



Microsoft **accenture**

PART II OF THE CORE MODERNIZATION FRAMEWORK

MODERNIZE *IN MOTION*

ECONOMICS AND
MARKET PATTERNS

DEVELOPED IN PARTNERSHIP WITH SABIO WORLD

WHY MODERNIZATION IS AN ECONOMIC & PLATFORM DECISION

For boards, CEOs, and CFOs, modernization is not a technology preference. It is a decision about long-term economics, enterprise risk, and institutional viability.

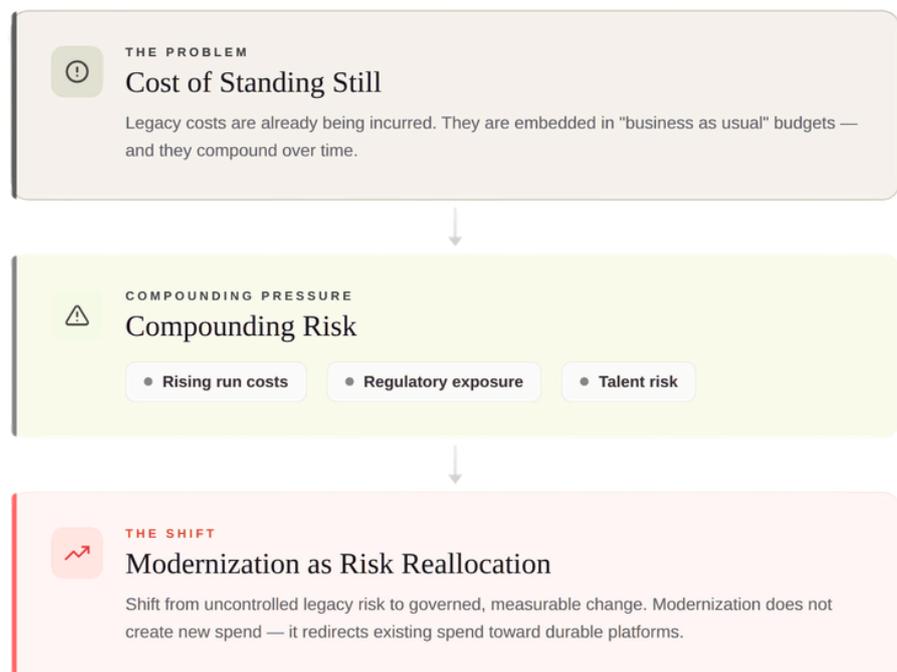
While technology teams may frame modernization in terms of platforms and architectures, executive leadership views it through a different lens:

- How does this affect the bank's cost base over time?
- How does it change operational and regulatory risk?
- How does it support sustainable growth and capital efficiency?
- What happens if we do nothing?

Decades of deferred core modernization have produced rising technical debt, escalating run costs, and increasingly fragile operating models. These costs already exist. They are already being incurred. And most importantly, they compound over time.

INACTION CARRIES COMPOUNDING FINANCIAL AND OPERATIONAL RISK

The cost of legacy system grows gradually – until it dominates the operating model



At the same time, automation, Generative AI, and emerging agentic technologies are reshaping modernization economics. Banks are no longer funding monolithic replacements. They are investing in modern, componentised banking platforms that enable continuous change.

Leading banks are reallocating defensive spend toward digital capital—platforms that are adaptive, resilient, and intelligent by design.

From this perspective, modernization is best understood not as a discretionary technology upgrade, but as a structural reallocation of existing spend—from keeping fragile systems alive to building a durable platform-based operating model.

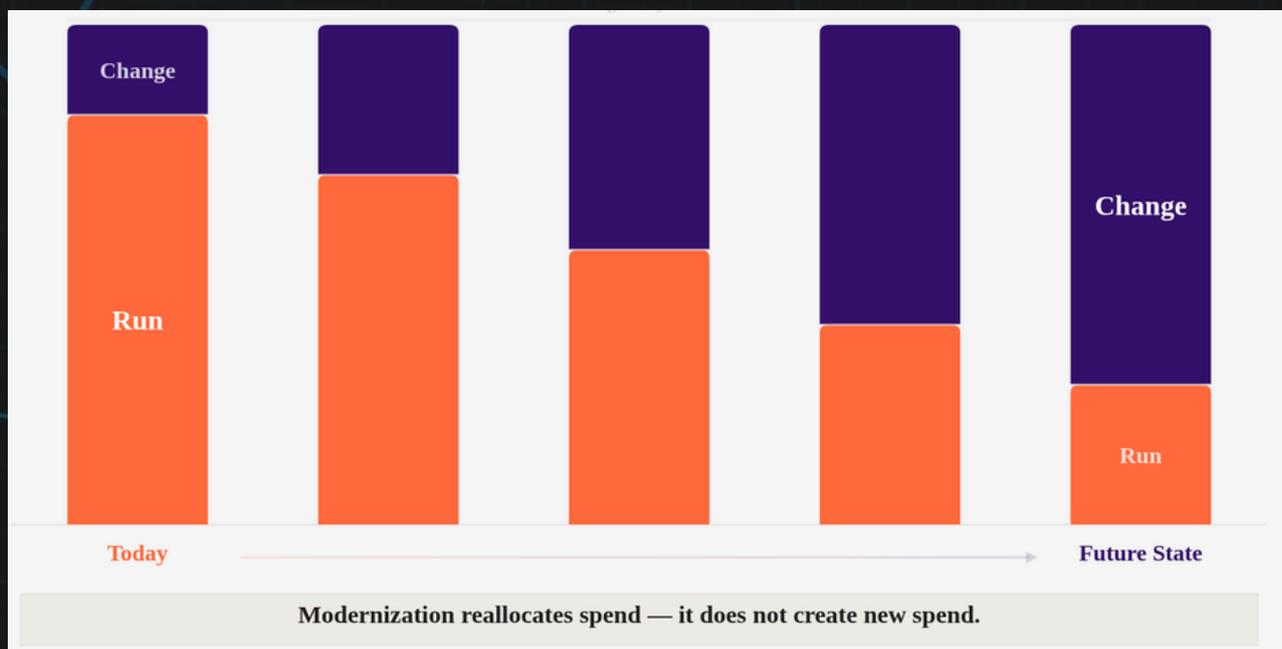
THE ECONOMICS OF STANDING STILL

Across Asia-Pacific, banks operating on legacy core platforms face a set of compounding economic pressures that are often underestimated because they are embedded in “business as usual” budgets.

These pressures include:

- Rising maintenance costs
- Legacy cores frequently rely on proprietary infrastructure, licensing models, and specialist skill sets whose costs increase faster than inflation, even as flexibility declines.
- Escalating outage and remediation risk
- As systems age, incidents become more frequent and more costly. Emergency remediation diverts management attention, increases operational risk, and attracts regulatory scrutiny.
- Regulatory remediation burden
- Supervisors increasingly expect demonstrable operational resilience. Institutions with fragile technology stacks face heightened supervisory engagement, remediation programs, and implicit capital and management costs.
- Slow time-to-market
- Product launches measured in months represent an economic penalty: delayed revenue, lost market opportunities, and higher coordination costs across the organization.
- Shrinking talent pools
- Specialist skills for legacy platforms are increasingly scarce, creating concentration risk, wage inflation, and long-term sustainability challenges.

Standing still is therefore not neutral. It is an active economic choice—and an increasingly expensive one.



FROM DEFENSIVE SPEND TO **STRATEGIC INVESTMENT**

A critical shift underway among leading banks is the recognition that legacy run costs are not neutral. They actively constrain strategic options.

As more budget is consumed by keeping aging systems operational, less is available for:

- Innovation
- Growth initiatives
- Risk reduction
- Customer-centric capabilities

Modernization progressively redirects this defensive spend into governed platform investment that:

- Lowers marginal cost over time
- Improves transparency and controllability
- Supports both growth and resilience objectives

This shift is incremental rather than instantaneous. But over time it is structurally transformative.

Rather than asking, “What is the ROI of modernization?”, leading banks increasingly ask:

How quickly can we stop compounding technical debt and start accumulating digital capital?



CLOUD-NATIVE PLATFORM AND P&L HEALTH

One of the most significant market patterns across Asia-Pacific is the move toward cloud-native platform architectures, enabled by public cloud.

This shift is not driven primarily by technology fashion. ***It is driven by economic logic.***

From a CFO and board perspective, cloud-native platforms—when governed properly—deliver several structural advantages:

Lower long-term TCO

Variable consumption models reduce overprovisioning and allow costs to scale with business activity rather than peak assumptions.

Capital efficiency

Shifting from capital-intensive infrastructure to operating expenditure improves balance-sheet flexibility and capital allocation.

Elastic scalability

Platforms support growth, seasonal volatility, and stress events without permanent infrastructure investment.

Built-in resilience

High availability, redundancy, and disaster recovery capabilities are embedded rather than custom-built.

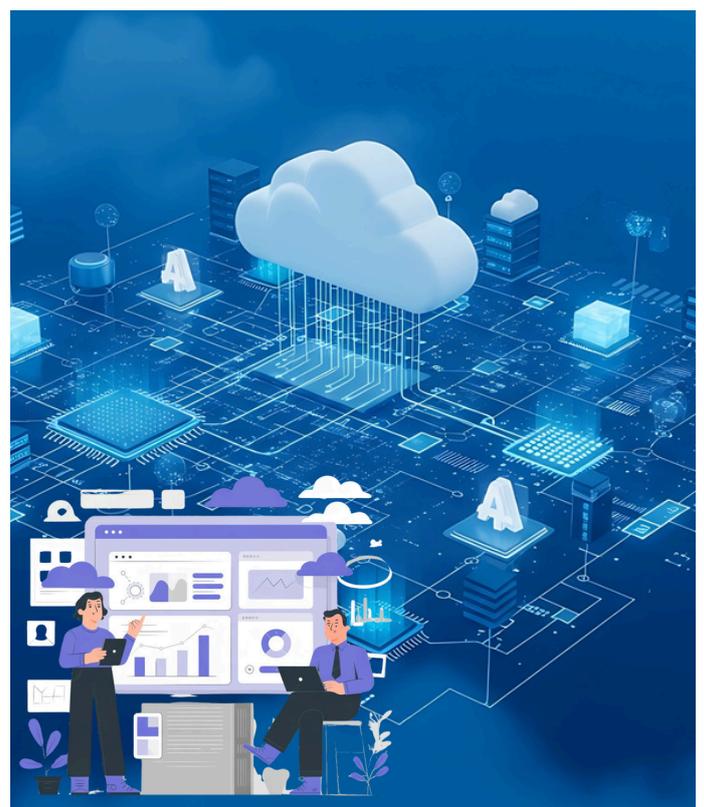
Continuous innovation

Banks benefit from ongoing platform enhancements without repeated replatforming or major upgrade cycles.

Importantly, these benefits do not materialize simply by “moving to the cloud.” They accrue when cloud adoption is paired with strong governance, secure interoperability, and phased execution.



Cloud-native platforms, driven by economic logic rather than trend, offer lower costs, capital efficiency, and continuous innovation, but require strong governance to unlock their full potential



RISK-ADJUSTED

ECONOMICS

A recurring lesson across Asia-Pacific is that modernization approaches optimized for short-term cost minimization often deliver negative risk-adjusted outcomes.

Banks that pursue “cheap” or overly aggressive modernization strategies frequently incur higher downstream costs through:

- Failed or delayed migrations
- Prolonged dual-running expenses
- Regulatory remediation and supervisory intervention
- Emergency stabilization programs following incidents

These costs are rarely captured in initial business cases, but they materially affect long-term returns.

By contrast, phased, safety-first modernization approaches—even when they appear more conservative—consistently produce superior outcomes when risk is properly priced. The objective is not to minimize upfront spend, but to optimize risk-adjusted return across the full lifecycle of the transformation.

MANDATORY VALUE VS. OPTIONAL UPSIDE

Leading banks increasingly separate modernization value into two distinct categories.



MANDATORY VALUE

Benefits that must be realised for modernization to be justified:

- Operational resilience
- Predictable and controllable cost structures
- stronger governance and audit-ability
- Sustained regulatory confidence

In many cases, these benefits alone support the economic case for modernization.



OPTIONAL UPSIDE

Benefits that can be realized incrementally and selectively:

- AI-assisted product design and pricing
- Advanced personalization
- Real-time fraud, risk, and credit decisioning

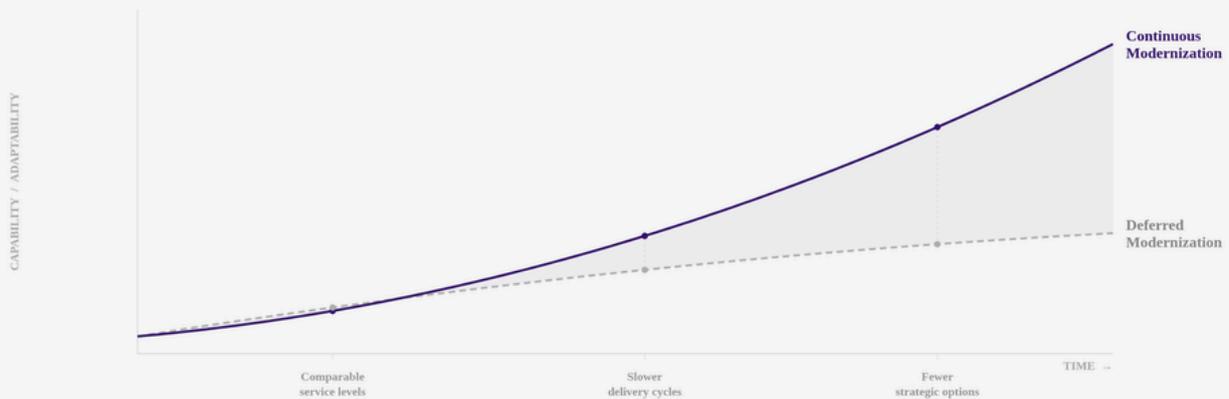
By treating innovation as a real option rather than a dependency, banks avoid tying modernization success to uncertain future revenue projections.

MARKET PATTERN

Across Asia-Pacific, early movers in core and platform modernization display consistent behaviors:

- Engage regulators early and transparently
- Apply phased funding with board-level checkpoints
- Use cloud first for resilience and observability
- Measure progress using operational and risk metrics, not just delivery milestones
- Treat modernization as a permanent enterprise capability

These patterns are reshaping how modernization programs are governed, funded, and evaluated at executive level.



Modernization changes the rate of progress. Over time, pace becomes competitive advantage.

MODERNIZATION AS ECONOMIC CAPABILITY

The end-state of modernization is not a new core system.

It is a bank that can change safely, continuously, and predictably.

Institutions that achieve this capability:

- Reduce the frequency and cost of large-scale transformations
- Respond faster to regulatory and market change
- Sustain competitive advantage over longer horizons

In this sense, modernization is not simply an expense.

It is an investment in institutional adaptability



Executing a business-led modernization program at enterprise scale requires more than technology. It requires disciplined execution, operating-model change, and accountability over time.

Together, Microsoft and Accenture bring complementary strengths:

- Accenture leads on governance, execution discipline, and enterprise operating-model transformation, drawing on deep experience with large-scale financial services change programs
- Microsoft Azure provides a secure, resilient public cloud platform with regional APAC presence, enabling interoperability, scalability, and continuous innovation

Crucially, the partnership offers one roadmap, one shared blueprint, and one accountable partner. This unified delivery model reduces integration risk, accelerates decision-making, and simplifies regulatory engagement—critical advantages in complex, multi-year transformations.