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EVOLVE 

New England Banking Summit | 2026

Technology Modernization and AI in Banking

An Executive Lens on Value, Risk, and Readiness

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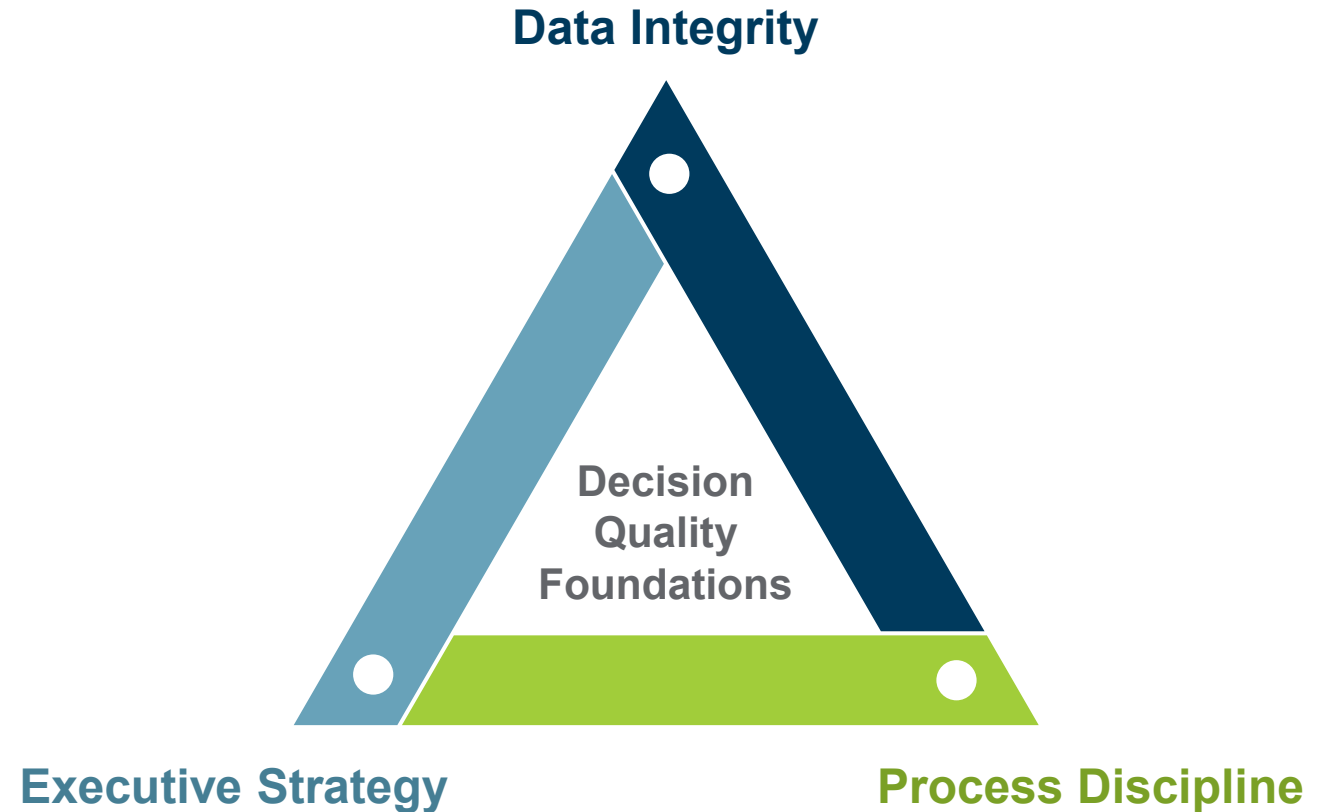
Learning objectives



- ▲ Identify the three core tenets of decision quality
- ▲ Explain the importance of modernization
- ▲ Understand the role that AI plays in modernization
- ▲ Describe common AI failure modes
- ▲ Summarize what AI changes for executives

Modernization is decision quality

- ▲ Modernization is not simply the adoption of new tools or systems; in practice, it is the institutional ability to produce trusted decisions at speed. The hallmark of a modern business is **decision quality based on strong data, process, and strategy**.
- ▲ AI is not a foundational element of decision-making. Instead, AI operates as an amplifier for the current state of each of these qualities.
 - Strong data integrity, processes, and strategy become powerful with AI utilization; but low data quality, challenging processes, or a lack of decisiveness are made significantly worse by the addition of AI on weak foundations.



The importance of modernization

The following four specific areas provide key examples of where the three main tenets of data quality—data integrity, process discipline, and executive strategy—can be impacted by modernization.

Hidden Costs of Legacy Environments	Modernization as a Financial Lever	Exception Economics	Data Trust & Integration
Legacy environments are not just “old technology”; they are fragmented execution .	Modernization is more than a technology upgrade; it operates as a financial lever .	Effort and risk live in exceptions, not volume . This is where modernization pays first.	Executives don’t distrust dashboards; they distrust how numbers are produced .
Common Symptoms: • Manual reconciliations • Shadow workflows • Spreadsheet-based controls	Clear Mappings: - Faster close → better capital decisions - Cleaner data → stronger forecasts - Standardization → audit confidence - Integration → operating leverage	What Changed Outcomes: • Standardized exception workflows • Clear ownership/escalation • Evidence captured in-process	Trust Architecture: • Accuracy • Lineage • Accountability Data trust is not a data initiative; it’s a modernization outcome.
Consequences: • Latent operational risk • Slower closes • Lower confidence in reporting • Financial debt with compounding interest	Critical Points: • Modernization does not require wholesale replacement • Value comes from orchestration, not rip-and-replace	Operational Resilience Lens: • Exceptions are where disruption concentrates. • Modernization reduces noise; AI helps decide where judgment matters most.	AI Overlay: • Confidence scoring • Anomaly detection • Scenario sensitivity—only on trusted data



Selective modernization

Where to act first

Institutions should follow a practical sequence to accomplish modernization maturity over time, rather than making direct replacements of existing systems.

Success pattern:

- ▲ Faster ROI
- ▲ Lower execution risk
- ▲ Higher adoption

AI rewards organizations that have already simplified.

Practical sequence:



Stabilize core systems



Modernization and workflow layers



Rationalize reporting and governance



Introduce AI as an accelerator

The reality of AI

AI is marketed as a path to autonomous decision-making and end-to-end automation; however, in real-world applications, its highest-value applications are those that augment human judgement, sharpen signal detection, and improve the consistency of decision support.



The **Value** of AI

- Pattern recognition
- Exception detection
- Signal prioritization



The **Weaknesses** of AI

- Black-box compliance
- Autonomous judgment

AI should recommend; humans decide.

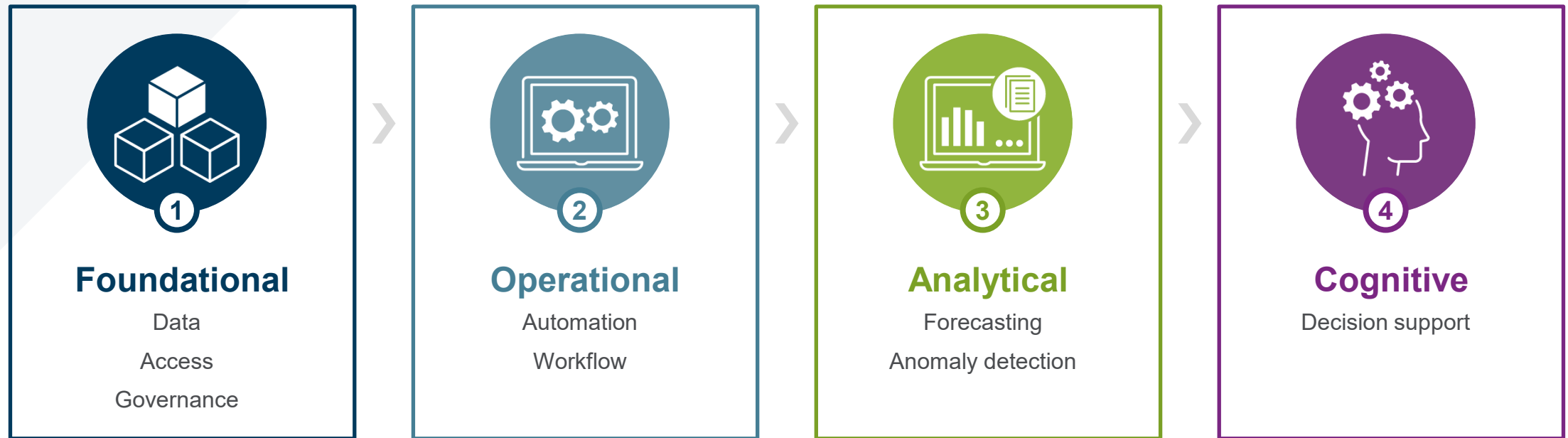
How do we shift to AI without increasing regulatory and/or operational risk?

- ▲ The aim of automation is risk reduction and consistency. Automation should not be considered an avenue to headcount reduction.
- ▲ Automation enhances operations by releasing management capacity to higher-value oversight: strategy, process review, vendor accountability, data lineage, and monitoring.

If you cannot explain an autonomous flow or AI-generated output accurately (and succinctly) to an examiner, it does not belong in production.

AI maturity process

Maturing your processes to the point where AI can come into play occurs across four stages: foundational, operational, analytical, and cognitive.



Modernization work

Common pitfall:

Attempting Stages 3 – 4 before Stages 1 – 2 are solid.



Practical insight: Many pilots stall due to governance, lineage, or ownership gaps.

Common failure modes

Where modernization efforts most often break down

Failure Pattern	Signs and Symptoms	Impact	Mitigation Strategy
Automating Broken Processes	Existing workflows are replicated in new tools without thoughtful redesign	Speed increases, but control quality does not	Redesign workflows and exception ownership before automation
AI Before Data Trust	AI pilots rely on inconsistent source data or undocumented transformations	Outputs may be difficult to explain, validate, or defend	Establish authoritative sources, lineage, ownership, and reconciliation control
Governance After Deployment	Use cases proliferate before inventory, approval, and monitoring processes exist	Shadow AI and unowned outputs become institutional risk	Use FS AI RMF/NIST-aligned approval, control, and evidence requirements before scale
Vendor AI Treated as Risk Transfer	The bank assumes embedded AI is “handled by the vendor”	Accountability remains with the institution, particularly for data, outputs, controls, and customer impact	Require vendor evidence: controls, logging, data boundaries, transparency, escalation, and monitoring
AI Center of Excellence Without Business Ownership	A centralized team pilots use cases, but business lines do not own decisions or exceptions	Pilots stall because outputs are not embedded in operational workflows	Business owns use cases; risk governs; IT/data enable; governance monitors



Operating models – Decision guidance

Help executives avoid a false choice among vendor AI, internal builds, and staff copilots

Buy

- Embedded AI in core, workflow, risk, or finance platforms
- Evidence vendor controls and logging

Buy does not transfer accountability; it changes the evidence you need.

Build

- Narrow, high-value use cases
- Document ownership, data lineage, validation, monitoring

Build only when the use case is bounded, valuable, owned, and controllable.

Enable

- Staff copilots
- Define data boundaries, acceptable use, output review, and monitoring

Enablement is often where shadow AI emerges fastest, through productivity tools and copilots.

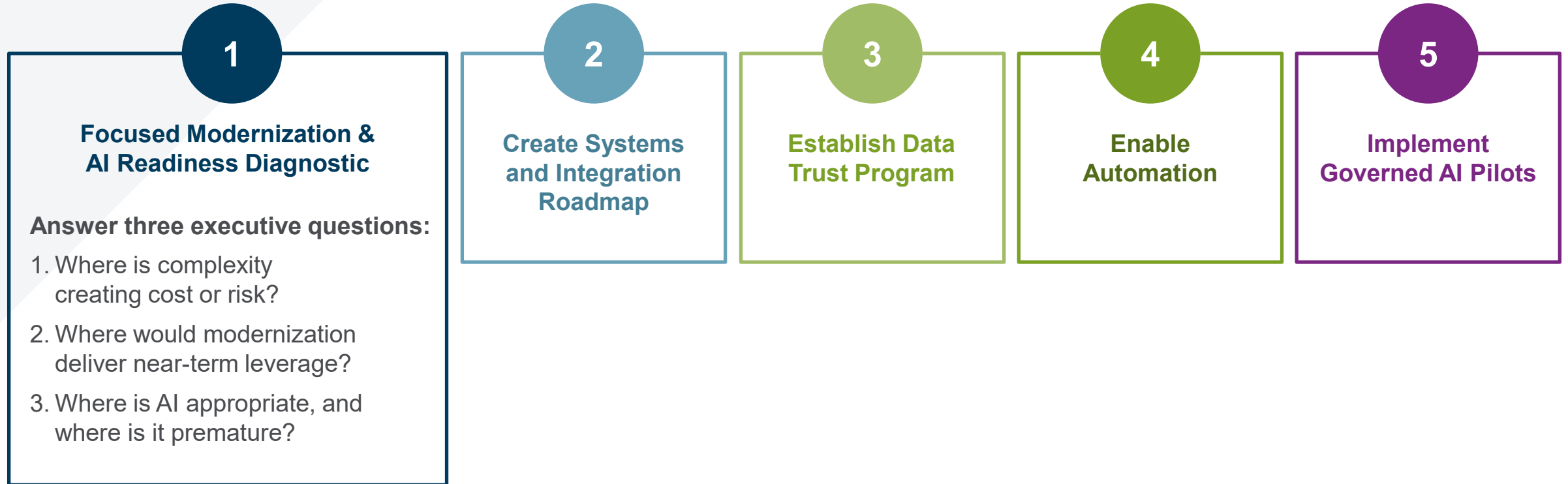
Govern

- Maintain inventory
- Risk-tier use cases
- Manage third-party dependencies and revisit approvals.

The FS AI RMF and AI Lexicon give institutions a practical way to structure adoption-stage controls and shared terminology.

From modernization to AI enablement

Make the next step unmistakable, low-risk, and aligned with the institution's modernization strengths



What AI changes for executives

Modernize deliberately, govern early, and deploy AI where readiness and value intersect. Build the foundation well, and AI becomes an advantage, not a risk.

Modernization:

The Prerequisite to Implementing AI

- ▲ Modernization reduces complexity and improves control confidence.
- ▲ Governance enables speed required to fully leverage AI capability.



Modernized Environment **Before AI**

Executive judgment based
on informational dashboards

Spending time validating
numbers and collected data



Modernized Environment **After AI**

Executive judgment reallocated
to scenario evaluation, risk
trade-offs, and strategic timing

Spending time strategizing
and deciding tradeoffs

The institutions that win will not be the ones that adopt AI fastest; they will be the ones that modernize deliberately enough to use AI safely and well

Polling question #1



Questions?

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