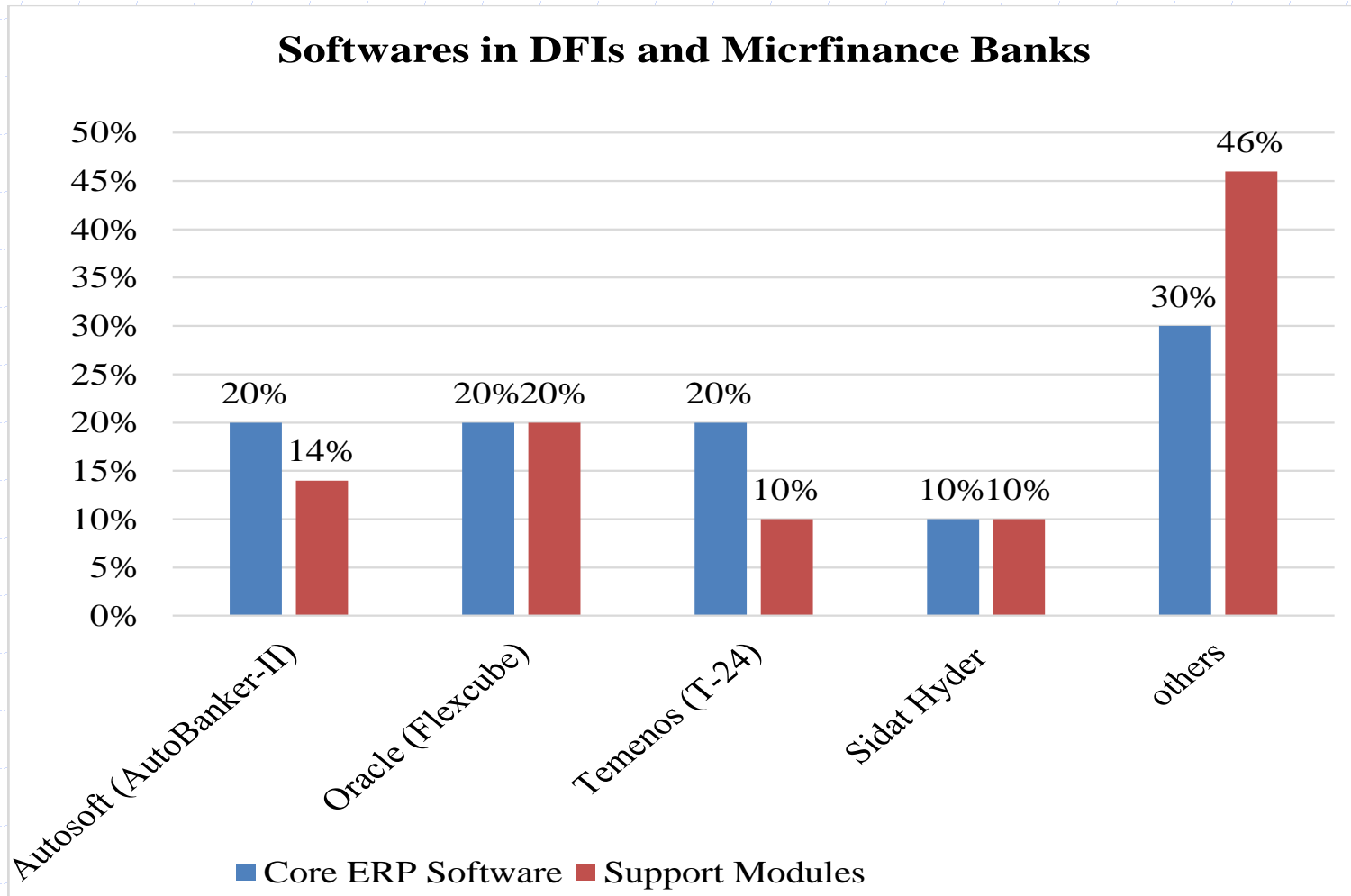
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Market Share⁴ based on number of products deployed



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Analysis of revenue – key players³

Revenue Composition	Local Players		International Players		
	Autosoft	Netsol*	Oracle	SAP	Temenos
Maintenance – recurring	58%	24%	29%	55%	48%
Licensing – non-recurring	42%	12%	15%	30%	31%
Services – non- recurring	n/a	49%	57%	15%	20%

**Netsol is another player in Pakistan, though not providing banking solution, provides a wide range of services across a wide range of sectors in 7 countries.*

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+ Rising Demand in Pakistan

- i) After upgrading core softwares, banks have increasing focus on upgrading support ERP softwares: 1) Treasury, 2) Credit, 3) Trade, 4) HR
- ii) Focus on regulatory requirements – Basel III implementation, KYC, AML – triggers demand for automation and the security of the banking transactions
- iii) Digital channels (Branchless banking) top of priority list

+ Export Avenues: Increasing demand in Asian market is opening new avenues of exports for local players

+ Large players diversified in providing services to many business sectors in addition to financial institutions

+ Superior technology by International players in Pakistan

– Cyclical nature: new Product development takes a longer period

– Intensive research and development; high cash requirements before actual benefits start flowing into the company

– The product becomes obsolete in a short span of time with advent of advance technology

– International players poses tough competition to local players.

– Retention of experienced human capital

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Bibliography

1. The eighth annual Temenos survey* 2015 – challenges, priorities and trends in the financial services sector, page 5.
2. The eighth annual Temenos survey* 2015, page 11 (with core banking, digital channels and analytics top of the shopping list)
3. PACRA’s in-house research and database
4. PACRA’s in-house research and database | the selected banks constitutes;
 - i. 17 conventional commercial banks (63% of total conventional banks in Pakistan)
 - ii. 3 Islamic banks (60% of total Islamic banks in Pakistan)
 - iii. 5 Development Finance Institutions (63% of total DFIs in Pakistan)
 - iv. 6 Microfinance Banks (60% of total Islamic banks in Pakistan)

*The survey canvassed the opinions of 201 senior bankers from Europe (44%), Asia Pacific (12%), Middle East and Africa (36%), and America (8%). Banks selected include Private bank/ wealth manager (14%), Wholesale corporate banks (10%), Retail Bank (32%), microfinance (7%), and others (5%).

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