

CELENT



CASE STUDY

SANTANDER UK: COMMERCIAL LENDING EVOLUTION AND DIGITIZATION

WINNER OF CELENT MODEL BANK 2020 AWARD FOR COMMERCIAL LENDING

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April 16, 2020

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CASE STUDY AT A GLANCE

FINANCIAL INSTITUTION	Santander UK PLC
INITIATIVE	SME, Commercial, and Corporate Lending Digitization and Evolution
SYNOPSIS	Santander UK partnered with nCino and other tech companies to deliver a cutting-edge commercial lending experience for its customers, enabling a faster and more transparent onboarding experience, greater operational efficiencies, and a swifter lending process.
TIMELINES	<ul style="list-style-type: none">• Project discovery late 2018 / early 2019• Live with onboarding workflows August 2019• Live with loan contracts / collateral documents Nov. 2019• Live with full system May 2020
KEY BENEFITS	<ul style="list-style-type: none">• Market-leading cycle times in time to credit risk decision and time to cash delivery• Reduction in manual effort with >70% of processing time in several major tasks involved in the end-to-end lending sequence• More flexibility in underwriting process, providing significant digital efficiency and a more pragmatic approach• Single customer view provided in CRM, credit risk, and product exposure systems
KEY VENDORS	nCino

CELENT PERSPECTIVE

- Santander UK completely overhauled how its small and medium enterprise (SME), commercial, and corporate lending units do business with over 1,000 internal users impacted.
- The bank partnered with a wide range of tech firms with compelling and innovative propositions at hand, and with roadmaps that match the bank's future aspirations, both for meeting customer expectations and facing disruptive threats.
- The bank views its implementation of nCino's Bank Operating System and other technology from a range of partners as laying the foundation for what will be its ongoing digital evolution.
- Santander UK eliminated 13 disparate systems along with manual processes previously used to deliver credit risk-based products to its customers.
- The bank projects that ultimately it will save >70% in major component task processing times and >50% in end-to-end cycle times across its commercial credit risk propositions.

- Benefits for the bank include facilitating a move to a middle office case management model, increasing document team capacity with increased automation, automating covenant calculation and facility monitoring, achieving a single customer view, and implementing a credit risk decision engine to further automate lending decisions and annual reviews.
- Benefits for customers include an improved customer experience, including faster execution on loan decisions from cutting cycle times, reducing manual effort, and increasing digital flexibility and interactions.
- Critical to the success of the project was getting employees onboard with dramatically changing operational processes and technology tools from the beginning, and continually proving the value of that change.

DETAILED DESCRIPTION

Introduction

Santander UK is a large retail and commercial bank based in the UK and a wholly owned subsidiary of the major global bank, Banco Santander. Santander UK is a large customer-focused bank and the UK's leading full-service scale challenger. The bank has an established presence in the mortgage and savings markets and is successfully challenging the big four UK banks in current accounts and corporate and commercial banking. Santander UK manages its business through three customer segments, Retail Banking, Commercial Banking, and Global Corporate Banking, supported by the Corporate Centre.

Table 1: Santander Bank Snapshot as of December 31, 2019

SANTANDER UK PLC	
YEAR FOUNDED	2010
OPERATING INCOME	£4,173M
ASSETS	£281.7B
GEOGRAPHICAL PRESENCE	London, United Kingdom
EMPLOYEES	Approximately 23,500
OTHER KEY METRICS	14 million active customers, 5.8 million digital customers, £172B UK retail and corporate deposits, £22.3B in UK corporate loans
RELEVANT TECHNOLOGIES AND VENDORS	Salesforce, nCino, DocuSign (see Appendix for full list)

Source: Santander UK PLC

Following on from its Corporate Digital Onboarding success, profiled in last year's Model Bank 2019 case study, *Santander UK: Taking Onboarding to the Next Level*, Santander UK embarked on a commercial lending transformation project to deliver a cutting-edge experience for its customers. By partnering with fintech companies like nCino to upgrade its legacy systems, the bank gained a digital ecosystem and modern technology stack that can be rapidly configured, tested, and launched as market trends demand. The bank states that it can offer customers a faster and more transparent onboarding experience, greater efficiencies, and a swifter lending process, ultimately enhancing its SME (small and midsize enterprises), commercial, and corporate banking services.

Opportunity

Santander UK's SME, commercial, and corporate banking units support businesses with assets between £0.5 million and £500 million by offering them a holistic range of financial services products. Before 2019, the bank's front office, credit risk, and middle office teams were operating on a series of 13 disparate systems along with manual processes to deliver credit risk-based products to its customers. Additionally, it used two main credit risk/security logging systems with over 60 supporting end-user computing solutions. Making changes to these systems was expensive and cumbersome and carried execution risk given that they were intertwined with the same platform that ran core banking services.

Under these circumstances, Santander UK found its lending processes delivering time-to-cash cycle times of 35 to 90 days and time-to-decision cycle times of 10 to 25 days. Front office employees were spending, on average, 10%–15% of their working week on credit risk processes, while middle office post-credit risk sanction fulfilment activities were the slowest lead time in the process. The credit risk team was completing and sanctioning roughly 6.5 credit cases per month per full-time employee (FTE). The bank realized operating in this way would be neither successful nor sustainable long term, so Jonathan Holman, head of digital transformation, led up the initiative to overhaul the operations of the bank's commercial lending units with a wider mission of guiding the bank through a complete digital evolution.

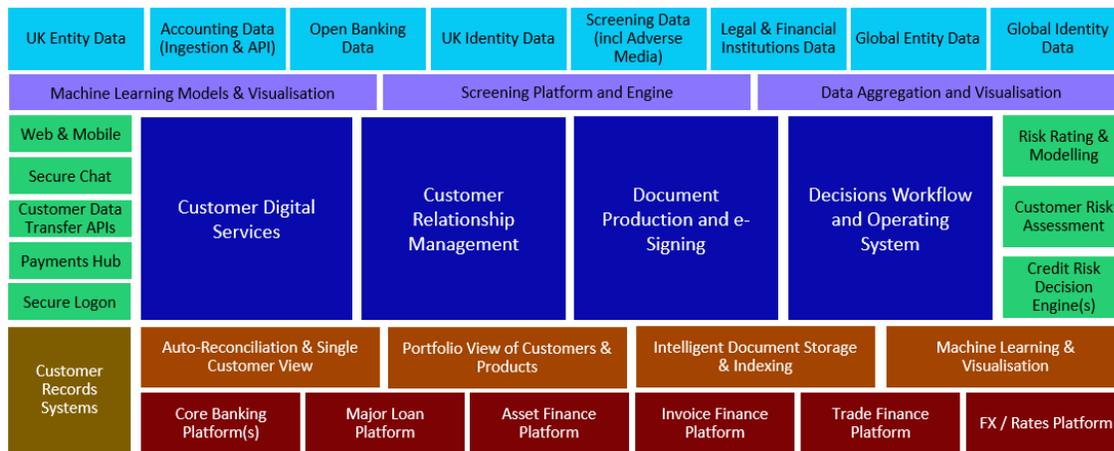
Holman wanted to move away from tightly coupled, in-house developed, proprietary software and toward cloud/SaaS first solutions, using productized tools and integrations where possible. The bank started with commercial onboarding first, deploying a fully automated onboarding experience using API-based services, digital forms, with e-signatures, robotic process automation, and multi-team parallel processing, as profiled in Celent's 2019 Model Bank case study for commercial customer onboarding, *Santander UK: Taking Onboarding to the Next Level* (April 2019).

Solution

At the beginning of 2019, Santander UK made the strategic choice to partner with nCino, Accenture, and several additional technology partners to deliver a transformative end-to-end credit risk and fulfilment solution in the cloud using configurable SaaS. nCino was a natural choice for the bank as Salesforce was already in use at Santander for relationship managers and servicing, and Santander US had previously chosen nCino for commercial lending.

Santander UK chose nCino's Bank Operating System and other enabling tools to replace and considerably enhance its many disparate technology systems. Figure 1 shows Santander UK's corporate and commercial banking systems ecosystem.

Figure 1: Santander UK Corporate and Commercial Banking System Ecosystem

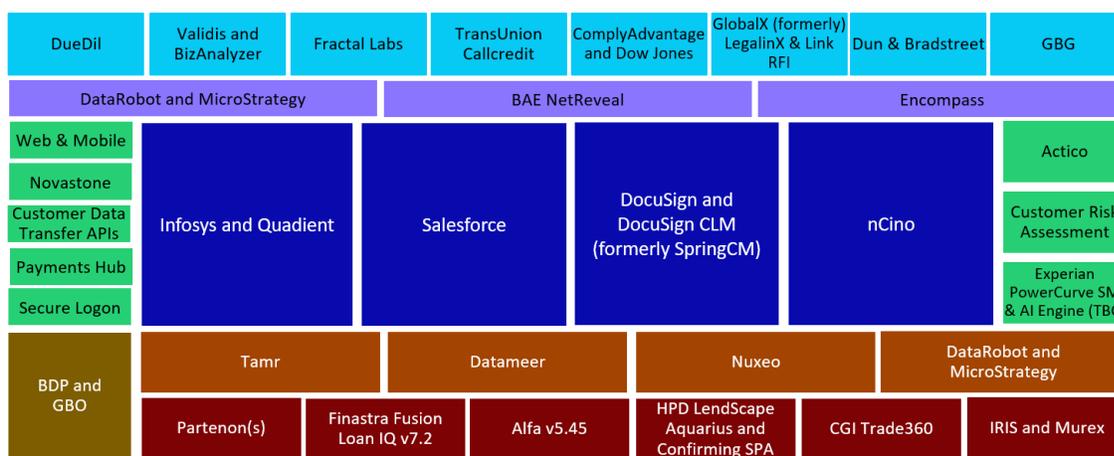


Source: Santander UK

Because nCino’s Bank Operating System is built on the Salesforce platform, it delivers a scalable, flexible, and secure solution that delivers the speed and digital experience customers expect, backed by the quality and transparency bankers need. The use of nCino and its various integration partners has helped the bank to streamline processes and decrease lead cycle and credit decision times by more than half as a result of increased transparency in onboarding and lending workflows.

Combining Salesforce, nCino, SpringCM (now DocuSign CLM), DocuSign, Validis, DueDil, Fractal Labs, Actico, Experian PowerCurve, and Tamr’s technologies, Santander UK digitized and automated sales and servicing, credit-risk and fulfilment workflow, document production and negotiation, eSignature, accounting package integration and financial spreading, eReading of PDF financial statements, use of incorporated company data, analysis and projections from open banking, risk ratings for regulatory capital, credit-risk decisioning and single customer view reconciliation, respectively. Figure 2 shows Santander UK’s corporate and commercial banking systems ecosystem.

Figure 2: Santander UK Corporate and Commercial Banking Vendor Ecosystem



Source: Santander UK

The impact has been material for the bank’s customers and relationship managers, dramatically reducing cycle and process times in onboarding and lending end to end. This means that customers can access loan proceeds far faster. The efficiencies that Salesforce, nCino,

SpringCM, DocuSign, and other enabling technologies have added to the lending origination process remove 80% of the manual effort that previously existed in creating many contract documents. They also have helped to reimagine customer-facing processes handled by middle office teams responsible for fulfilment, freeing up time for relationship teams to focus on and serve customers to the best of their ability.

The bank has been able to consolidate large amounts of data and is using it to auto-populate fields, to eliminate the rekeying of data, and to create efficient middle office parallel processing opportunities. Data in the core nCino system carries across the customer relationship as well as the front, middle, and back offices, providing a holistic view of the customer regardless of unit. As a result, the bank has increased oversight of its portfolio. The platform's financial spreading functionality allows greater insight into forecasts and risk. Leveraging artificial intelligence, nCino can extract data from financial statements in conjunction with Validis (directly from accounting packages), DueDil and BizAnalyzer integrations, saving both time and money.

With SpringCM, the bank created a contract language library for component parts of its legal agreements, allowing the bank to build up templates using those components, and using various clauses based on the borrower's financials. The components also allow for universal clause changes easily, dynamically adjusting templates across a particular product type. SpringCM also enables auditable, multi-party online negotiation, including automatic fall-back clauses or free-form editing with dynamic approval workflows. Where negotiation is required, SpringCM improves customer experience. Where negotiation isn't needed, the document creation process is fully automated.

DocuSign allows for eSignatures on the back of SpringCM's document production with parallel processing for each signee as well as with product system workflow and record creation for middle office teams.

The first phase of the project involved the replacement of 13 legacy and over 60 end-user computing systems while rolling out nCino's Bank Operating System, SpringCM, and DocuSign to more than 1,200 new users across three lines of business. The sheer size, breadth, and ambition of the project, combined with a demanding timeline and the logistics of an event of this scale, contributed to the project's complexity and challenges.

The bank leveraged a team of around 115 people to tackle this project, starting with a very detailed plan, which contributed to the first release within a matter of months. A unique collaboration between 11 firms (tech, fintech, and consultancy) combined with multiple Santander teams drove the project's success. The core internal team was led by Jonathan Holman, Head of Digital Transformation, and consisted of 20 permanent staff divided into several workstreams, e.g., fulfilment, change management, data management, etc. Another 80 Santander employees and consultants assisted with the project.

Externally, Accenture led configuration, implementation, and support of nCino's Bank Operating System, with assistance from nCino's customer success and support engineering teams. Altogether, the Accenture and nCino teams consisted of around 35 people. According to Accenture, the two companies have been working together since 2014 to implement the nCino Bank Operating System. In early 2019, they announced an expansion of their alliance capabilities to additional markets, with active engagements underway in markets including the UK, Ireland, Australia, and New Zealand.

Project discovery began in later winter 2018/early 2019, and the bank began designing, building, and user testing in May 2019. By mid-August, the first phase was complete with nCino live for onboarding workflows. The rollout of additional phases will continue through 2020, completing the credit risk and middle office rollouts of the nCino platform and its supporting ecosystem.

Results, Lessons Learned, and Future Plans

The initiative has required a complete overhaul of how Santander UK's SME, commercial, and corporate units do business and has impacted over 1,000 internal users so far. This project operates entirely under the methodologies of design thinking and agile, and the modern platforms allow for rapid configuration, testing, and launch to end users. Santander UK partnered with firms that have compelling, innovative propositions at hand, and roadmaps the bank believes in. The bank believes that its technology partners are helping them to achieve their own aspirations as well as the rapidly changing expectations of its customers, an important imperative given the potential disruptive threats faced by traditional commercial banking.

Santander UK has already garnered benefits with the first phase of its digital lending transformation and anticipates many more as they continue down the road. The bank feels that because nCino is a cloud-based SaaS solution, partnering with them has reduced the traditional execution risk of waterfall development projects (build, test, rework, compromise, and launch). With nCino and other partners, they are creating a leading-edge tech stack. The bank projects that the project will ultimately deliver greater than 50% in processing and cycle time efficiencies across the SME, commercial, and corporate credit risk propositions.

The bank expects benefits across a number of areas:

- **Case Management Model:** The efficiencies gained in the middle office will allow a case management model, removing all work from the front office as soon as a credit risk sanction is obtained. The bank predicts that 8%–10% of the front office's capacity will free up and allow more focus on value-add insights and relationships with customers.
- **Increased Document Team Capacity:** With increased document automation, the middle office will produce more documents in-house for facility contracts and security taking purposes. With a doubling of capacity in the documents team, they expect to raise their exposure threshold to £15 million from £5 million for internal document production. The team will expand to cover all business lines, all products, and for the first time internally, all associated security. This expansion will reduce execution fees by £3,000 to £10,000 for each deal now in-sourced above £5 million exposure. The bank has achieved up to 80% efficiency in producing facility letters as well as the ability to scan in (using OCR) and analyze the entire back book.
- **Automation of Covenant Calculation and Facility Monitoring:** Accounting data received and imported allows for covenant calculation and facility monitoring automation. This process previously accounted for up to 12% of the front office work basket and 8% of the credit risk team's time. The bank forecasts that ultimately, they will reduce the overall effort by 80% in the round. They plan on passing these benefits onto customers in terms of lower arrangement or maintenance fees on debt products, provided customers agree to permission their data, in place of manual submission. Santander UK believes this will also save customers' time and money as well, as many customers do not have an in-house finance team, potentially saving thousands in annual accountants' fees over a year too.
- **Single Customer View:** Achieving a single customer view improves assessment, pricing, and risk analysis of loan deals as well as keeping the front office and credit risk teams informed of customers' needs and their current relationship with the bank. The combined customer view and centralized access also help to automate much of the credit risk assessment process, dramatically reducing the need for manual controls and checks, and thus reducing overall operational risk.
- **Credit Risk Decision Engine:** On an ongoing basis, the credit risk decision engine allows for both annual reviews and smaller new credit risk applications to be approved without the need for credit risk officer intervention. Data quality and codified policy are crucial elements driving the ability to further automate decisions. Improving financial statement spreading and credit risk rating automation is expected to save 7% of front office effort and 14% of credit risk officer's involvement over the average work week.

For banking customers, the bank views the biggest benefit as improved customer experience, including faster execution on loan decisions:

- **Cutting Cycle Times:** The bank expects to achieve market-leading cycle times in lead-time to credit risk decision and then time to cash delivery.
- **Reducing Manual Effort:** The processing time to create, sanction, and fulfil a credit risk proposal for a customer takes 70% of the manual effort previously expended in the end-to-end lending sequence.
- **Increasing Digital Flexibility:** The lending platform helps the bank to be flexible in its approach and facilitates automation, wet signatures, and scanning and extracting data from PDF financial statements for immediate inclusion in the digital lending process. This is also true for facility contracts initiated by external parties, where online negotiation of the document with all relevant parties involved is immediately possible. This provides significant digital efficiency and a pragmatic approach.

Lastly, and crucially, the project allows Santander to focus on being a bank, a great bank for its customers, colleagues, and shareholders.

All in all, Santander UK's investment in transforming its commercial lending technology approach with a combination of configurable specialist SaaS technology and API-first architecture approach has enabled the bank to make decisions on more loan requests more quickly, allowing the bank to deliver faster business value to its clients. The bank can now meet SME customers' need for speed while providing corporate clients with a more automated, streamlined, and digitized process.

The bank views its implementation of nCino's Bank Operating System and other technology from a range of partners as laying the foundation for its digital evolution. Critical to the success of the project was getting employees onboard with dramatically changing operational processes and technology tools from the beginning, and continually proving the value of that change.

As the project evolves, the bank plans to challenge itself by continuing to reimagine inefficient processes, including additional integration with core platforms and broadening the use of the platform by additional users. The bank also plans to continue to enhance the platform alongside nCino's product roadmap with AI-enabled credit risk decisioning, probability of default (PD) calculations, loan pricing, secure messaging integration, and extending onboarding to additional products.

Appendix

Santander UK leveraged many commercially available technology tools for its commercial lending transformation:

Customer Digital Services	Infosys and Quadient
Customer Relationship Management	Salesforce
Document Production and e-Signing	DocuSign & DocuSign CLM (formerly SpringCM)
Decisions Workflow and Operating System	nCino
UK Entity Data	DueDil
Accounting Data (Ingestion & API)	Validis and FinSuite BizAnalyzer
Open Banking Data	Fractal Labs
Legal & Financial Institutions Data	GlobalX (formerly LegalinX) and Link RFI
Global Entity Data	Dun & Bradstreet
Global Identity Data	GBG
Data Visualisation	MicroStrategy
Data Aggregation and Visualisation	Encompass
Risk Rating & Modelling	Actico
Credit Risk Decision Engine(s)	Experian PowerCurve Strategy Management
Auto-Reconciliation & Single Customer View	Tamr
Major Loan Platform	Finastra Fusion Loan IQ
Asset Finance Platform	Alfa
Invoice Finance Platform	HPD LendScape Aquarius and Confirming SPA

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