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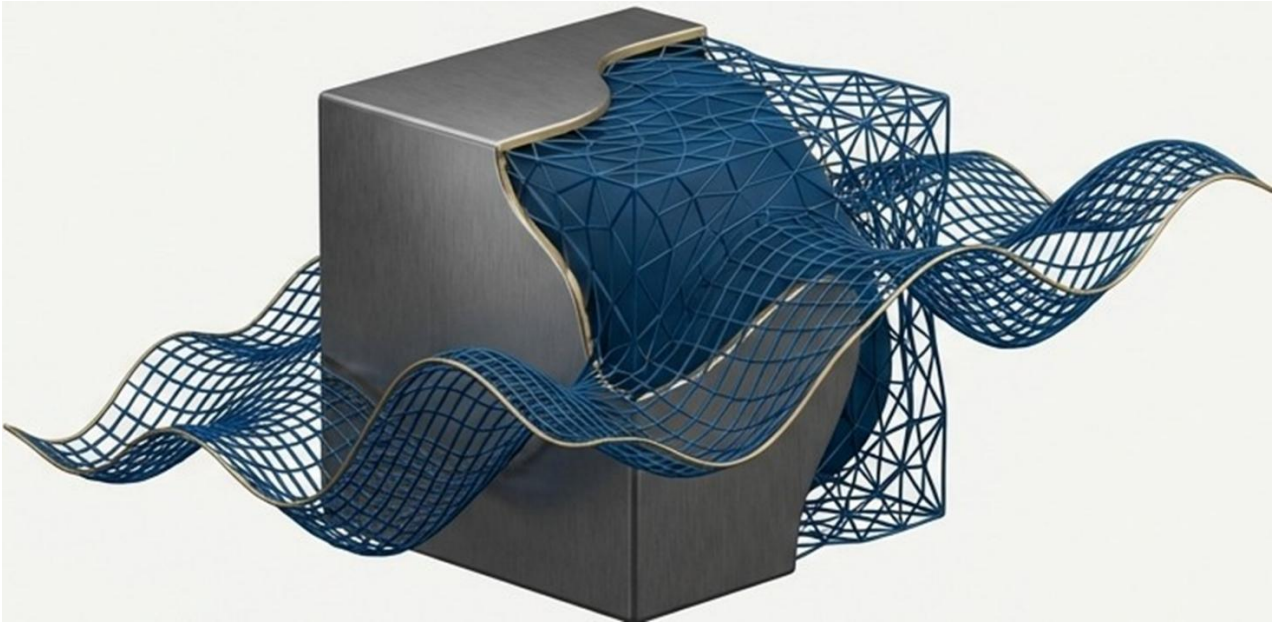


Finzsoft: The Hybrid Advantage

Resolving the Core Banking Dilemma for Australasian Mutuals

EXTENSIBLE + INTEGRABLE = SOVEREIGN

December 2025

The Hybrid Advantage

Resolving the Core Banking Dilemma for Australasian Mutual Banks.

Why the choice between "Stagnant Legacy" and "Fragmented Cloud" is a false dichotomy.

Executive Summary

The banking technology landscape in Australia and New Zealand is currently polarised. On one side, massive legacy vendors offer stability but suffer from "innovation paralysis" and prohibitive upgrade costs.

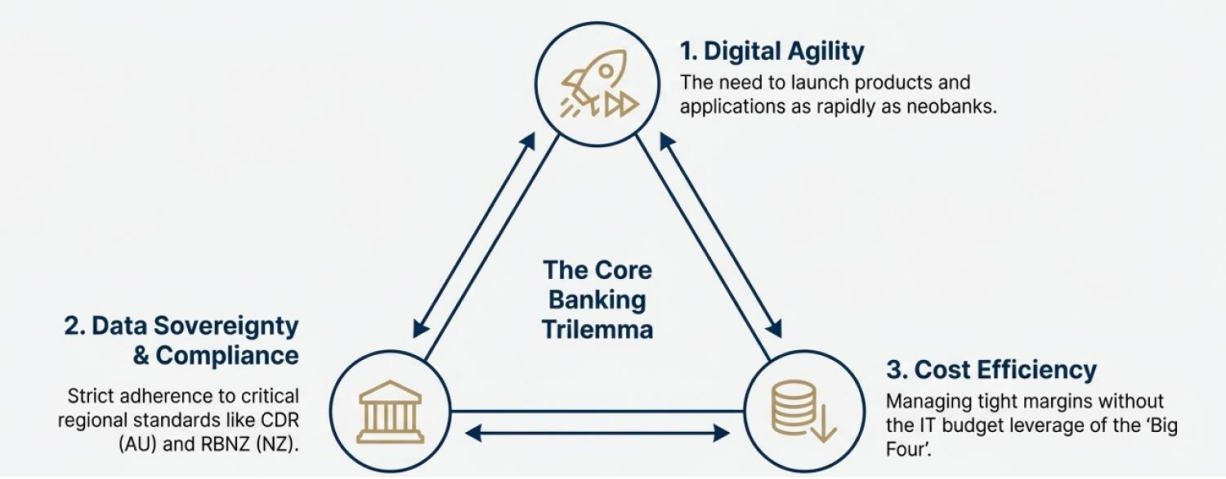
On the other side, new cloud-native entrants offer agility but force banks to purchase a "ledger-only" fragment, resulting in a complex, expensive web of third-party integrations.

For Mutual Banks and Credit Unions, neither option is ideal.

This paper outlines how Finzsoft's Sovereign Open Connected Core (Sovereign) eliminates the "Technical Debt" of incumbents and the "Integration Tax" of cloud natives, delivering the region's fastest migrations and lowest Total Cost of Ownership (TCO).

The Core Banking Trilemma

Mutual banks in Australasia face three competing pressures. Solving one often compromises the others, creating a constant strategic challenge.



Most vendors typically only solve one of these three competing pressures.

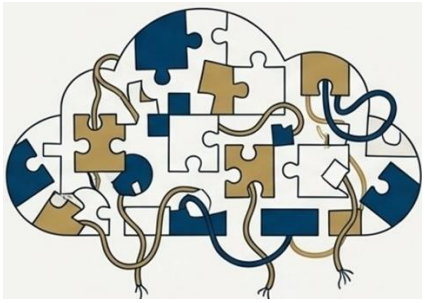
Sovereign is architected to solve all three simultaneously through Polyglot Architecture.

The Market Presents a False Dichotomy

The current banking technology landscape is polarised, forcing banks into an undesirable choice between two extremes, neither of which fully addresses the Core Banking Trilemma. This choice is presented as a false dichotomy between "Stagnant Legacy" and "Fragmented Cloud".

Stagnant Legacy

Massive legacy vendors offer stability but suffer from "innovation paralysis," prohibitive upgrade costs, and technical debt.
They are safe, but slow.



Fragmented Cloud

New cloud-native entrants offer agility but deliver a "ledger-only" fragment, forcing a complex and expensive web of third-party integrations with significant risk.
They are fast, but fragile.

For Mutual Banks and Credit Unions, this document argues that neither of these polarised options are ideal.

Modern Hybrid Architecture – Agility with Integrity

Finzsoft's Sovereign platform was specifically architected to resolve the core banking dilemma by offering a third path that transcends the limitations of "Stagnant Legacy" and "Fragmented Cloud" systems.

This solution is the **Modern Hybrid Architecture**, which is a unified "Bank-in-a-Box" combining the unmatched transactional integrity of a proven no-code flexible core with a **cloud-native, event-driven services layer**. This deliberate synthesis ensures **agility without sacrificing stability**—truly delivering the "Best of Both Worlds".

Specifically, it combines the transactional integrity of **IBM i (Power Systems)** with a cloud-native, event-driven **Java Microservices layer**. This architecture aims to eliminate the "Technical Debt" of the incumbent systems and the "Integration Tax" of the cloud-native systems, leading to the region's fastest migrations and lowest Total Cost of Ownership (TCO).

Sovereign's Architecture: The Speedboat and the Fortress

A Modern Hybrid Architecture for Unprecedented Stability and Agility

The "Speedboat and the Fortress" is Finzsoft's analogy to explain the Sovereign core banking platform's unique Modern Hybrid Architecture. This architecture is designed to deliver both agility and stability, resolving the dilemma between "Stagnant Legacy" and "Fragmented Cloud" systems.

As detailed in our latest Architecture Overview, Finzsoft utilises a unique "Best of Both Worlds" technology stack.

The Application Tier (The Speedboat)

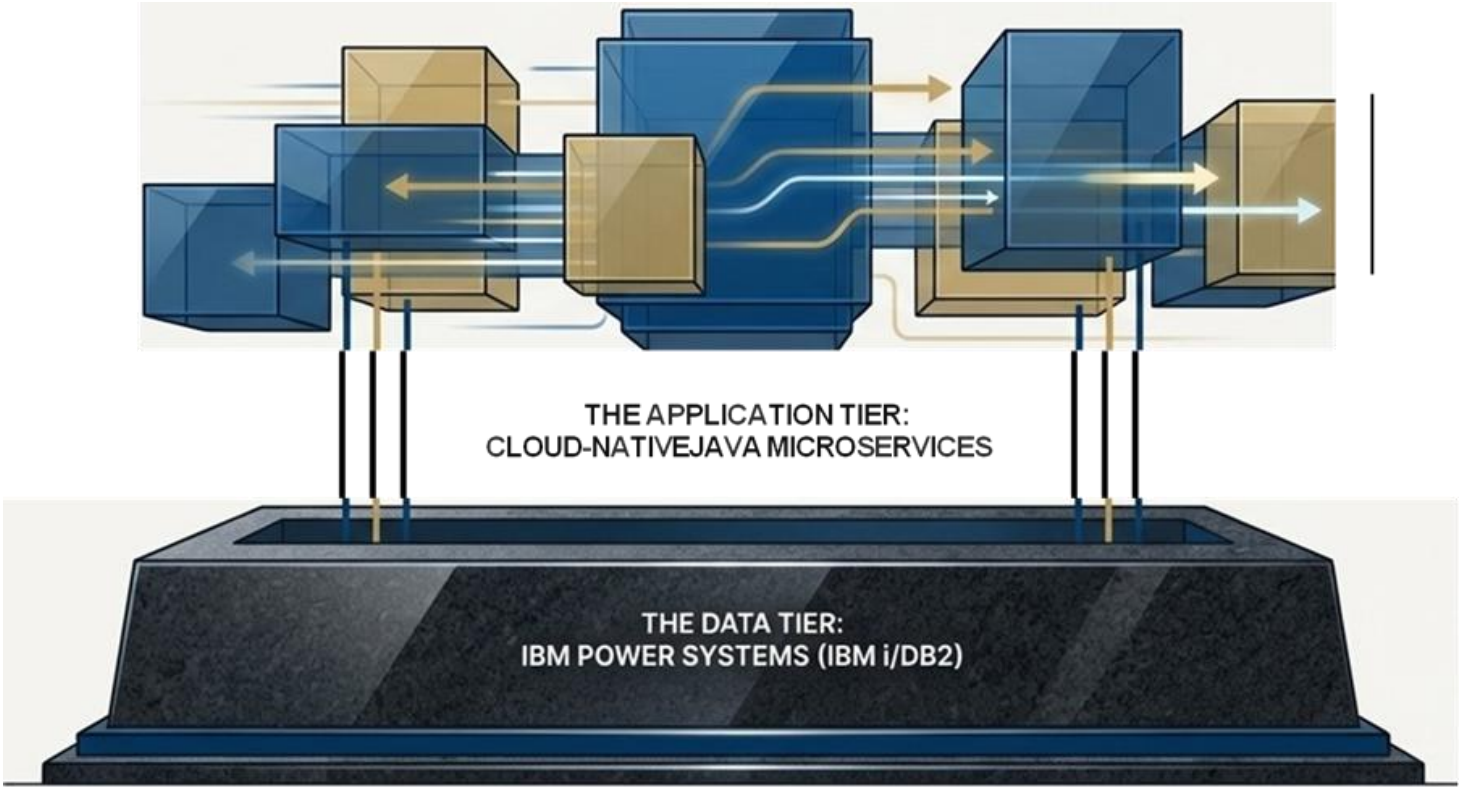
This tier represents the modern, flexible layer that provides the necessary digital agility.

- **Technology Utilised:** Sovereign runs a Cloud-Native Java/J2SE layer using Spring Containers and RESTful APIs.
- **Role:** This layer allows for rapid development and open integration via an API ecosystem. It is the part of the system that interfaces with the outside world.
- **Key Advantage:** It enables the delivery of modern digital experiences. The use of event-driven Java Microservices provides the flexibility and scalability of the cloud for applications.
- **Concept:** This layer acts like a fast, agile speedboat, capable of quickly launching new features and connecting to other services.

The Data Tier: The Fortress

This tier represents the secure, stable, and reliable foundation of the core system.

- **Technology Utilised:** IBM Power Systems (specifically IBM i/DB2) is used for the database.
- **Role:** It functions as the gold standard for transactional security and is the location where all core banking data is retained.
- **Key Advantage:** This platform is known for handling 32,000+ backend functions with "Five Nines" reliability (99.999% uptime). Client feedback supports this, stating, **"The core system is rock solid – it never fails"**.
- **Concept:** It provides the unshakeable stability required of a Tier 1 banking system, similar to a secure, impenetrable fortress.



The Hybrid Advantage

By combining the "Fortress" of IBM Power Systems with the "Speedboat" of a cloud-native services layer, Sovereign achieves two major strategic goals that traditional and cloud-only systems cannot match:

- **Eliminating the Technical Debt** of incumbent systems, and
- **Removing the Integration Tax** of cloud-native fragments.

This unique hybrid approach delivers the region's fastest migrations—typically **7 to 12 months**—and the lowest Total Cost of Ownership (TCO).

Instead of managing complex vendor relationships and technical hurdles, you can focus on your customers, confident that your core is "Evergreen," automated, and always up to date.

The Hybrid approach enables innovation.

Competitive Analysis: Sovereign vs. The Market

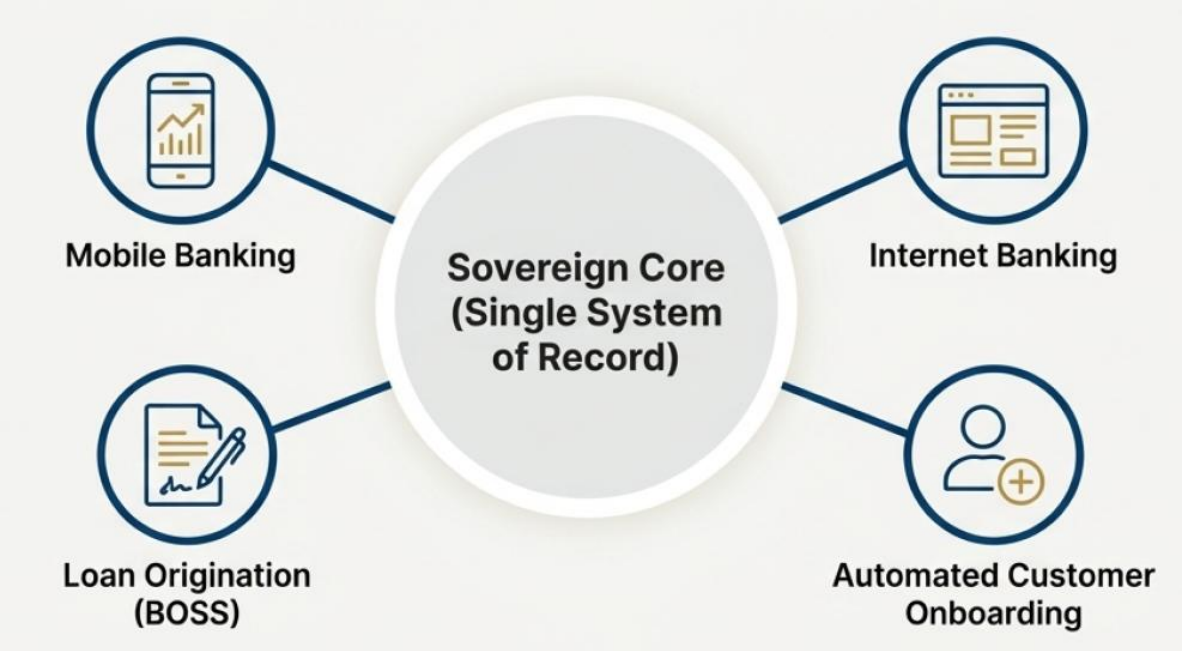
Sovereign - A Unified 'Bank-in-a-Box', Not a Component

Sovereign's Hybrid Architecture delivers a complete, pre-integrated ecosystem. Unlike competitors who only provide a core ledger where channel integration must be done in addition, Sovereign offers:

Single System of Record: Sovereign delivers a complete, pre-integrated ecosystem where customer data and metadata exist in one place without the need for any complex data synchronisation.

Integrated Channels: Unlike competitors, Sovereign includes critical channels and modules out of the box, such as:

- Internet Banking
- Mobile Banking
- Business to Consumer Loan Origination (BOSS)
- Customer Automated Onboarding



Data Truth: Customer data and metadata exist in one place. No API lag. No reconciliation errors. You buy a bank, not just a ledger.

The Cloud Natives: 'Integration Tax'

The Problem: Cloud-native engines are typically "ledgers only.' To run a bank, you must buy and integrate separate software for every channel. This creates data silos, synchronisation errors, and a massive, ongoing "Integration Tax" to maintain a fragile, multi-vendor ecosystem.

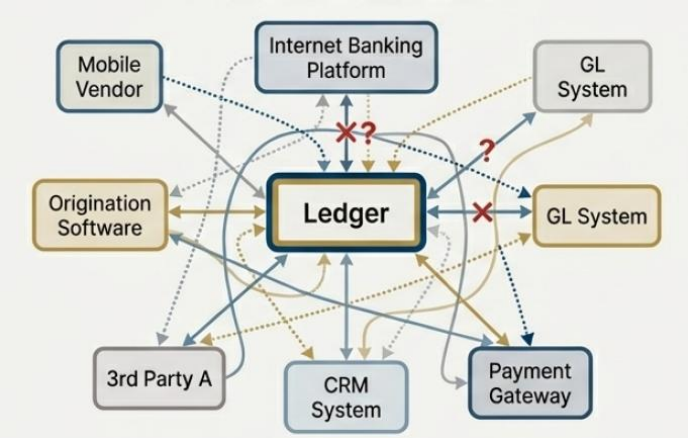
Eliminating the Integration Tax

The "Integration Tax" is the massive, ongoing cost to maintain a fragile, multi-vendor ecosystem that arises from using cloud-native engines. Cloud-native engines are typically "ledgers only," meaning that to run a full bank, you must buy and integrate separate software for every channel (e.g., mobile banking, loan origination, CRM, GL system).

This fragmentation creates data silos, synchronisation errors, and a complex web of integrations.

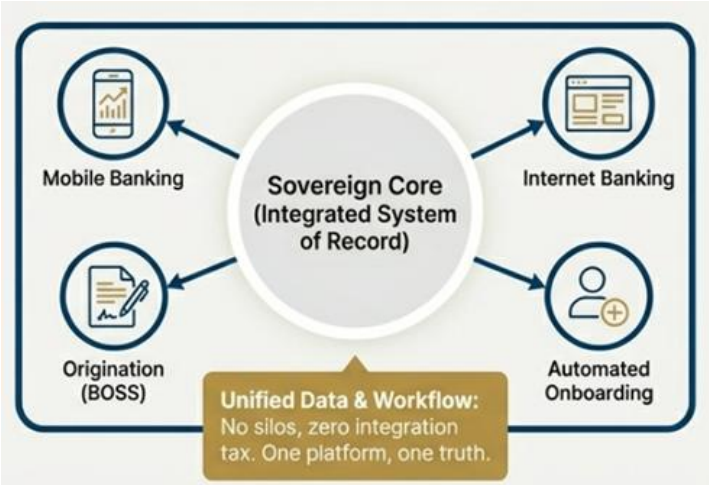
Finzsoft's Sovereign platform eliminates this tax by offering a **Unified 'Bank-in-a-Box'** along with our Plugin Architecture for integrations with additional 3rd party systems (e.g. CRM).

THE FRAGMENTED CLOUD



vs.

THE FINZSOFT MODEL



The Incumbents: Technical Debt and System Upgrades

The Problem: Traditional vendors often hard-code client customisations into the core. This makes upgrading a high-risk, high-cost capital project, leading to “Upgrade Fear” resulting in banks running on outdated and security impaired versions for years (”Upgrade Fear”).

The Finzsoft Advantage: The "Open/Closed" Principle
Finzsoft has solved the upgrade paradox. Our Sovereign Open Connected Core (OCC) is "Closed" for modification (protecting stability) but "Open" for extension.

- **Plugin Architecture:** Using our SPIs (Service Provider Interfaces) and SDKs, client customisations sit as distinct plugins within the Spring Container.
- **Overnight Upgrades:** Because we don't break your plugins, version upgrades are automated and executed overnight.
- **Evergreen Banking:** Sovereign is a modern core banking platform that focuses on continuous, incremental updates and improvements rather than the traditional method of large, costly, and disruptive system replacements every few years. Finzsoft’s "evergreen" approach is a deliberate strategic philosophy that ensures Sovereign is always up-to-date, adaptable, and scalable to meet evolving business and customer demands.

The Global Giants: Achieving "Migration Velocity"

The Problem: Global "Big Bang" migrations are notorious for running over budget and taking 3+ years. These vendors rely on large teams of generalist consultants who lack deep knowledge of the specific Australasian regulatory and payments landscape (NPP, CDR, SBI, Open Banking etc).

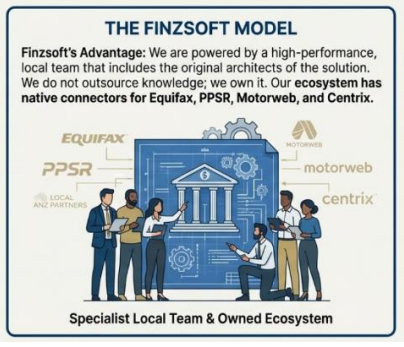
The Finzsoft Advantage:

Finzsoft is powered by a high-performance team that includes the original architects of the solution. We do not outsource knowledge - we own it.

Proven Velocity: We hold the track record for the fastest migrations in the region.

- Unity Credit Union (from FlexCube): 9 months
- Credit Union Auckland (from FlexCube): 7 months
- First Credit Union (from FACTS/Ultradata): 12 months

Local Ecosystem: We connect natively to Equifax, PPSR, Motorweb, APLYIiD, Credit Sense and Centrix. Global vendors treat these as "custom integrations" - we treat them as standard features.



Finzsoft's "Fear-Free" Upgrade Model

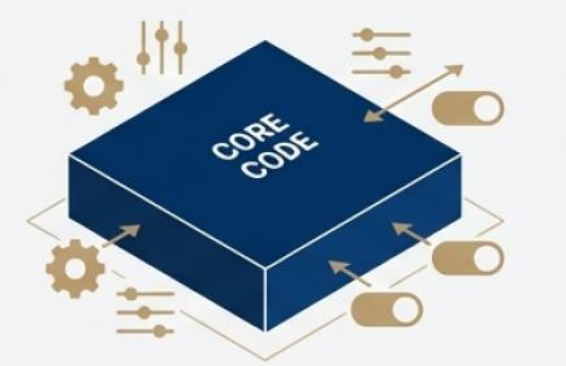
Eliminating Technical Debt

Technical debt is the hidden cost of core banking, often manifesting as a massive cost incurred every 4-5 years to modernise a system—referred to as the "Upgrade Spike". This spike is typically caused by traditional vendors hard-coding client customisations into the core, making upgrades high-risk, high-cost capital projects that lead to "Upgrade Fear".

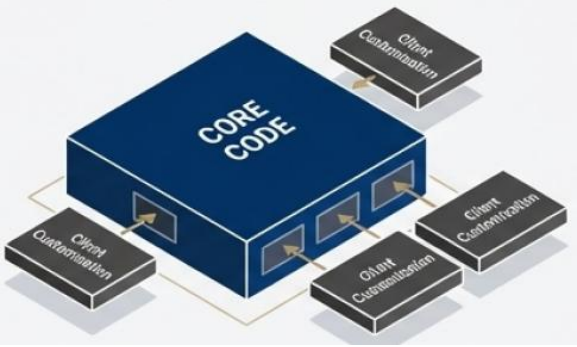
Finzsoft has flattened this curve.

By strictly adhering to a **Single Code Base** strategy, we ensure every client runs on the same robust "Gold Master."

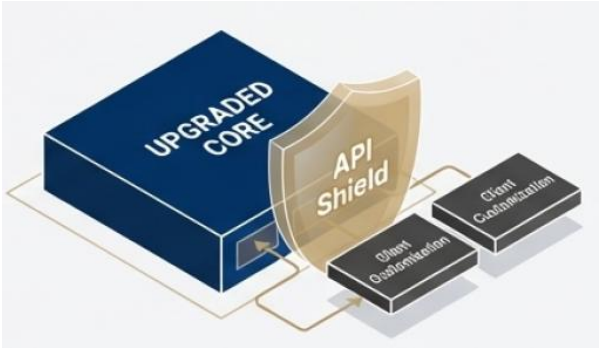
- **Configuration over Customisation:** We use extensive configuration settings (rules engines/business process managers) to meet business needs without altering source code.



- **Plugin Architecture:** Client customisations sit as distinct plugins within the Spring Container, separate from the core.



- **The API Shield:** Where logic must be unique, it is written against our standard APIs and SPIs. When the core upgrades, the API contract remains valid, and the client's unique features continue to work without disruption.



- **Strategic Value:** This shifts IT spend from "Keeping the Lights On" (Maintenance) to "Growing the Business" (Innovation).

Finzsoft's model eliminates the "Upgrade Spike"

OUR UPGRADE COMMITMENT:

PREDICABLE, SEAMLESS AND ALL- ENCOMPASSING

This is enabled by:

- → A **single code base strategy**; every client runs on the same robust 'Gold Master.'
- → Version upgrades are automated and can be **executed in a matter of hours**, usually overnight.
- → This process transforms upgrades from high-risk capital projects into **routine maintenance.**

"OUR CLIENTS TYPICALLY UPGRADE ANNUALLY, ENSURING THEY ARE NEVER MORE THAN ONE VERSION BEHIND, WITH ZERO CONSULTING FEES REQUIRED FOR THE UPGRADE ITSELF".

Security and Sovereignty by Design

In this era of cyber threats and regulatory scrutiny, the "Black Box" public cloud model poses risks.

We provide the scalability of the cloud for applications while retaining the physical security and data residency required by Australasian regulators. Security is embedded in every phase of our Software Development Life Cycle (SDLC).

Hybrid Hosting

Partnership with Datacom (NZ) and Experteq (AU) ensures all core banking data is retained in sovereign, Tier-1 data centres. Our DR site (Kapua) is tested annually.

Robust Security Model

We employ a full Role-Based Access Control (RBAC) model, support multi-factor authentication (Auth Signal, Google Authenticator), and adhere to 'least privilege' and 'defense in layers' principles.

Continuous Auditing

We undergo annual third-party code scanning, auditing (PwC), and penetration testing (Cyber CX). Automated scanning is performed with tools like HP Fortify.

The Owner-Operator Mindset:

Your Partner, Not Just Your Vendor

Unlike competitors owned by private equity firms focused on short-term license extraction, Finzsoft is significantly owned by its clients. This creates a fundamentally different relationship dynamic.

" Our corporate mandate is to do the 'right thing' for our Finzsoft clients and the wider Mutual sector, prioritising long-term stability and shared success."

Our success is intrinsically linked to yours. Our mandate is your stability, not a rapid exit.

Conclusion

The choice facing Australasian Mutuals is no longer limited to the "Safe Old Way" (Stagnant Legacy) or the "Risky New Way" (Fragmented Cloud). Finzsoft's Sovereign provides a definitive **third, superior option** , establishing a new benchmark for core banking systems in the region.

This Modern Hybrid Platform is engineered for the future—it is **API-driven, event-based, and mobile-ready**—but remains grounded in the unshakeable stability of the IBM i Power platform.

The **Finzsoft Hybrid Advantage** is a cumulative promise of stability, speed, and cost efficiency, built on four pillars:

1. **A Unified 'Bank-in-a-Box':** Delivering a comprehensive, integrated core banking solution, eliminating data silos and the need for complex, fragile, multi-vendor integrations.
2. **Fear-Free Overnight Upgrades:** Leveraging the "Open/Closed" principle to deliver seamless updates and minimal disruption, effectively eliminating the high-cost "Upgrade Spike" and technical debt.
3. **Proven 7-12 Month Migrations:** A highly specialised local team and a natively connected local ecosystem which provides an efficient, reliable transition timeline that takes **months, not years**.
4. **An Aligned Partnership Model:** As a company significantly owned by its clients , Finzsoft prioritises long-term stability and shared success over short-term license extraction, ensuring a truly aligned strategic partnership.

By delivering the engineering freedom of a fintech with the reliability of a Tier 1 banking system, Finzsoft empowers Mutuals to simultaneously achieve **Digital Agility, Data Security, Data Sovereignty, and Cost Efficiency**.

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