Magic Quadrant for Retail Core Banking Systems, Europe

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By Vittorio D'Orazio, Ali Merji

Banking CIOs are prioritizing core modernization to deliver decentralized and distributed applications. In response, core banking systems are evolving to enhance composability and use of the cloud. This research will aid bank CIOs in identifying solutions that best align with their business goals.

Market Definition/Description

Gartner defines a core banking system (CBS) as the financial institution's back-office software that performs real-time or end-of-day processing for deposits and loans. Apart from advancing the processing dates, representative capabilities include transaction posting, interest accrual/payment, service charge calculation and cash management (zero balance, target balance). CBSs provide deposit and loan product servicing with interfaces to other applications, such as customer-facing channels, general ledger systems and reporting tools. CBSs can be deployed on the bank's premises or run from the cloud or any hosted environment. Bank employees and customers either directly or indirectly use the bank's CBS.

The CBSs of a financial institution's back-office software perform either real-time or end-of-day processing for deposits and loans. Apart from advancing the processing dates, representative capabilities include transaction posting, interest accrual and posting, service charge calculation and cash management (zero balance, target balance). All these processes and steps imply a business model based on conventional banking principles that imply interest accrual on accounts and profitability from any lending practice. Therefore, CBSs, by definition, implicitly exclude Islamic CBSs that, to the contrary, use Islamic financial tools to back Shariah-compliant business models that require different mechanisms to produce profits.

Standard Capabilities

The standard capabilities for this market include transaction processing support for:

- Deposits:

    - Current or checking accounts

    - Savings accounts

    - Fixed-term deposits

- Loan product servicing:

    - Consumer (or retail) loans

    - Commercial (or corporate) loans

    - Mortgages (or asset-backed loans)

- Integration to other technologies such as customer-facing channels, general ledger systems and reporting tools

Magic Quadrant

Figure 1: Magic Quadrant for Retail Core Banking, Europe

CHALLENGERS

LEADERS

- Thought Machine
- Engine by Starling
- FintechOS
- TCS BaNCS
- Infosys Finacle
- Mambu
- 10x Banking
- Intellect Design Arena
- Finastra Essence
- Oracle FLEXCUBE

NICHE PLAYERS

VISIONARIES

- Vilja Solutions
- Ohpen
- Profile Software
- Temenos
- SAP Fioneer

ABILITY TO EXECUTE

COMPLETENESS OF VISION

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Vendor Strengths and Cautions

10x Banking

10x Banking is a privately owned company based in the U.K., with an estimated total revenue of $30 million and a workforce of 250 employees. In Europe, 10x Banking has one office, and its CBS product, 10x Banking Platform, has five installations and acquired three new clients from 2022 to 2023.

The main development language for the product is Java, with Golang, Kotlin and Python used as additional languages. It uses PostgreSQL as its production DBMS. Its application server is embedded Tomcat via Spring Boot, with Amazon Linux as its server platform.

Strengths

- **Product offering and roadmap:** 10x Banking has a strong overall product offering derived from a strong cloud-native model (based on a sound architecture) paired with an above-average business functionalities offering. It continues to invest in developing new business functionalities and product architecture in the new version of its software (in particular, the new metacore architecture launched in 2024).

- **Product viability:** 10x Banking's product viability remains strong, with focus on R&D in terms of both investments and dedicated human resources. It also has a healthy pipeline (about threefold the installation base).

- **Innovation in product architecture:** 10x Banking's three demonstrations evaluated by Gartner — virtual products, ProductKit and SuperCore Fabric — were found innovative. For example, the ProductKit can decouple the product architecture, providing clients with an isolated runtime in which they can build products by assembling components through configuration and code. Also, its API marketplace is broad in scope with more than 100 operating vendors, and offers a great variety of applications for customers.

Cautions

- **Vertical and industry focus:** 10x Banking lags behind other vendors in verticalization, with below-average banking industry participation, collaboration and networking. Its microvertical focus is also limited. For example, it doesn't have microfinance institution offerings for mortgages and leasing in production.

- **Regional market understanding:** Due to a comparatively weak network of local partners, 10x Banking needs to prove its ability to deliver in different geographies beyond its traditional markets, such as in the U.K., Australia and South Africa.

- **Emerging technologies:** 10x Banking has shown marginal capacity in leveraging external partners for emerging technologies such as AI. This approach limits the development of the offering by not embedding this innovation within the core product.

Engine by Starling

Starling Bank is a privately owned company based in the U.K., with an estimated total revenue of $846 million and a workforce of 3000 employees. Engine by Starling is the unit as well as the brand under which Starling Bank sells its core banking product, Engine. In

Europe, Starling Bank has five offices, and Engine has two installations and acquired one new client from 2022 to 2023.

The development language of this product is Java. Its production DBMS is Amazon Relational Database Service (Amazon RDS) for PostgreSQL. It uses the AWS EC2 application server with the AWS Cloud Compute server platform.

Strengths

- **Operations:** Engine's release strategy continuously delivers updates multiple times per day and has a high maturity for cloud adoption as its delivery model.

- **Product offering:** Engine has been evaluated with the highest overall product offering in this report by reaching the best evaluation for composability and cloud nativeness. The product is fully API-enabled and natively runs in the public cloud — mainly on AWS.

- **Product roadmap:** Engine's roadmap strongly focuses on cloud and composability, embedding both factors into the core product. Also, Starling Bank invested heavily in its product to make it resilient to future technical debt as confirmed by its surveyed clients.

Cautions

- **R&D investments and innovation:** Engine's allocation of R&D investment is radically different from legacy providers because investments might be influenced by Engine's largest client, Starling Bank. This focus may limit the options for other clients in terms of functionalities and fixes that the roadmap should have, as it reduces their influence on the roadmap for specific changes. It also lags in innovation with external partners due to the low number of partners involved in such collaboration. Investments in embedded AI are also still limited in Engine.

- **Market understanding:** Engine is a new product that has grown and been deployed only at digital banks. Therefore, its market exposure and understanding is limited. This limits its go-to-market plans and market intelligence collection process, something that conditions market understanding. Also, Engine is not a BIAN member.

- **Geographic strategy:** This vendor's partner strategy is limited to a few large systems integrator partners for Europe, limiting options for price-sensitive buyers that usually leverage smaller and more local players. Also, the roadmap does not consistently address the challenges of managing localization issues with its product strategy to deliver an end-to-end product.

Finastra Essence

Finastra is a privately owned company based in the U.K., with an estimated total revenue of $1.85 billion and a workforce of 7,500 employees. In Europe, Finastra has 11 offices and its CBS product, Essence, has 26 installations and acquired 10 new clients from 2022 to 2023.

The main development language of Essence is Java, while JavaScript, Vue.js or Node.js, Swift and Kotlin (Android) are its additional coding languages. It uses Oracle, Db2 and PostgreSQL as its production DBMSs. Its application servers are WebSphere Application Server and JBoss Enterprise Application Platform.

Strengths

- **Product roadmap:** Finastra has a well-planned approach to building its roadmap over a two-year horizon, with an international focus for its Essence product that can enable the spread of innovation from the most advanced countries of this region to others.

- **Sales strategy:** Finastra has a high number of sales representatives in Europe that can support clients' accounts from its extensive local office network. Finastra's general sales strategy is strong, and it has many global partners in both Western and Eastern Europe (where Finastra is very active).

- **Product offering:** Essence provides strong business functionalities that can supply the required business alignment across many diverse types of clients, and one of the strongest customer information features among the vendors evaluated in this research.

Cautions

- **Operations:** Client feedback reveals issues with customer support and service (particularly market responsiveness), leading to a below-average score in operations compared to other vendors in this Magic Quadrant.

- **Cloud nativeness:** Finastra Essence was created to leverage cloud ecosystems with a preferred platform on Microsoft Azure. Essence works with, but is not limited to, Finastra's own ecosystem FusionFabric.cloud. The analysis of the cloud nativeness requirements and responses to an end-user survey has led Gartner to evaluate this product's cloud nativeness below the average. For example, the automation of Essence's configuration updates and deployments still require some degree of manual effort. The number of

network calls in the application and application chattiness are considered high by end users; this might lead to potential single points of failure (SPOFs) in the process.

- **Pricing:** Gartner's analysis of this vendor's pricing models submitted to Gartner by Essence's clients as well as pricing in RFP analysis position Finastra Essence above the market average.

FintechOS

FintechOS is a privately owned company based in the U.K., with an estimated total revenue of $11 million and a workforce of 250 employees. In Europe, FintechOS has four offices, and its CBS product, FintechOS Platform, has 33 installations and acquired seven new clients from 2022 to 2023.

The main development language for this product is Microsoft C#, with JavaScript and Java as additional coding languages. It uses Microsoft SQL Server and PostgreSQL as its production DBMSs. Its application server as well as server platform is Microsoft Azure.

Strengths

- **Customer experience and operations:** Customers report positive experience in both deployment and support of the core product. FintechOS is responsive to clients' inquiries and escalations by using its main operational center in Romania (where it was founded). It also has a strong methodology for its product release strategy, given that it deploys a new version three times a year.

- **Product viability:** FintechOS has been deemed one of the highest value-for-money products in this Magic Quadrant based on Gartner's end-user survey. Its product pipeline is strong and shows prospective growth Europe-wide. R&D investments are reported to be 60% of the vendor's revenue.

- **Sales execution and pricing:** The vendor's sales execution and pricing has been evaluated as one of the strongest in this Magic Quadrant. FintechOS has a high new-customer-wins rate. Its product's price has been evaluated as lower than its competitors'. This makes it attractive in price-sensitive markets such as for fintechs, neobanks and nonfinancial institutions.

Cautions

- **Product offering:** FintechOS lags behind other vendors in business functionalities, especially in four areas: account transactions, teller/branch transactions and processing,

cash management, and trade finance. Cloud nativeness also remains low (for a newly conceived product) with only half of its installations in the public cloud.

- **Innovation:** FintechOS doesn't have innovation labs, and lacks the maturity for innovating with partners. It is not a BIAN member, and therefore buyers may miss out on important industry insights related to product architectural standards.

- **Product roadmap:** According to Gartner investigations, historically more of the FintechOS platform's roadmap has been dedicated to maintaining and evolving existing features than to reviewing the product architecture and adding new functionalities. Also, FintechOS has a centralized approach to the roadmap, excluding interactions with the "outside" world in a broader ecosystem. This lack of future vision may hamper the product's evolution.

Infosys Finacle

EdgeVerve is an Infosys company based in India. Infosys Finacle is the unit as well as the brand under which EdgeVerve sells Finacle Core Banking Solution. Gartner estimated total revenue at $400 million and a workforce of 6,000 employees. In Europe, EdgeVerve has 50 offices, and its product, Finacle Core Banking Solution, has 43 installations and acquired four new clients from 2022 to 2023.

The main development languages of the product are C and C++. Java and Node.js are its additional programming languages. It uses Oracle, PostgreSQL, EnterpriseDB and Redis in-memory database as production DBMSs. Its application servers are Apache Tomcat, Red Hat JBoss Enterprise Application Platform (JBoss EAP), IBM WebSphere Application Server and Oracle WebLogic Server, with Red Hat Enterprise Linux on Intel x86-64, IBM AIX on PowerPC, IBM Power, IBM Z, LinuxONE on s-390, HP UX Server and Oracle Sun Server as server platforms currently in production. It also uses Google Cloud Platform (GCP), Amazon Web Services (AWS) and Microsoft Azure platforms for cloud deployment and SaaS service.

Strengths

- **Product offering:** The latest version of Finacle (v.11.x) offers strong cloud nativeness and composability, and some of the strongest business functionalities among the vendors evaluated in this Magic Quadrant.

- **Customer experience:** Finacle offers strong customer experiences. Gartner Peer Insights surveys and client interactions have consistently reported strong feedback for Finacle on

overall experience, vendor evaluation and contract negotiation, integration and deployment, and product support and servicing.

- **Banking industry strategy and network:** Finacle drives strong participation and collaboration through its Finacle Conclave event, a well-attended annual conference that includes presentations on banking research, roundtables, user groups, innovation labs, and hackathons. Finacle is an active Banking Industry Architecture Network (BIAN) member. This industry involvement supports Finacle users in actively participating in the roadmap and adopting the vendor's latest offerings.

Cautions

- **Co-existing versions:** Finacle has two main versions (v10.x and v11.x) in the market for the same product. While product R&D investments are only targeted at 11.x, supporting two coexisting main releases (v.10.x and v.11.x) strains its product investments. Infosys Finacle aims to migrate a majority of its clients to the latest release, but many are still reluctant to adopt this more digital, cloud-native and composable version of the software as they are not fully ready for containerized deployment that requires major architectural changes.

- **Scarcity of resources:** Despite EdgeVerve's partnerships with global systems integrators due to several large deployments, and a number of new wins, expert Finacle resources remain scarce in the market. Buyers will need to ascertain the availability and experience of resources before committing to implementation.

- **Operations:** Finacle faces a gap in adoption of its cloud delivery models. In fact, the majority of its v.10.x clients still run it on-premises. While containerization of the product has matured, Gartner still sees limitations in the multicloud adoption (e.g., the near-real-time sync of the same system installation on two separate cloud providers). This is also influenced by the relatively high costs associated with multicloud deployments.

Intellect Design Arena

Intellect Design Arena is a BSE-Sensex-listed company based in India, with total revenue of $305 million and a workforce of 5,615 employees. In Europe, Intellect Design Arena has six offices, and its product, Intellect Digital Core, has 77 installations and acquired two new clients from 2022 to 2023.

The main development language for this product is Java, while Spring Boot, Bootstrap, RESTful, Applied Type System (ATS), gRPC, HTML, CSS, JavaScript, Sass and JasperReports

are used as additional coding languages. Its production DBMSs are Oracle and PostgreSQL. It uses Oracle WebLogic, Apache Tomcat and IBM WebSphere as its application servers as well as server platforms.

Strengths

- **Product offering:** Intellect Digital Core is above average for the product offering boosted by some of the strongest off-the-shelf business functionalities compared to other vendors in this Magic Quadrant. This will cut back on customization and additional custom-made application purchases. Intellect is a BIAN member.

- **Global market understanding:** The vendor has a strong process-oriented methodology for global market understanding, which combines a top-down approach with industry connections and collection of data with bottom-up information via client surveys and roadmap feed. For the latter, Intellect Design Arena can effectively interpret global sentiments from its large customer base and leverage this to create solutions that will benefit all markets, including Europe.

- **Sales strategy:** It is actively targeting Europe and investing in adding more local offices to support and seek new customers, especially after the recent important deals that it has sealed in both Western and Eastern Europe.

Cautions

- **R&D focus:** Its R&D investments are estimated at 5% of total revenue, while the percentage of total human resources focused on R&D is estimated at about only 15%. These metrics are below the market average even for a tenured product.

- **Operations:** Intellect Design Arena slightly lags in deployment and support of the software, compared to other vendors. It is yet to fully mature at delivering and supporting the core software by using new delivery models (like public cloud). While updates are delivered every six months, only 30% of clients run on the latest software release. Integration and deployment projects are usually difficult and show a low capacity for leveraging APIs.

- **Geographic strategy:** Intellect Design Arena has a limited office network mainly populated by sales representatives. It has neither specific centers of excellence (COEs) nor working groups dedicated to Europe, and most of the projects are supported from India. European clients report a lack of regional product understanding and cite cultural collaboration challenges in deploying this product.

Mambu

Mambu is a privately owned company based in the Netherlands, with an estimated total revenue of $65 million and a workforce of 650 employees. In Europe, Mambu has five offices and its cloud banking platform has 89 installations and acquired 11 new clients from 2022 to 2023.

The development language for the product is Java. Mambu is offered as a SaaS-only product in AWS, Azure and GCP. As a SaaS installation, Mambu's technology stack depends on the technologies used in the hosting environment.

Strengths

- **Product offering:** Mambu has been deployed and tested for the public cloud for over a decade. Its cloud nativeness score is among the highest. The product is composable, fully leveraging APIs, microservices and open standards that enable high levels of interoperability and scalability.

- **Sales strategy:** Mambu has a long-standing local presence, with offices in the Netherlands, Germany, Lithuania, Romania, and the U.K., where most of the installations are. Its network of primarily global partners can support its deliveries across Europe. Client surveys report positive feedback on contract negotiation and pricing, with reported experiences of high flexibility in negotiating SLAs and deployment conditions.

- **Operations:** In general, Mambu employees are able to do core installation off-site for the entire implementation. The typical effort from a Mambu perspective is concentrated on a 12-week enablement program. Depending on the customer's preference, however, on-site presence may be requested and facilitated as necessary. Support is purely remote and shows a high level of organization and speed of deployment.

Cautions

- **Geographic strategy:** Mambu's geographic strategy lags in Europe due to a limited focus on the impact of local regulations, specific requests of localization and customization due to local accounting standards. This gap stems from its core system's sole focus on the technological aspect without including many business functions. This in turn impacts its product functionality and roadmap. For instance, in inquiry calls, a few clients reported instances where they were unable to modify the interest rate engine without major core changes.

- **Business functionalities:** The Mambu product is above average on foundational functionalities such as account and product information and retail loans, although functionalities such as commercial lending, cash management, the general ledger, and trade finance must be mainly built or supported through third-party partnerships. Mambu's roadmap deliberately leaves out regional business functionalities, such as regulatory reporting and regional accounting rules that banks require.

- **Innovation:** Mambu hasn't invested in GenAI or AI. It mainly relies on external partners for innovation, which limits its opportunities to steer embedded innovation within the core banking product.

Ohpen

Ohpen is a privately owned company based in the Netherlands, with an estimated total revenue of $26 million and a workforce of 225 employees. In Europe, Ohpen has five offices and its CBS product, Ohpen Platform, has 25 installations and acquired two new clients from 2022 to 2023.

The main development language for the product is Microsoft C#, along with Java, Python and Terraform as additional coding languages. Its production DBMSs are Amazon Aurora MySQL, PostgreSQL and Amazon DynamoDB. It uses AWS Elastic Compute Cloud (Amazon EC2) instances, Docker container and AWS Lambda serverless as application servers, and Windows and Linux as server platforms.

Strengths

- **Operations:** Ohpen's operations demonstrate one of the strongest software release strategies and maturity of new delivery models for software implementation and management, when compared with other vendors in this Magic Quadrant. The software can be installed in a multi- and single-tenancy environment in the public cloud, and all clients adopt the same version, which is updated monthly.

- **Customer experience:** Gartner Peer Insights surveys as well as inquiries have continuously reported positive feedback on this product for all four sectors: overall experience, vendor evaluation and contract negotiation, integration and deployment, and product support and servicing. The proximity to its client base paired with its cloud delivery model enhances the ability of this vendor to effectively serve clients.

- **Product viability:** Ohpen has invested strongly in its product, allocating 20% of its revenue to R&D and 53% of its human resources. Its sales pipeline is strong compared to the other vendors.

Cautions

- **Product offering:** The overall product offering evaluation is below the average for all three key areas of evaluation: business functionalities, composability and cloud nativeness. In particular, the core product has basic business functionalities for account transactions, general ledger, and trade finance, while product information, reporting, and loans are very limited.

- **Geographic strategy:** Ohpen's ability to gain new clients is limited, since most existing clients are in the Netherlands. Beyond its limited presence in the U.K. and Belgium, it lags behind its competitors in its ability to reach other countries. Buyers from across continental Europe (e.g., Eastern or Southern Europe) might face difficulty in deploying Ohpen without certified partners.

- **Innovation:** Ohpen's lack of a consistent partner strategy limits it from pursuing innovation that cannot be acquired otherwise. Its examples of innovation are basic and do not display any use of embedded AI in its core product. Also, Ohpen is not a BIAN member, which would have supported the composability of its product with industry standards.

Oracle FLEXCUBE

Oracle Financial Services Software (OFSS) is a controlled subsidiary of Oracle based in India, with total revenue of $760 million and a workforce of 8,754 employees. In Europe, Oracle has six offices and its CBS product, Oracle FLEXCUBE Universal Banking, has 173 installations and acquired five new clients from 2022 to 2023.

The main development language of the product is Java, while HTML5, JavaScript and CSS3 are used as additional coding languages. Its production DBMS is Oracle. It uses WebLogic for its application servers, with Linux as the server platform.

Strengths

- **Business functionalities:** Oracle FLEXCUBE demonstrates some of the strongest business functionalities among products in this report due to its breadth and granularity. Because

of Oracle FLEXCUBE's extensive experience with numerous installations and diverse deployment conditions, Oracle has continuously added to its business functionalities.

- **Innovation:** OFSS can leverage cross-industry collaboration and has developed an API marketplace that is fully integrated with the broader Oracle API marketplace (Oracle's BIAN membership supports its innovation efforts). Its progressive adoption of Oracle Coherence is another example of its strong innovation attitude. It also uses embedded AI in the core product for business-ready GenAI use cases (e.g., spend categorization, customized loan repayment schedule, product creation).

- **Product roadmap:** OFSS demonstrates strong focus on its product's new architecture and data design. It has a well-planned roadmap creation methodology: it plans new business functionalities in a structured process that surveys clients and collects feedback. It also shows reinforced focus on its ecosystem to preserve competitive advantage. It also has a long-term (two to three years) roadmap horizon that is less common for most vendors.

Cautions

- **Vendor lock-in:** A recurring area of caution for this vendor is the concern of vendor lock-in, according to inquiry feedback from clients. Purchasing Oracle FLEXCUBE means very likely adopting the Oracle ecosystem. Oracle DBMS is required for all installations. The Oracle Cloud Infrastructure, Oracle Financial Services Analytical Applications for analytics and Oracle Siebel for the CRM software are used by most, if not all, customers.

- **Operations:** OFSS reportedly faces challenges in the integration and deployment stages of core projects. Its release strategy is also limited because, starting in 2024, Oracle released new components that will coexist with Oracle FLEXCUBE under the Oracle Banking Cloud Services brand. The first of these components is Oracle Banking Accounts, which went live with one client in the U.S. The vendor is rebuilding the core, and therefore buyers will need to consider the potentially significant impact as the vendor releases the new components.

- **Customer experience:** According to Gartner Peer Insights surveys and interactions, this product lags behind other vendors in this research in three key customer experience parameters in the sales and support cycle: the overall experience, the vendor evaluation and contract negotiation, and the integration and deployment experience.

Profile Software

Profile Software is a publicly listed company based in Greece, with total revenue of $32.8 million and a workforce of 193 employees. In Europe, Profile Software has six offices, and its CBS product, Finuevo Core, has 80 installations and acquired two new clients from 2022 to 2023.

The main development platform for this product is Microsoft .NET Core v3.1 and Angular v16. Microsoft .NET Framework 4.8.2 and C++ are also used. The production DBMS is SQL Server. It utilizes IIS application server with Windows Server 2022 as the server platform.

Strengths

- **Sales execution and pricing:** Clients report pricing for this product as less expensive than other vendors, according to client inquiries.

- **Product roadmap:** Profile Software is focusing on new business functions in its roadmap such as the support for avoiding the end-of-day batch process in transactional activities. It is also developing a new product architecture and expanding the use of APIs and microservices.

- **Local specialization:** This company is highly specialized in serving Southeast Europe, including Greece, Cyprus, Malta, Albania, and Kosovo, with presence also in the U.K.

Cautions

- **Product offering:** Profile Software's overall product offering lags behind other vendors in all three key areas of evaluation: business functionalities, composability and cloud nativeness. In particular, the composable and cloud nativeness scores are low (for example, Profile Software doesn't have an open API marketplace accessible and visible from outside, and it is not a BIAN member).

- **Vendor viability:** Relatively small in size, Profile Software has moderate geographical operations in Greece and the U.K. when considering primarily its retail banking offerings. Its sales pipeline has less than 10 opportunities, and it allocates limited resources to R&D in terms of both money and employees.

- **Operations:** The vendor lags in maturity in its delivery model, as it is almost exclusively on-premises and lacks multitenancy capabilities. The cadence of major software releases is more than two years, and buyers should test the vendor's ability to allocate resources for deployment and integration of new systems while maintaining ongoing support for existing customers.

SAP Fioneer

SAP Fioneer is a privately owned company based in Germany, with an estimated total revenue of $140 million for the core banking and a workforce of 1,100 employees. In Europe, SAP Fioneer has six offices and its CBS product, SAP Transactional Banking for SAP S/4HANA, has 84 installations and acquired one new client from 2022 to 2023.

The main development language for its product is SAP ABAP, with C, C++ and Java as additional coding languages. Its production DBMSs are SAP HANA, Db2 and Oracle. This CBS uses IBM WebSphere as its application server, with IBM i, IBM Power, IBM Z and Microsoft Windows as server platforms.

Strengths

- **Business functionalities:** SAP Transactional Banking for SAP S/4HANA excels in areas like security, cash management, account information, product information and account transactions. These functionalities are areas where the transactional banking side of core banking is highly leveraged.

- **Geographic strategy:** SAP Fioneer has inherited its geographic strengths from its former owner, SAP. SAP Fioneer mainly targets countries where SAP is historically established, such as German-speaking countries, South Africa or Latin American countries. In these countries, SAP Fioneer has a strong office network to create proximity with clients and a partner network as well.

- **Innovation:** SAP Fioneer mainly leverages external partners to drive innovation. The product has a high focus on the use of embedded AI, which can potentially differentiate SAP Fioneer from other vendors by leveraging SAP capabilities in this space.

Cautions

- **Sales execution and pricing:** The sales pipeline for this vendor is modest, as is the low number of new customer acquisitions. The product is perceived as expensive by clients, especially given the vendor's recent change of market strategy, increasingly targeting the small-bank segment, which is very price-sensitive. The pricing models also appear dated, as they are based on the classic "installation and maintenance" contracts rather than SaaS.

- **Overall viability:** The spinoff of SAP Fioneer in 2021 was greeted with interest by clients. However, the sale of 80% of shares to the equity investment fund DEDIQ has created uncertainty among clients regarding SAP Fioneer's viability in the long run.

- **Product offering and roadmap:** The product is neither composable nor cloud-native (although the recent spinoff of APIs and microservices built a cosmetic layer that enables a limited degree of agility). From the analysis of the roadmap, Gartner couldn't identify elements indicating that composability and cloud nativeness will improve in the near future as, essentially, its product architecture will remain the same, and its need of continuous alignment with the base SAP software will persist, because the latter is no longer controlled by SAP Fioneer. Finally, SAP Fioneer has only recently become a BIAN member again after a few years of noncollaboration with this nonprofit organization.

TCS BaNCS

TCS BaNCS is a strategic business unit of Tata Consultancy Services (TCS) based in India, with an estimated total revenue of $310 million and a workforce of 3,500 employees. In Europe, TCS has 56 offices and its CBS product, TCS BaNCS, has 47 installations and acquired three new clients from 2022 to 2023.

The development language of the evaluated product is Java/Java EE. Its production DBMSs are Oracle, PostgreSQL and Db2. It uses Oracle WebLogic, IBM WebSphere, JBoss and Apache Tomcat as its application servers with Intel x86, IBM Power and Oracle SPARC server platforms.

Strengths

- **Customer experience:** Gartner Peer Insights surveys and customer interactions both show a higher-than-average score for TCS BaNCS, especially for product support and service, as well as for its approach to tracking records and for resolving escalations efficiently.

- **Overall viability:** Being a part of the TCS group, TCS BaNCS has strong financial viability. Product viability has been rated high by end users for both the value for money and its roadmap for future viability.

- **Product offering:** Gartner has rated this product as above average for both business functionalities and cloud nativeness.

Cautions

- **Sales strategy:** Despite having significant market penetration through the TCS office network, the sales strategy of TCS BaNCS is hindered by the lack of partners at both global and local levels, and sales have been modest.

- **Software release strategy:** Its overall product release strategy looks insufficient mainly due to the maintenance of two sets of components (in Java and COBOL alike) that support clients around the globe and put a strain on release strategy.

- **Ecosystem:** TCS BaNCS lacks partner variety (for different areas as well as for deployment and service) and local and global system integration partners for Europe. Usually, banks refer to TCS for deployment and integration. TCS BaNCS has been a laggard in building an API marketplace and introducing partners into the API ecosystem, which still lags in number of APIs as well as number and types of participants (i.e., only IT vendors).

Temenos

Temenos is a SIX Swiss Exchange-listed company based in Switzerland, with total revenue of $1 billion and a workforce of 6,773 employees. In Europe, Temenos has 19 offices. Its CBS product, Temenos Core Banking, has 230 installations across Europe and acquired four new clients from 2022 to 2023 (Gartner estimates).

The main development language of its product is Java, with Python and JavaScript as additional coding languages. Its production DBMSs are Oracle, PostgreSQL, SQL Server, Azure SQL Database and Amazon RDS. It uses WildFly, JBoss, WebSphere and WebLogic as its application servers, with AWS, Microsoft Azure, Linux, UNIX and Windows server platforms.

Temenos did not respond to requests for supplemental information. Gartner's analysis is therefore based on other credible sources.

Strengths

- **Business functionalities:** Temenos's business functionalities show diversification across several microverticals that span from microfinance institutions to private banking, offering a highly diversified product that goes beyond retail banking.

- **Innovation:** Temenos demonstrates internal innovation through its facility established in Chennai, India. It also drives innovation from the outside with the help of external partners. Its API marketplace is highly organized, interoperable, and inclusive, with more than 100 collaborating partners.

- **Vertical industry strategy:** Temenos shows a strong commitment to involve clients, partners, investors and other stakeholders in its initiatives. It has a flagship annual event, the Temenos Community Forum, which is an industry landmark. It also conducts specific surveys and runs a program called Temenos Value Benchmark to help clients benchmark themselves and help resolve issues. Another beneficial capability is the Temenos Learning Community, with detailed programs for achieving a certification on its products. Finally, Temenos is an active BIAN member.

Cautions

- **Overall viability:** In 2023, Temenos publicly stated its intent to replace its long-standing CEO and, in 2024, Temenos delivered these changes with the exit of its long-standing CEO in May, along with other top managers. The flagship core banking product also underwent a name change for the fourth time. All these changes created strong uncertainty in 2023; to address this, Temenos' new leadership has announced a new strategy, aiming to steady the organization and move forward with a greater focus on customer experience and agility.

- **Customer experience:** Temenos's customer experience has been reportedly less satisfactory compared to other vendors in four areas of investigation in Peer Insights surveys: overall experience, vendor evaluation and contract negotiation, integration and deployment, and product support and servicing. Also, over the past two years, Gartner inquiries with many end-user clients reported issues in long escalations, lack of roadmap support and overall dissatisfaction.

- **Product offering:** Temenos Core Banking has been rated below average for both composability and cloud nativeness, underscoring that it has not yet fully modernized its architecture.

Thought Machine

Thought Machine is a privately owned company based in the U.K., with an estimated total revenue of $60 million and a workforce of 500 employees. In Europe, Thought Machine has one office and its product, Vault Core, has 21 installations and acquired eight new clients from 2022 to 2023.

The main development language for the product is Golang, with Python as an additional language for product configuration. The DBMS used for production is PostgreSQL, with the

application servers GCP, AWS and Microsoft Azure. Its server platforms can be GCP, AWS, Microsoft Azure or Red Hat OpenShift for on-premises solutions.

Strengths

- **Product offering:** Thought Machine's product demonstrates one of the most composable architectures and cloud nativeness in this Magic Quadrant. Thought Machine is also a BIAN member.

- **Overall viability:** Thought Machine has received investments from Tier 1 banks (including new Series D investment from Morgan Stanley and The Intesa Sanpaolo Group). Global end-user surveys show a high value for money and strong roadmap viability. The pipeline also remains strong.

- **Customer experience:** Global end users gave high scores for overall experience, vendor evaluation and contract negotiation, integration and deployment, and product support and servicing.

Cautions

- **Business functionalities:** Some clients note the lack of some business functionalities (e.g., the customer information file) during implementation and they find it a difficult gap to fill. Moreover, Thought Machine's Vault Core doesn't have country-specific business functionalities, which are vital for selling into specific countries. This situation also makes the product difficult for midsize-to-small banks that usually buy them off-the-shelf.

- **Geographic strategy:** While Vault Core can be delivered anywhere, it lacks the essential layers that localize the core in one country, and the missing functionalities must be bridged by customized applications or third-party software providers; for example, regulatory reporting, specific lending products or the general ledger. Thought Machine has not prioritized establishing local partner networks that might supply country-specific needs, instead focusing on global partners only.

- **Innovation:** Thought Machine's product strategy shows low innovation efforts both internally and through partners. It does not show much focus on leveraging AI or GenAI within the product.

Vilja Solutions

Vilja Solutions is a privately owned company based in Sweden, with an estimated total revenue of $10 million and a workforce of 77 employees. In Europe, Vilja Solutions has two offices and its CBS product, Vilja Platform, has 24 installations and acquired eight new clients from 2022 to 2023.

The main development language for this product is Java, with JavaScript as an additional coding language. It is a Linux-based containerized product in a multitenancy environment that uses PostgreSQL and MongoDB for production DBMSs.

Strengths

- **Overall viability:** Vilja Solutions' vendor viability has received positive evaluation in this Magic Quadrant due to its strong product sales pipeline and focus on R&D, both in terms of financial investments and percentage of human resources.

- **Customer experience:** Vilja Solutions has built close relationships through proximity to customers, especially in the Nordic region. The vendor reportedly delivers satisfactory customer experiences for three parameters — overall experience, integration and deployment, and product support and servicing.

- **Operations:** Vilja Solutions has a very strong software release methodology strategy with a monthly cadence. All its clients in the cloud (either public or private) get access to the latest version of the software every month. This also implies a high-level cloud delivery model. The vendor demonstrates solid product support and servicing and one of the strongest market responsiveness and track records among the vendors in this Magic Quadrant. This is due to its close proximity to clients, most of which are in the Nordic region.

Cautions

- **Product offering:** Vilja Solutions' product suite offers a low number of business functionalities and a below-average score of cloud nativeness. The product lacks multicurrency accounts, cash management and trade finance functions. It delivers very basic functionalities for account transactions, product information, and teller/branch transactions and processing.

- **Market understanding:** Vilja Solutions has a limited market understanding that translates into a limited go-to-market strategy. In fact, it has been traditionally focusing on its native Nordic region and nearby countries. Therefore, it has limited expertise to target other

geographies and reach other markets within Europe. Vilja lacks a structured process for industry data collection, lead generation and trendsetting for its go-to-market strategy.

- **Innovation:** Vilja Solutions shows low focus on innovation and lacks an API marketplace where partners can build and share APIs. Vilja is not a BIAN member. A focus on the emerging AI trend is absent as well. It also lags in external partnerships for innovation creation.

Inclusion and Exclusion Criteria

To qualify for inclusion, providers demonstrated one or both of the following:

Market Activity:

- **Market Penetration:** The retail core banking product has an installation base in Europe.

and

- **Active Market Presence:** The retail core banking product has a minimum number of three new wins in retail banking clients in this geography between 2021 and 2023.

OR

Product Innovation:

- **Regional Viability:** The provider's CBS is in production to support banking customers in this geography.

and

- **Product Innovation Composite Score:** Based on information submitted by the provider, Gartner analysts applied a proprietary product innovation composite score based on the analysis of these four relevant factors:

  - Composable architecture

  - Cloud nativeness

  - Public cloud installation base

  - AI use cases in core banking

Evaluation Criteria

This Magic Quadrant has been informed by the previously published Magic Quadrant series with the same name and global focus, which was discontinued in 2023. Although some criteria have been retained, they have been updated to reflect new trends affecting this market and detailed below. Additionally, the regional focus of this new Magic Quadrant and the new vendors entering this market since 2020 have more than doubled the number of vendors compared with the previous global report. Therefore, past reports are not directly comparable to this one.

Gartner has also introduced three new scores to track how well each CBS product aligns with the market trends described in the Market Context section of this report. Namely:

- The composability score

- The cloud nativeness score

- The business functionalities score

Ability to Execute

The evaluation criteria for the Ability to Execute focus on market traction, and on how the vendor and product are positioned to sustain support for near-term banking market requirements and commitments.

Gartner has analyzed and compared 22 variables for each vendor's CBS product, for a total of 63 data points, to map the vendors based on their Ability to Execute.

For this Magic Quadrant, Gartner formally and extensively surveyed vendor references. In addition to this reference survey, reference interviews were conducted with, or information was derived from, Gartner clients during the past three years in the course of Gartner's usual interactions with its clients.

This year as well as in the past, we have formally excluded "Marketing Execution" from these criteria. It had a very low weight in previous assessments, and we noted it was of no importance for banks in their core banking selection process.

This Magic Quadrant axis emphasizes the following criteria, indicating their high importance and value for banks that are selecting CBSs:

- **Product or Service:** This element of a vendor's Ability to Execute is concentrated on:

  - Business Functionalities Score

  - Composability Score

  - Cloud Nativeness Score

- **Overall Viability:** This focuses on business units, financials, product strategy and organization. More specifically, we evaluate these factors:

  - Financial Viability

  - Product Viability

- **Customer Experience:** This element includes a focus on customer interactions as a result of surveys and it is linked to:

  - Overall Experience Rating

  - Vendor Evaluation and Contract Negotiation Rating

  - Integration and Deployment Experience Rating

  - Product Support and Servicing Experience Rating

- **Operations:** This area of evaluation centers on how the vendor organization is equipped to provide infrastructure mechanisms or resources for the consistent attainment of business goals, including:

  - Methodology of the Software Release Strategy

  - Implementation Program/Project Management: Integration and Deployment Rating

  - Implementation Program/Project Management: Maturity of New Sourcing Models

  - Product Support and Servicing Experience Rating

The following criteria have medium and lower importance, respectively, in this specific assessment:

- **Sales Execution/Pricing:** The sales process and its successful implementation in the marketplace, including the contract negotiation and the pricing steps

- **Market Responsiveness and Track Record:** The ability to understand the bank's needs and to effectively respond to changes in the market by modifying the product and quickly meeting those new requirements

Ability to Execute Evaluation Criteria

Evaluation Criteria	*Weighting*
Overall Viability	High
Sales Execution/Pricing	Medium
Customer Experience	High
Operations	High
Market Responsiveness/Record	Low
Marketing Execution	NotRated
Product or Service	High

Source: Gartner (January 2025)

Completeness of Vision

The evaluation criteria for Completeness of Vision are based on the effectiveness of vendor product strategies linked to the market. Gartner has analyzed and compared 22 variables for each vendor's product, leading to a total of 104 data points, in order to map the vendors' Completeness of Vision.

This research assigns significant to the following criteria, which means that these criteria have high importance for banks selecting CBSs:

- **Offering (Product) Strategy:** This element corresponds to the future projection of the product capabilities, and they are evaluated from the analysis product roadmap in terms of organizational effectiveness of the vendor or product group's development and delivery capabilities. Consistency and quality are key attributes. In particular, this criterion explores the consistency of the vendor's product roadmap against the key CBS market trends. Practical examples from Gartner interactions and use cases provided by the vendors have been also evaluated and considered in the assessment. The key product roadmap factors evaluated in this report are:

  - Support for new business functionalities

  - Investments in new architecture, data design, development environment or operating system (OS) environment

  - Support for a composable architecture

  - Support for a cloud-native offering

  - Support for a strong ecosystem

- **Innovation:** This element focuses on the vendor's ability to enable innovation in its standard product, nontraditional or differentiating partnerships, and associated market delivery. Many aspects of innovation have been considered, including:

  - Innovation from Inside: Use of "Innovation Labs"

  - Innovation from Outside: Use of Partners for Seeking Innovation

  - Innovation from Co-working: the App Marketplace Capability

  - Analysis of the Three Provided Innovation Examples

  - Focus on Innovative Trends in CBS: Artificial Intelligence

We have weighted the following criteria as medium or low, which means that they have regular importance for banks selecting CBSs:

- **Geographic Strategy:** This element of the strategy demonstrates the vendor's ability to directly serve bank customers and follow its global strategy by providing support across multiple geographies or by deeply penetrating the region both in terms of capabilities and capacity.

- **Sales Strategy:** This element evaluates the vendor's strategy in terms of marketing and sales network, inclusive of an app marketplace, as well as the developed methodology to support the business development process. Also, we recognize the importance of partners in the sales and support activity for CBS projects by analyzing the type of partners available for each vendor and the role they have in CBS deliveries.

- **Vertical/Industry Strategy:** This area of the evaluation is associated with banking industry commitment to broader initiatives (for example, participation in standards organizations and other industry groups), the vendor's focus in terms of CBS investments and dedication. This area also focuses on unique hiring practices, training and other means of maintaining close industry relevance, such as specific areas of research.

- **Market Understanding:** Market understanding depends on regional factors such as local regulations, accounting standards and business customs but also the ability to collect those factors and make them part of the vision for the roadmap within a broader understanding of the use of innovative technologies in the core banking sector.

We do not consider the marketing strategy and the business model relevant for CBS selection.

Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Vertical/Industry Strategy	Medium
Innovation	High
Geographic Strategy	Medium

Evaluation Criteria	Weighting
Marketing Strategy	NotRated

Source: Gartner (January 2025)

Quadrant Descriptions

Leaders

Leaders in the European retail core banking market possess a higher-level market understanding than peers, which helps in lead generation and, ultimately, in achieving mor sales. In addition, they make it their business to monitor market trends and funnel progressive innovation into their product roadmaps. Most of them possess software development quality certifications (such as Capability Maturity Model Integration [CMMI] o BIAN compliance) or are pursuing them. The Leaders are also, without exception, "thinking small" by pursuing the client intimacy and proximity required to resolve tactical problems, targeting composable architecture as a gateway to providing increased accessibility to the granular functionality that banks need to establish differentiation while easing cloud installations.

Leaders have high overall viability and great customer feedback. Leaders also focus on innovation — and the innovation trends that affect this particular market. For example, they can show visionary capabilities in managing new trends such as the ecosystem for open banking platforms by fostering the integration of their system with others' products or by embedding AI in the core. They also respond to client demand for cloud deployment by gradually making their products more cloud-native with "APIfication" of the components and by introducing standards and the use of sandboxes.

Challengers

The Challengers in this market typically earn high marks in key features of the product offering such as composability or cloud-nativeness. This is what the market wants most. They also achieve superior customer experience and product support, based on client feedback. For these reasons, Challengers are almost exclusively recently founded vendors that sell newly conceived products and still have sound customer intimacy to attentively deliver successful projects.

Challengers also have an opportunistic go-to-market approach, with limited market intelligence and scattered geographic strategy. They often don't have a complete market understanding derived from long-standing experience within that geographic market, and their product offerings are weak on the business functionalities front, providing only basic out-of-the-box features.

Visionaries

Visionaries in the European retail core banking market have a solid focus on vertical industry and geographic strategy, with an extensive network of offices and direct presence in their target markets. They also foster innovation and innovative trends, particularly from "inside," using their own resources.

The greatest Visionary vendors heavily invest in the ecosystem and in innovation from "outside" and from partners. Vendors in this group are not in the Leaders quadrant mainly because of below-average levels in certain important capabilities of the product offering (i.e., composability or cloud nativeness) and/or the overall viability (i.e., the value-for-money rating) or the customer experience (i.e., the overall experience rating).

Niche Players

Niche Players tend to have operations that are regionally limited and have lower regional market penetration than other players. Nonetheless, niche players in this Magic Quadrant do not simply participate in a few countries, as they also focus on specific banking segments such as fintechs, neobanks or small banks. They still need to demonstrate presence elsewhere, despite their deep specialization in one specific regional market.

Usually, they are less involved in international trends and sales, while demonstrating great client proximity and intimacy, which are their most important differentiators. Niche players' CBS products are not usually delivering well on market trends, and they often miss any commitments for these trends tracked by Gartner in the roadmap.

Context

The success or failure of core banking programs can be traced back to the clarity of outcomes defined in business cases (see **Building the Digital Business Case for Core Banking System Renewal**) at the outset. Banks need to focus much more on the preselection

phase to ensure that their use cases are carefully constructed and transparent, and that their objectives are documented before they issue an RFI or RFP (see **Toolkit: RFP Template for Core Banking Systems**).

It is also important to evaluate the cost of a core banking system and compare the commercial offering from different vendors with the the bank's expectations by considering any hidden costs spanning from vendor selection to the maintenance of the core system after implementation (see **Toolkit: Business Case Calculator for Projecting the TCO for Core Banking Systems**).

When selecting vendors, bank CIOs need to consider vendors with proven expertise in this region, as featured in this Magic Quadrant. They should also consider additional vendors that may be relevant to the bank, such as those with preexisting relationships, high specialization, or strong country-specific offerings, even if these vendors are small and not included in this report. A good overview of such a list of additional vendors is available in the regional toolkit. In fact, regional expertise and experience with banks of similar size and type are valuable qualities to find in a core banking vendor.

Gartner has focused its evaluation of the retail CBSs on their ability to sell a product aligned with five key market trends examined in more detail in the Market Overview section:

- Composable architecture

- Cloud nativeness

- Business functionalities

- The ecosystem

- The use of embedded AI/GenAI

Bank CIOs and other IT and business leaders also need to be introspective, recognizing that their organizations possess unique characteristics and cultures that will impact a program of this magnitude, whether positively or negatively. They also need to conduct a thorough self-assessment to identify negative traits, and reduce, mitigate, avoid or defer risk. Sponsorship, communication and program management are a few examples of areas that banks use to test maturity before embarking on core banking renewal (see **Assess Your Readiness to Avoid Core Banking Program Failure**).

Market Overview

The selection of a CBS is a once-in-a-lifetime experience for most CIOs. Fully understanding this market's dynamics and trends is vital for the success of these projects. Based on data received by vendors and ongoing research with banks, Gartner has identified five key trends that are emerging and pervasive in the CBS market:

- Composable Technologies Enable Customizing Through Components

- Core Banking Moves Into the Cloud

- Business Functionalities Create Differentiation Between Tenured and New CBS Products

- Ecosystems Are More Than Just the Core, But They Are Linked to It

- Use of Artificial Intelligence: Go Beyond Analytics and Customer Profiling

Trend 1: Composable Technologies Enable Customizing Through Components

The core banking market is adapting to significant shifts in the banking industry, from expansion of open banking regulation around the globe and partnerships between banks and non-banks, to disruptions from AI and economic conditions that require cost optimization. Gartner observes that the key to adapting to these changes is the provision of enabling technologies to increase business agility and reduce operational costs. Composable technology enables banks to avoid extensive software customization through the use of domain-designed definitions of components or packaged business capabilities (see **Becoming Composable: A Gartner Trend Insight Report**).

The existence or maturity of this software design construct is challenging to assess for banks that use conventional approaches within a CBS selection process due to lack of information and product transparency. However, the potential impact to support digital business agility is huge (see **Quick Answer: What Is Composable Business Architecture?**).

Gartner has evaluated the composability of products within the CBS market in this region by:

- Surveying banks on the four pillars of a composable architecture for CBSs, according to the Gartner taxonomy (i.e., modularity, autonomy, discoverability and orchestration)

- Analyzing CBS providers for three main indicators: product analysis, product roadmap and banking industry architecture network (BIAN) compliance. Each of these indicators takes into account different factors such as the percentage of code in a legacy technology (e.g., VB, COBOL), the percentage of processes or functions that are API-enabled, the percentage of software tested by automated testing tools and the percentage of variables in APIs out of the total. These factors are combined to calculate an overall indicator.

Trend 2: Core Banking Moves Into the Cloud

Cloud-only CBS strategies are on the rise and accelerating among technology providers and banks in the region. Cloud technology was, in the past, of deep concern to many regulators who feared the security and data leakage risks that banks might be exposed to. Also, many bank executives didn't feel comfortable using it, deeming it inappropriate for core banking software, as they believed it too risky and unreliable. Today, these issues have eased, vendors have cloud deployment options, and cloud security is not questioned by bank CIOs (see **Core Banking Hot Spot 2023: Moving the Core Into the Cloud**).

In 2024, the concept of CBS cloud nativeness was introduced by Gartner in its end-user surveys and product evaluations. Specifically, the Gartner LIFESPAR principles (see **How to Use LIFESPAR Architecture Principles to Deliver Cloud-Native Applications**) have been adapted to CBS technology by focusing on five macro areas of evaluation:

- Architecture

- Product life cycle management

- Product complexity and inconsistency

- Integration points and interoperability

- Data persistence in the DBMS

Trend 3: Business Functionalities Create Differentiation Between Tenured and New CBS Products

The Gartner CBS Surveys of 2023 and 2024 show that CBS products fall into one of two categories:

- **Tenured products:** Products sold for more than 10 years, which are the market makers (i.e., more than 80% of the market) and have a large installed base of at least a few dozen. These products usually have many business functionalities built and deployed to existing clients in the past.

- **New products:** Products launched within the last five years with a small installed base, which feature technological innovations such as a composable architecture, cloud nativeness, a more agile ecosystem, and often a product that is AI-ready. These new products have a limited number of installations and therefore fewer business functionalities.

This classification reflects the typical evolution of the CBS product, the functionalities of which had become commodities in the pre-COVID-19 age and today are differentiators between these two categories of products.

Today's vendors can sell either tenured products or new products based on key technology differentiators such as composability, cloud nativeness, ecosystem integration and the embedded use of AI.

Nonetheless, business functionalities can still be a differentiator for tenured products. For this reason, Gartner surveyed providers on business functionalities across 11 functional areas.

The global business functionalities score for tenured products is 3.82, and for new products it is 2.38. However, Gartner expects this gap between tenured and new products will fade away within five years.

To help bank CIOs match their business functionality requirements to vendors, Gartner has a comprehensive assessment available (see **Toolkit: RFP Template for Core Banking Systems**).

Trend 4: Ecosystems Are More Than Just the Core, But They Are Linked to It

CBS offerings are evolving from autonomous islands of functionality to open, collaborative platforms. Open platforms enable the integration of a broad variety of participants within the banks' value chain, including fintechs, technology partners, bank employees, customers, regulatory authorities and other banks. This integration process involves a greater use of external services, such as the cloud, rather than tangible facilities within the bank, such as

owned data centers. API mediation layers and vendor marketplaces with prebuilt components and supported integration partners and standards also facilitate the creation of broader ecosystems. Banks can then increase their revenue through services to other banks (banking as a service) or as participants of digital ecosystems.

Gartner analyzed CBS vendors' partnerships with third-party providers within the CBS ecosystem and in CBS deployments. We also reviewed the growth in the application of APIs and specific standards by vendors in their CBS projects. Bank CIOs, regardless of whether they aspire to participate in ecosystems, should evaluate providers' ecosystem capabilities. CIOs should prepare their CBS for a more competitive banking market as open banking and embedded finance mature in the region.

Trend 5: Use of AI: Go Beyond Analytics and Customer Profiling

The use of AI, and specifically generative AI (GenAI), is promising to revolutionize all industries. Beyond the obvious hype, the banking industry is adopting this technology and betting on it for many different use cases (see, for example, **Tool: Artificial Intelligence Use-Case Library for Banking**).

While most of today's use cases are in the front office, the back office and core banking modernization offer several fields of application to AI/GenAI. CBS vendors are building these capabilities by embedding those tools in their core systems and making them available as part of their offerings. The most common use is for embedded analytics and customer profiling, but it also enables the use of GenAI for software development and maintenance.

Gartner reviewed examples of innovation and the use cases that leverage AI/GenAI fostered by the vendors. We also looked at vendors' automated tools for migration and coding translation from old programming languages (i.e., COBOL or C) to more modern ones (i.e., Java, Python or GO language). To date, Gartner doesn't see a rapid increase in AI capabilities by CBS vendors in the region. However, whether upgrading to a new platform or monitoring a current provider, bank CIOs must look at the use of AI in two ways:

- A vendor's use of AI in software development to maintain and improve its CBS

- The vendor's roadmap for AI in advancing the functionality of the CBS

⊕ Evaluation Criteria Definitions