

UCA CASH FLOW

A STRATEGIC ADVANTAGE FOR COMMERCIAL LENDING LEADERS

Featuring insights from:



Brad Stevens

Stevens Risk
Management

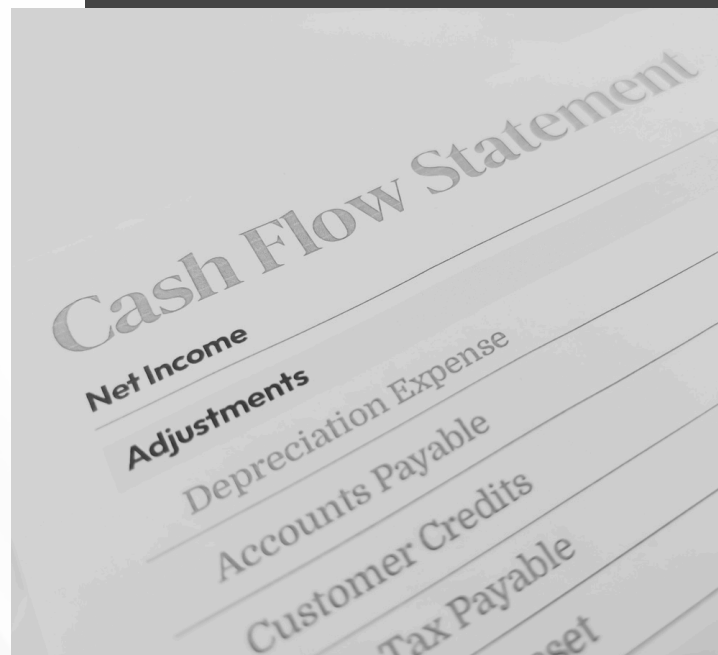


Kerry Ronquillo

Suntell and the
Square 1 Credit Suite

Banking leaders are not only tasked with booking loans, they must protect portfolio quality while sustaining growth.

Traditional cash flow analysis no longer provides enough visibility to do both.



UCA cash flow equips commercial lenders and credit leaders with a more precise, balance sheet-driven understanding of borrower performance. It allows institutions to:

- ✓ Identify risk earlier across individual credits and the broader portfolio.
- ✓ Structure loans with greater discipline and confidence.
- ✓ Strengthen underwriting consistency across teams.
- ✓ Improve conversations with borrowers and internal stakeholders.

For banks focused on long-term performance, UCA cash flow is not just an analytical upgrade. It is a strategic advantage.

UCA stands for Uniform Credit Analysis, which is a specialized cash flow statement format used by lenders to analyze a business's ability to repay loans. It converts accrual-based income statements into a cash-based format, highlighting the, "cash after debt amortization" to determine if a business has a financing surplus or requirement.

The Leadership Challenge in Commercial Lending

Banking leaders are navigating increasing complexity:

- ✓ Economic uncertainty and shifting borrower behavior.
- ✓ Pressure to grow without compromising credit quality.
- ✓ Inconsistent underwriting across teams and markets.
- ✓ Limited visibility into emerging risk until it is too late.

Many institutions are still relying on traditional cash flow metrics that:

- ✓ Oversimplify borrower performance.
- ✓ Miss key indicators of liquidity stress.
- ✓ Do not explain changes in financial position.

This creates a gap between what appears to be a strong credit and what is actually happening inside the business.

Why Traditional Cash Flow Falls Short

Traditional analysis answers a narrow question:

“Can this borrower cover debt based on reported income?”

It does not answer:

- ✓ Where cash is actually being generated.
- ✓ How working capital is impacting liquidity.
- ✓ Whether growth is creating hidden strain.
- ✓ If management decisions are improving or weakening the business.

For commercial lenders, this leads to:

- ✓ Missed early warning signs.
- ✓ Reactive credit management.
- ✓ Increased exposure to preventable risk.

A Better Standard for Commercial Lending

UCA cash flow shifts the focus from income to actual cash movement.

It integrates the income statement and balance sheet to provide a full view of:

- ✓ Liquidity
- ✓ Operational performance
- ✓ Financing decisions
- ✓ Management behavior

As Brad Stevens describes it, UCA is the “banker’s cash flow” because it aligns directly with how lenders think about risk.

For credit teams, this means:

- ✓ No blind spots between profitability and liquidity
- ✓ Clear visibility into how cash is created, used, and financed
- ✓ A more accurate foundation for underwriting decisions



What Banking Leaders Gain with UCA

Stronger Portfolio Oversight

UCA provides consistent, comparable insights across credits, allowing leadership to:

- ✓ Identify trends across industries or borrower types
- ✓ Detect emerging risk earlier
- ✓ Monitor the effectiveness of lending strategies

More Disciplined Credit Decisions

Lenders move beyond surface-level metrics to:

- ✓ Evaluate true repayment capacity
- ✓ Understand how growth impacts liquidity
- ✓ Identify structural weaknesses before approval

Better Loan Structuring

UCA reveals mismatches that impact long-term performance:

- ✓ Short-term debt funding long-term assets
- ✓ Excessive distributions weakening liquidity
- ✓ Over-reliance on lines of credit

This enables more effective:

- ✓ Covenants
- ✓ Loan terms
- ✓ Risk mitigation strategies

Improved Lender Performance and Consistency

For institutions managing multiple lenders or markets, UCA creates:

- ✓ A shared framework for analysis
- ✓ More consistent underwriting standards
- ✓ Stronger credit culture across teams

More Strategic Borrower Conversations

Instead of general discussions, lenders can:

- ✓ Ask precise, data-backed questions
- ✓ Challenge assumptions with confidence
- ✓ Guide borrowers toward stronger financial decisions

As Kerry Ronquillo emphasizes, the goal is not just to analyze numbers, but to understand the story and act on it.

How UCA Changes the Way Lenders Evaluate Risk

UCA cash flow allows lenders to move from reactive to proactive risk management.

Early Warning Indicators Become Clear

- ✓ Rising receivables without corresponding cash.
- ✓ Inventory growth consuming liquidity.
- ✓ Declining cash after operations despite stable earnings.

Management Decisions Become Visible

- ✓ Staffing and overhead adjustments.
- ✓ Pricing and margin changes.
- ✓ Distribution patterns.

Financing Structure Becomes Transparent

- ✓ Misalignment between debt and asset use.
- ✓ Signs of over-leveraging.
- ✓ Reliance on borrowed funds for non-operational needs.

These insights allow lenders to intervene earlier and more effectively.

From Individual Credits to Portfolio Strategy

For leadership teams, the real value of UCA is its scalability.

When applied consistently, it enables:

- ✓ Portfolio-level trend analysis
- ✓ Identification of systemic risk patterns
- ✓ More informed credit policy decisions

This shifts the organization from:
Transaction-focused lending to
Strategic portfolio management

The Role of Technology in Scaling UCA

Adopting UCA across a lending organization requires efficiency and consistency.

Platforms like the Square 1 Credit Suite allow institutions to:

- ✓ Automate financial spreading and analysis
- ✓ Generate UCA cash flow consistently across all credits

- ✓ Integrate underwriting, monitoring, and risk management

- ✓ Reduce manual work and increase analytical depth

This ensures that UCA is not just used occasionally, but becomes a standard practice across the organization.

What This Means for Your Institution

Banks that continue to rely solely on traditional cash flow risk:

- ✓ Missing early indicators of credit deterioration.
- ✓ Inconsistent underwriting decisions.
- ✓ Increased portfolio volatility.

Banks that adopt UCA cash flow gain:

- ✓ Greater confidence in credit decisions.
- ✓ Stronger alignment between growth and risk.
- ✓ A more resilient and predictable portfolio.

Commercial lending is evolving. The expectations placed on banking leaders are higher than ever.

UCA cash flow provides a way to meet those expectations by delivering:

- ✓ Clearer insight
- ✓ Stronger discipline
- ✓ Better outcomes

For institutions committed to long-term success, UCA is a foundation for smarter lending.