



NUCLEUS
SOFTWARE

BUILDING A **DIGITAL FUTURE** WITH A HUMAN TOUCH

ANNUAL
REPORT

2019-20

» DRIVING INNOVATION IN FINANCIAL SERVICES GLOBALLY



3 DECADES

OF BANKING
DOMAIN
EXPERTISE



200

FINANCIAL INSTITUTIONS
SUPPORTED ACROSS
50 COUNTRIES



26 M

TRANSACTIONS
PROCESSED
PER DAY



\$200B

VALUE OF
LOANS
MANAGED



1

NEW LOAN
BOOKED
EVERY SECOND



3 OF TOP 20

GLOBAL BANKS
ARE OUR
CUSTOMERS

» WHAT'S INSIDE THIS REPORT

PERSPECTIVES

Chairman's Message	04
MD's Message	08
CEO's Message	14

DIGITAL FUTURE

Building a Digital Future with a Human Touch	21
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HUMAN TOUCH

Building a Digital Future with a Human Touch	27
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BOARD OF DIRECTORS

Board of Directors	32
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FINANCIAL STATEMENTS

Year at a Glance	35
Director's Report	37
Report on Corporate Governance	78
Business Responsibility Report	110
Management's Discussion & Analysis of Financial Condition & Results of Operations	119

Auditor's Report	133
Balance Sheet	140
Profit & Loss Account	141
Statement of Cash Flow	142
Notes forming part of the Financial Statements	145
Management's Discussion and Analysis of Financial Condition and Results of Consolidated Operations	193
Risk Management Report	205
Auditor's Report	212
Consolidated Financial Statements	218
Shareholders' References	277
Segment Information and Ratio Analysis	283
Glossary	286
Notice of Annual General Meeting	287

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are based on assumptions and expectations of future events and may be considered as forward-looking statements. Such statements must be reviewed in conjunction with the risks that the Company faces. Although the Management has considered future risks as part of the discussions, future uncertainties are not limited to the Management perceptions

**S.M. ACHARYA**

CHAIRMAN

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WHILE BUSINESSES
HAVE ALWAYS USED
TECHNOLOGY TO HELP
THEM SERVE THEIR
CUSTOMERS BETTER,
THE RATE OF CHANGE IS
ACCELERATING

» DEAR SHAREHOLDERS,

When the Fortune 500 was first published in 1955 General Motors was ranked number 1. It is still on the list, at number 13, but most of the other 499 original members have not been so fortunate. In the last 65 years nearly 90% of them have disappeared through bankruptcy, merger or by not keeping up in revenue terms.


This creative destruction – a term first coined by the Austrian economist Joseph Schumpeter in 1942 – is not new. But what is new is the rate of change. In 2016, the late Pierre Nanterme, then Chairman and CEO of Accenture said that new digital business models are the principal reason why just over half of the companies on the Fortune 500 have disappeared since the year 2000.

In theory, being successful in business is simple – if you give your customers what they want at a price they find attractive and a cost that is profitable for you, then you will thrive. However, there are lots of moving parts, and they are constantly changing – customers’ needs evolve, competition changes and technology advances.

» TECHNOLOGY ADVANCES

While businesses have always used technology to help them serve their customers better, the rate of change is accelerating. The telephone took 50 years to reach 50 million users, and the mobile phone took 12 years, but Pokemon Go reached that milestone in only 19 days.

Over the last 10 years, cloud, analytics and technologies empowering digital experience have steadily disrupted IT operations, business models and markets. Though these are now familiar their impact cannot be overstated even as it continues to evolve. Recently, three new technologies – blockchain, cognitive and digital reality (AR, VR, IoT, and others) – have taken up the disruptor mantle. Today, each is poised to become a distinct macro force in its own right, according to Deloitte. In a fast changing world, where customers have more choice than ever before and less time how do they know who to trust? This is where the power of branding comes in. First used to denote ownership, brands evolved to indicate where goods came from and to provide levels of quality assurance.



Over the last 10 years, cloud, analytics and technologies empowering digital experience have steadily disrupted IT operations, business models and markets

» THE POWER OF BRANDING

Today, brands have continued to evolve beyond functional benefits into emotional, experiential or self – expressive benefits. Indeed, many brands, especially consumer brands, are seeking to share a set of values with their customers.

And for some, it is really working. In May 2019, Forbes reported that Apple was the world's most valuable brand – for the 9th year in row – and that it had become the first company with a brand value of more than \$200 billion.

Today's biggest brands are technology firms with platforms and ecosystems. Apple, Google, Microsoft and Amazon for example use their ecosystems to reinforce the power of their brand – the more people use them, the more attractive they become. However, the world of branding is continuing to evolve.

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IT MAY BE EASIER AND CHEAPER TO SET UP COMPANIES AND REACH CUSTOMERS TODAY – COMPANIES CAN TARGET ADVERTISING AT SPECIFIC SEGMENTS RATHER THAN TRYING TO GAIN THE ATTENTION OF DWINDLING AUDIENCES ON EXPENSIVE TRADITIONAL MEDIA.



100M

ACTIVE LOANS
MANAGED ON OUR
SYSTEMS GLOBALLY

Not only does globalization mean that companies can operate across borders more cost effectively than before but technology means that new companies can be created much more rapidly than before. In an era where consumers regularly seek and share peer reviews before, during and after buying, the power and position of brands is uncertain.



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DECADES OF
BANKING DOMAIN
EXPERTISE

It may be easier and cheaper to set up companies and reach customers today - companies can target advertising at specific segments rather than trying to gain the attention of dwindling audiences on expensive traditional media.



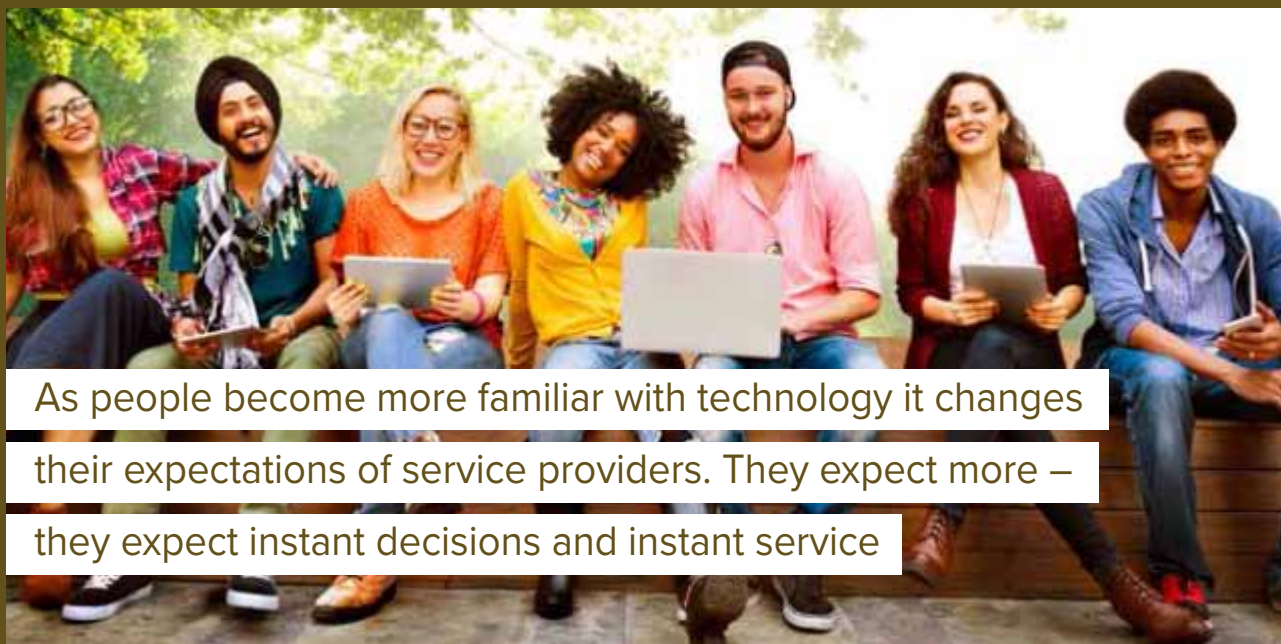
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NEW LOAN
BOOKED
EVERY SECOND

In many industries the number of competitors is sky rocketing. The number of choices being put in front of customers is exploding. As late as the 1990s, a typical grocery store carried 7,000 items, now it's 40,000 to 50,000. However, as consumers are bombarded with offers from countless professional looking firms, people are changing.

» PEOPLE ARE CHANGING

Every generation is different. Parents say their kids are different and the kids say they will never be like their parents – or so they say. The reality is more complicated – for example, the job hopping millennials is a myth – research shows that about the same percentage of millennials and Generation X stayed with their current employers for roughly the same length of time. Trust is changing. The Deloitte Millennial Survey points to a lack of trust in business and business leaders – with only 55% believing that business has a positive impact on society and 24% have ZERO trust in business leaders. There is some good news – 42% would start or deepen their relationship with a business if that business had products or services that positively impact the environment / society.



As people become more familiar with technology it changes their expectations of service providers. They expect more – they expect instant decisions and instant service

As people become more familiar with technology, it changes their expectations of service providers. They expect more – they expect instant decisions and instant service. They are much more inclined to share their experiences and indeed their entire lives online. They feel as if they have less time. Despite the fact that they are working fewer hours than previous generations, there is growing evidence that says that the way we live our lives is contributing to this feeling of time poverty. People are less certain about what they want – mainly because they are bombarded with more choice than ever before. Faced with all this complexity, what are the ingredients for success in the digital era?

» SUCCESS IN THE DIGITAL ERA

Many of the ingredients for success in the digital era are the same as before – focusing relentlessly on customers and delivering the outcomes they need. In addition, companies will need to anticipate the future and leverage the right technology at the right time. People with deep business and technical expertise will be more crucial than ever before and the war for talent will only intensify. While much has been made of the replacement of humans by technology – AI, Robots – the future will be mixed.



Instead of artificial intelligence completely replacing humans we will have AI helping humans, delivering augmented intelligence. Humans and machines will work together – delivering a digital future with a human touch.

Your company is committed to keeping ahead of these challenges with agile business models powered by innovative technologies. Not only must we execute on today's priorities, but we need to continue to innovate and transform ourselves for the future. Your trust is what drives us. I thank you for the confidence you have placed in our company. We are looking forward to the continued support of all stakeholders in this journey.

S.M. ACHARYA

Chairman

Date: 12 June 2020

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WHILE MUCH HAS BEEN MADE OF THE REPLACEMENT OF HUMANS BY TECHNOLOGY – AI, ROBOTS – THE FUTURE WILL BE MIXED. INSTEAD OF ARTIFICIAL INTELLIGENCE COMPLETELY REPLACING HUMANS WE WILL HAVE AI HELPING HUMANS, DELIVERING AUGMENTED INTELLIGENCE.

**VISHNU R DUSAD**

MANAGING DIRECTOR

» DEAR SHAREHOLDERS,

Since our founding more than three decades ago, Nucleus Software has been focused on helping financial services firms achieve their business ambitions. We have always been driven by a vision of using technology to enable financial services firms to deliver the innovative products and services their customers need. At the root of this has been a vision to help make access to financial services easy for all people, regardless of personal circumstances.

The financial services landscape has changed tremendously – first liberalization and globalization increased the number of competitors and more recently the rise of neobanks and fintech companies has turbo charged the change. Unencumbered by legacy technologies, the new entrants have rapidly gained market share. In the UK alone, Accenture's Digital Banking Tracker shows that the neobanks added more than 6 million customers in the second half of 2019, ending the year with 19.6 million customers.

THE COVID-19 PANDEMIC

COVID-19 has had a profound and immediate impact on individuals, businesses and society at large. By April 2nd more than half of humanity had been asked or ordered to stay at home by their governments, and by May 28th more than 40 million people had filed for unemployment benefits in the United States, leading to rates not seen since the Great Depression in the 1930s.

Amid all the doom and gloom there are rays of light – people have for the most part, reacted well, accepting lockdowns as the price for protecting other people.

Across a wide range of essential sectors, from hospitals to grocery stores, heroic endeavors are happening every day. Walmart hired more than 90,000 people and Amazon reported that it hired 100,000 people in 4 weeks and was pledging to hire 75,000 more.

Human creativity, persistence and ingenuity will ensure we overcome this challenge. We all have a role to play and we are confident that Nucleus Software will emerge stronger than ever before. Our history is one of innovation, focus and flexibility – we've overcome challenges in the past and we are confident that our future is bright.

Indeed we have already helped some of our customers address their challenges and we are looking at how our product roadmaps can be tailored to provide even more help.

In 2019, AT Kearney predicted the demise of one in ten European banks over the next five years, as millions of people move to more agile digital challengers. Their research showed that up to 85 million Europeans will be customers of these banking models by 2023.

Gartner has reported that by 2030, 80% of heritage financial firms will go out of business, become commoditized or exist only formally. While the financial services industry has been powered by 1s and 0s for decades, and it has been leveraging IT to work since the dawn of the IT industry, it is now much more digital. Technology is causing these seismic shocks, which leads to the question, is technology the problem or the solution?

» TECHNOLOGY – THE PROBLEM OR THE SOLUTION ?

In July 2019, Gartner reported that the banking industry would spend \$387 billion on IT worldwide, and that the banks were expected to invest \$65.3 billion on software. As one of the earliest major investors in technology it is little wonder that banks spend so much today. The consequences of decades of investment as new waves of technology came and often went, is a complex set of barely connected systems. Merely maintaining this patchwork, let alone rolling out new capabilities, is tremendously difficult, expensive and risky.

In October, politicians in the United Kingdom published a report following a series of high-profile disruptions to financial services firms. The report from the powerful Treasury Select Committee made a number of recommendations and said that “the current level and frequency of disruption and consumer harm is unacceptable”. The new entrants, including the fintechs, do not have these kinds of problems. As a result of being able to start from scratch they could take a customer-oriented, mobile-first, experience-driven approach. They are in a position to deliver the instant service their customers expect.

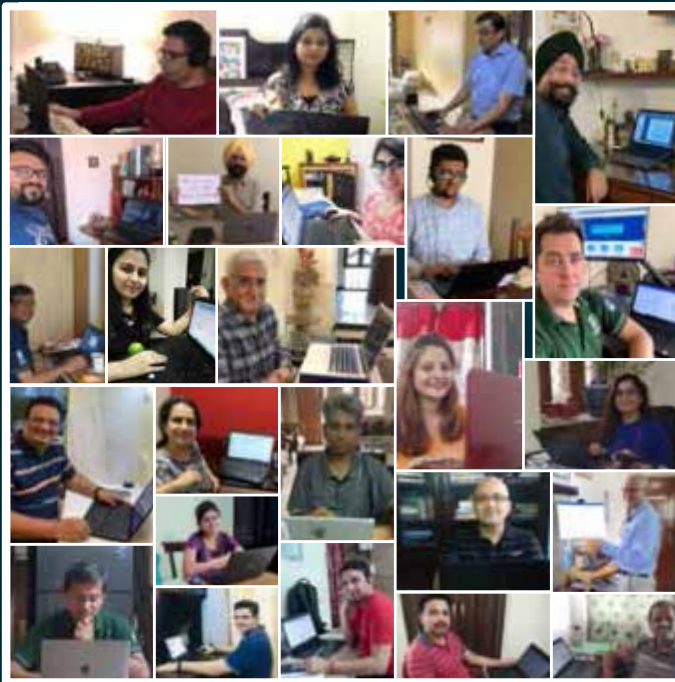
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FINANCE IS INCREASINGLY SHIFTING TO REAL-TIME, INSTANT – WHETHER IT IS NATIONAL / GLOBAL FASTER PAYMENT INITIATIVES, OR ONLINE, INSTANT LOAN APPROVALS OR THE ABILITY TO INSTANTLY SHIFT MONEY FROM ONE SIDE OF THE WORLD TO ANOTHER. FINANCE IS INCREASINGLY INSTANT AND TECHNOLOGY IS ENABLING IT

The next shift will be to machine intelligence – from robotic process automation to machine learning and artificial intelligence. We have already embedded many of these new tools into our solutions

THE COVID-19 PANDEMIC

OUR RESPONSE »



WORK FROM HOME



VIRTUAL JOINING

FUN @WORK

As our working lives have become more virtual we are working to ensure that the human touch is not lost. In addition to using video and instant messaging to stay in touch for business, we are also using them for fun – online yoga sessions and weekly puzzles, creative writing and photo competitions. And it is not just about Nucleites we are also including their families.

