Strategic Liquidity for Health Systems

June 2025

FIFTH THIRD Securities

Fifth Third Team

John Herald
Executive Director, Fifth Third Securities, FICC
John.Herald@53.com
615.687.3072

Holly Boll
VP, Senior Treasury Solution Consultant
Holly.Boll@53.com
847.871.6186

Emily Abrantes
Managing Director, Healthcare Investment Banking
Emily.Abrantes@53.com
212.257.4509

Liquidity & Health Systems’ Scope

Defining Liquidity

Liquidity refers to the ease with which an asset or security can be converted into cash without affecting its market value. There are three keyways to view liquidity:

Health Systems’ View Liquidity

- Health systems stress the **Asset Flexibility** aspect of liquidity
- Delayed insurance reimbursements higher expenses, tighter margins, and greater regulatory oversight add a challenge to liquidity management due to the gaps in cash flow between paying costs, servicing patients, and receiving payments
- **The Liquidity Continuum** provides a framework for institution’s to efficiently manage excess cash based on health systems’ strategic liquidity goals

Liquidity & Health Systems’ Scope

The Liquidity Continuum

Healthcare systems are prioritizing liquidity management, often using tiered investment pool structures to balance immediate cash needs with long-term growth

Potential Returns

Operating Cash

- Cash for primary business purposed
- Highly liquid
- Typically maintained in TM system
- **Examples:** DDA, Hybrid DDA, IB DDA, and money market funds

Enhanced Cash

- Cash not need immediately; excess liquidity
- Seek higher yield
- **Examples:** MMDA, hybrids, IB checking, and CDs
- **Duration: 3 - 12 Months**

Strategic Cash

- Cash not needed immediately
- Seek higher yield
- May be identified for specific uses
- Discretionary strategies
- **Capital Markets –** Nondiscretionary fixed income strategies and ladders

Duration: 0 - 3 Months

Duration: 3 - 12 Months

Duration: 6 Months - 5 Years

Credit Exposure and Duration

Risk Tolerance and Liquidity Management Practices

Health Systems' Risk Tolerance Along the Continuum

The Continuum gives health systems institutional cash optionality based on their growth profile and risk aversion.

Risk Tolerance: *Low* → *High*

1. Operating Cash

- **Primary Objective:** Focused on short-term liabilities. Operating cash minimizes liquidity risks while the company focuses on healthy cash cycles and operating efficiencies
- **Growth Profile:** Conservative
- **Risks:** Foregone opportunity costs that competitors can exploit

2. Enhanced Cash

- **Primary Objective:** Financing capital expenditures or forming partnership. Enhanced cash instruments service mid- to long-term initiatives
- **Growth Profile:** Moderate
- **Risks:** Market yield sensitivity

3. Strategic Cash

- **Primary Objective:** Dedicated to strategic initiatives for acquisitions, innovation, and expansions. Strategic cash instruments aim to outperform competition and capitalize on market transformations
- **Growth Profile:** Aggressive
- **Risks:** Regulatory shifts, execution risk, and illiquidity

Liquidity Policy

Objective

Sufficient liquidity to meet:

1. Cash flow needs of the annual operating cycle
2. Remarketing risk for the Company's put-able debt
3. Target ratios in support of current credit ratings and debt covenants
4. Capital calls

Risks

Operating: Inability to fulfill payment obligations because of insufficient cash holdings related to normal operating revenue and expenses

Financing: The potential for external financing activities to come due before maturity (e.g. commercial paper, put-able debt, credit lines)

Marketing: Inability to convert assets into cash without significant losses

Sources

Internal	External
Retained Earnings	*Equity Financing*
Working Capital	*Debt Facilities*
Sale of Assets	*Trade Credits*
Cash Equivalents	*AR Factoring*

Peer Liquidity Metrics

Health System Median Group[1]	2022	2023	2024
Key Ratios			
Operating Cash Flow Margin	5.7%	5.6%	6.4%
Accounts Receivable Days	50	51	51
Total Debt to Cash Flow	3.4x	3.2x	3.0x
Debt Service Coverage	5.4x	5.1x	5.4x
Current Ratio	1.7x	1.8x	1.6x
Liquidity Information			
Days Cash on Hand	223	202	194
Monthly Days Cash on Hand	169	158	147
Annual Days Cash on Hand	193	187	163

- **Monthly/Annual/Days Cash on Hand** ("DCOH") is calculated by dividing cash and equivalents by the daily cash expenses on a monthly, annual, and daily basis.
  - Non-profits should target 90 – 180 days of cash on hand to balance unexpected costs[2]
  - Rating agencies closely monitor DCOH as an indicator of liquidity strength and credit worthiness
  - A downward trend in Days Cash on Hand from 2022 is due to advanced Medicare payments being repaid since COVID and less one-time sources of funding

Commentary

Key Ratios

- **Operating Cash Flow Margin:** Measures how efficiently a company converts its sales into cash before non-operating expenses
- **Account Receivable Days:** Indicates the average number of days it takes a company to collect payment after a sale has been made.
- **Debt to Cash Flow:** Ratio compares a company's total debt to its operating cash flow showing how many periods it would take to repay debt using cash from operations.
- **Debt Service Coverage:** Measures a company's ability to service debt with its operating income
- **Current Ratio:** Assesses a company's ability to pay short-term obligations with its short-term assets

1) Moody's: Peer median group consists of multi-state systems, single-state systems, academic medical systems, children's hospitals, specialty hospitals, and standalone facilities excluding systems without a Moody's credit rating
2) U.S. Chamber of Commerce

Rating Agencies View of Liquidity

	Overview & Core Liquidity Ratios	How Ratings Change[1] – Positive	How Ratings Change[1] – Negative
Moody's	**Overview:** Moody's closely monitors a 200-day "comfort zone" and tracks whether systems are defending that threshold **Core Liquidity Ratios:** DCOH & cash-to-debt	▪ DCOH ≥ 250 days ▪ Cash-to-debt above 200% ▪ Clearly defined board liquidity policy ▪ Ample daily liquidity within the investment pool	▪ DCOH < 150 days ▪ Reliance on volatile alternatives ▪ Sizable draws
S&P Global	**Overview:** S&P highlights the sector-wide erosion below 200 days and is quickest to penalize organizations whose cash trend is negative and capital spending is rising **Core Liquidity Ratios:** Unrestricted reserves relative to both expenses and debt	▪ DCOH rebounding ≥ 230 days ▪ Growing reserve balance without capital-intensive plans that could reduce liquidity	▪ DCOH falling below 180 days ▪ Accelerated spending plans ▪ Covenant-tight debt
Fitch	**Overview:** Fitch awards the most uplift for excess cash relative to debt and for having multiple sources of immediate liquidity, such as committed lines or liquid investments **Core Liquidity Ratios:** Cash-to-adjusted-debt & DCOH	▪ Cash-to-debt > 200% ▪ DCOH well above annual debt-service plus 60-90 days of expenses ▪ Committed revolver > 10% of annual expenses in	▪ Cash-to-debt falling towards 150% ▪ Heavy spend-down of reserves ▪ Covenant-tight debt

1 Absolute dollars still matter, but direction matters more

2 Balance-sheet leverage and liquidity are now inseparable

3 Liquidity strategy gets management-level scrutiny

1) Applies to investment grade systems and do not guarantee ratings

Moody's Ratings Reports
S&P Global Ratings Reports
Fitch Ratings Reports
Becker's Hospital Review
Fierce Healthcare

Liquidity Continuum

Liquidity Objectives

- Understanding liquidity needs of our clients is vital in order to provide a customized investment solution. Fifth Third delivers a highly customized investment solution to efficiently manage excess cash based on your organization's strategic liquidity requirements.

SEEKING AN INCREASE IN POTENTIAL RETURNS

Operating Cash

Typical characteristics:

- Cash for primary business purposes.
- Highly liquid.
- Typically maintained in TM system.
- Overnight to 6 months.
- Examples: DDA, hybrid DDA, IB DDA, and money market funds.

Duration: 0 – 3 months

Enhanced Cash

Typical characteristics:

- Cash not needed immediately; excess liquidity.
- Seek higher yield.
- Overnight to 1 year.
- Examples: MMDA, hybrids, IB checking, and CDs.
- Capital Markets - Fifth Third Money Market Navigator, Commercial Paper, T-Bills, Agencies, etc.

Duration: 3 – 12 months

Strategic Cash

Typical characteristics:

- Cash not needed immediately.
- Seek higher yield.
- May be identified for specific use.
- 6 months to 5 years.
- Discretionary strategies.
- Capital Markets - Non discretionary fixed income strategies and ladders.

Duration: 6 months – 5 years

SEEKING INCREASED CREDIT EXPOSURE AND DURATION

*DDA, Hybrid DDA, and IB DDA deposit products provided by Fifth Third Bank, National Association. Member FDIC. Equal Housing Lender.

**Fifth Third Money Market Navigator offered through Fifth Third Securities. Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member FINRA/SIPC, a registered broker-dealer and a wholly owned subsidiary of Fifth Third Bank. Securities and investments offered through Fifth Third Securities, Inc.: Are Not FDIC Insured, Offer No Bank Guarantee, May Lose Value, Are Not Insured By Any Federal Government Agency, Are Not A Deposit.

Bank Deposits

Depository accounts help you maximize daily cash flow and earnings on balances

Commercial Deposit Accounts (DDA)

With both interest and non-interest-bearing options, these transactional accounts allow you to receive deposits and/or disburse funds. Balances kept in a commercial DDA can earn credits to help offset Treasury Management fees.

Zero Balance Account (ZBA)

Eliminate idle balances by automatically moving money from multiple accounts into one central account on a daily basis enhancing the value and effectively managing balances.

Sweep Accounts

Solutions allow for automatically moving funds above or below a specified target balance into your chosen investment and/or credit line facility to maximize cash and working capital position.

Commercial Deposit Account Solutions

Commercial Analyzed *

- Commercial Checking Product offering an Earnings Credit potential that can be used to compensate Treasury Management fees.
- Full liquidity
- Full control

Commercial Hybrid *

- Commercial Hybrid Checking Product extending both Earnings Credit and Interest income on available excess balances (*if applicable*).
- Full liquidity
- Full control

Commercial Interest-Bearing *

- Commercial Checking and Savings Products yielding Interest income.
- Full liquidity
- Full control

*** Collateral & Risk Coverage:** *Funds are insured up to applicable limits of FDIC coverage, per depositor, per ownership category.*

Zero Balance Account & Corporate One Account

A Zero Balance Account (ZBA)

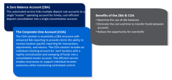
This automated service links multiple deposit sub-accounts to a single "master" operating account for timely, cost-efficient deposit consolidation into a single concentration account.

The Corporate One Account (COA)

The COA solution is essentially a ZBA structure with enhanced BAI reporting to provide clients the ability to receive location specific reporting for transactions, adjustments, and returns. The COA solution includes an individual checking account for each location with a nightly centralization and sweeping of funds into a consolidated master account. This efficient service enables businesses to support individual location autonomy while maintaining centralized control.

Benefits of the ZBA & COA

- Maximize the use of idle balances
- Eliminate the cost and time to transfer funds between accounts
- Reduce the opportunity for overdrafts



Liquidity Continuum

Liquidity Objectives

- Understanding liquidity needs of our clients is vital in order to provide a customized investment solution. Fifth Third delivers a highly customized investment solution to efficiently manage excess cash based on your organization's strategic liquidity requirements.

SEEKING AN INCREASE IN POTENTIAL RETURNS

Operating Cash

Typical characteristics:

- Cash for primary business purposes.
- Highly liquid.
- Typically maintained in TM system.
- Overnight to 6 months.
- Examples: DDA, hybrid DDA, IB DDA, and money market funds.

Duration: 0 – 3 months

Enhanced Cash

Typical characteristics:

- Cash not needed immediately; excess liquidity.
- Seek higher yield.
- Overnight to 1 year.
- Examples: MMDA, hybrids, IB checking, and CDs.
- Capital Markets - Fifth Third Money Market Navigator, Commercial Paper, T-Bills, Agencies, etc.

Duration: 3 – 12 months

Strategic Cash

Typical characteristics:

- Cash not needed immediately.
- Seek higher yield.
- May be identified for specific use.
- 6 months to 5 years.
- Discretionary strategies.
- Capital Markets - Non discretionary fixed income strategies and ladders.

Duration: 6 months – 5 years

SEEKING INCREASED CREDIT EXPOSURE AND DURATION

*DDA, Hybrid DDA, and IB DDA deposit products provided by Fifth Third Bank, National Association. Member FDIC. Equal Housing Lender.

**Fifth Third Money Market Navigator offered through Fifth Third Securities. Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member FINRA/SIPC, a registered broker-dealer and a wholly owned subsidiary of Fifth Third Bank. Securities and investments offered through Fifth Third Securities, Inc.: Are Not FDIC Insured, Offer No Bank Guarantee, May Lose Value, Are Not Insured By Any Federal Government Agency, Are Not A Deposit.

Bloomberg Bond Yield Forecast 6/30/25

Rate	Mkt Yld	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26
United States								
US 30-Year	4.82		4.81	4.70	4.64	4.63	4.59	4.57
US 10-Year	4.26		4.36	4.30	4.23	4.21	4.17	4.13
US 5-Year	3.82		3.97	3.91	3.84	3.82	3.78	3.75
US 2-Year	3.74		3.83	3.70	3.59	3.56	3.52	3.49
US 3-Month Term SOFR	4.29		4.14	3.94	3.72	3.53	3.37	3.37
Fed Funds Rate - Upper Bound	4.50		4.35	4.05	3.85	3.65	3.55	3.50
Fed Funds Rate - Lower Bound	4.25		4.10	3.81	3.61	3.42	3.30	3.23

Fed Fund Futures Forecast

Region: United States »

Target Rate 4.50

Effective Rate 4.33

Instrument: Fed Funds Futures »

Pricing Date 06/30/2025

Cur. Imp. O/N Rate 4.330

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
07/30/2025	-0.191	-19.1%	-0.048	4.283	0.250
09/17/2025	-1.110	-91.9%	-0.277	4.053	0.250
10/29/2025	-1.811	-70.1%	-0.453	3.878	0.250
12/10/2025	-2.614	-80.2%	-0.653	3.677	0.250
01/28/2026	-3.091	-47.8%	-0.773	3.557	0.250
03/18/2026	-3.689	-59.8%	-0.922	3.408	0.250
04/29/2026	-4.011	-32.2%	-1.003	3.328	0.250
06/17/2026	-4.520	-50.9%	-1.130	3.200	0.250
07/29/2026	-4.841	-32.1%	-1.210	3.120	0.250
09/16/2026	-5.158	-31.6%	-1.289	3.041	0.250
10/28/2026	-5.241	-8.4%	-1.310	3.020	0.250
12/09/2026	-5.345	-10.4%	-1.336	2.994	0.250

Potential Investment Alternatives

	Characteristics
Commercial Paper	• Unsecured debt instrument, issued for immediate needs. • Generally a cash market (settlement is the same day). • Availability determined by daily needs by issuers.
U.S. Agency Securities	• Generally slightly higher yields than Treasuries. • Government sponsored enterprises. • Liquid market. • May contain calls which may increase yield. • Fifth Third is an approved underwriter for FHLMC and FNMA.
Corporate Bonds A+, A, A-	• Opportunity to pick up yield/income vs. Treasuries or Agencies. • Bid/ask spreads are generally wider than Agencies. • In times of market stress, liquidity is more challenging than Treasuries or Agencies. • Availability of names is determined by inventory.
Brokered CD's	• Insured by the FDIC up to $250,000 per issuing bank. • Typically yield more and offer more flexibility than regular CDs. • Active secondary market avoids having funds locked up until maturity. • Consolidate multiple brokered CDs in a single account.

Fifth Third Deposit and Investment Services

Bank Deposits[1]

- DDA.
- Hybrid DDA.
- Interest Bearing DDA.

Money Market Funds

- Through the Fifth Third Money Market Navigator—money market fund portal.
- Provide a high level of safety coupled with daily liquidity.

Laddered Bond Strategies

- Invest excess cash to specific dates to meet cash flow needs or create a customized portfolio to enhance yield in products such as commercial paper, U.S. agency securities, corporate bonds, municipal bonds, broker CD's, mortgage-backed securities, etc.

Discretionary Strategies[2]

- Discretionary fixed income strategies customized to meet a client's short term liquidity, intermediate, and long-term needs.

Questions

About Fifth Third

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio, and the indirect parent company of Fifth Third Bank, National Association, a federally chartered institution. Fifth Third offers financial products and solutions in Commercial Banking, Consumer and Small Business Banking, and Wealth & Asset Management. Wealth & Asset Management is comprised of Fifth Third Private Bank and Fifth Third Institutional Services. Franklin Street Trust Company, Franklin Street Advisors, Inc., and Fifth Third Wealth Advisors, LLC are all indirect subsidiaries of Fifth Third Bancorp. Through these Trust and Registered Investment Advisory businesses, Fifth Third ranks among the largest money managers in the Midwest and, as of December 31, 2023, had $574 billion in assets under care, of which it managed $59 billion for individuals, corporations and not–for–profit organizations through its Trust and Registered Investment Advisory businesses. Investor information and press releases can be viewed at 53.com. Fifth Third's common stock is traded on the NASDAQ® Global Select Market under the symbol "FITB." Fifth Third Bank was established in 1858.

Investments and investment services are offered through or are made available by one or more of Fifth Third Bancorp's indirect subsidiaries. Investments and Investment Services: **Are Not FDIC Insured, Offer No Bank Guarantee, May Lose Value, Are Not Insured By Any Federal Government Agency, Are Not A Deposit.**

Deposit and credit products provided by Fifth Third Bank, National Association. Member FDIC. Equal Housing Lender.

About Fifth Third Securities

Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member FINRA/SIPC, a wholly owned subsidiary of Fifth Third Bank, National Association, a registered broker-dealer, and registered investment advisor registered with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training.

Securities and investments offered through Fifth Third Securities, Inc.: **Are Not FDIC Insured, Offer No Bank Guarantee, May Lose Value, Are Not Insured by Any Federal Government Agency, Are Not a Deposit.**

Credit and lending products are offered by Fifth Third Bank, National Association. Credit products are subject to credit review and approval and mutually acceptable documentation.

Important Notice

This document has been prepared by Fifth Third Securities, Inc. an indirect subsidiary of Fifth Third Bancorp ("Fifth Third") or one of its subsidiaries for the sole purpose of providing a proposal to the parties to whom it is addressed in order that they may evaluate the capabilities of Fifth Third to supply the proposed services. It is not intended to provide specific investment, insurance, tax or legal advice, and nothing contained in this presentation should be taken as investment, insurance, tax, legal or accounting advice. Individuals should seek such advice based on their own particular circumstances from a qualified investment, insurance, tax or legal advisor.

The information contained in this document has been compiled by Fifth Third and includes material which may have been obtained from information provided by various sources and discussions with management but has not been verified or audited. This document also contains confidential material proprietary to Fifth Third. Except in the general context of evaluating our capabilities, no reliance may be placed for any purposes whatsoever on the contents of this document or on its completeness. No representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of Fifth Third or by any of its subsidiaries, members, employees, agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any other oral information made available and any such liability is expressly disclaimed.

Past performance is not indicative of future results and involves the risk of loss. This is not intended to provide specific investment advice and does not constitute a specific offer or solicitation, with respect to a purchase or sale.

This document and its contents are confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person in whole or in part without our prior written consent.

Investments in fixed income products are subject to liquidity (or market) risk, interest rate risk (bonds ordinarily decline in price when interest rates rise and rise in price when interest rates fall), financial (or credit) risk, inflation (or purchasing power) risk, and special tax liabilities.

Important Notice
This document has been prepared by Fifth Third Securities, Inc. an indirect subsidiary of Fifth Third Bancorp ("Fifth Third") or one of its subsidiaries for the sole purpose of providing a proposal to the parties to whom it is addressed in order that they may evaluate the capabilities of Fifth Third to supply the proposed services. It is not intended to provide specific investment, insurance, tax or legal advice, and nothing contained in this presentation should be taken as investment, insurance, tax, legal or accounting advice. Individuals should seek such advice based on their own particular circumstances from a qualified investment, insurance, tax or legal advisor.

The information contained in this document has been compiled by Fifth Third and includes material which may have been obtained from information provided by various sources and discussions with management but has not been verified or audited. This document also contains confidential material proprietary to Fifth Third. Except in the general context of evaluating our capabilities, no reliance may be placed for any purposes whatsoever on the contents of this document or on its completeness. No representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of Fifth Third or by any of its subsidiaries, members, employees, agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any other oral information made available and any such liability is expressly disclaimed.

Past performance is not indicative of future results and involves the risk of loss. This is not intended to provide specific investment advice and does not constitute a specific offer or solicitation, with respect to a purchase or sale.

This document and its contents are confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person in whole or in part without our prior written consent.

Investments in fixed income products are subject to liquidity (or market) risk, interest rate risk (bonds ordinarily decline in price when interest rates rise and rise in price when interest rates fall), financial (or credit) risk, inflation (or purchasing power) risk, and special tax liabilities.

About Fifth Third Capital Markets
Fifth Third Capital Markets is the marketing name under which Fifth Third Bank, National Association, and its subsidiary Fifth Third Securities, Inc., provide certain securities and investment banking products and services. Fifth Third Capital Markets offers investment banking++, debt capital markets+, bond capital markets++, equity capital markets++, financial risk management+, and fixed income sales and trading++. Fifth Third Bank, National Association provides access to investments and investment services through Fifth Third Securities. Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member FINRA/SIPC, a registered broker-dealer and registered investment advisor registered with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training.

Securities and investments offered through Fifth Third Securities, Inc.:

- **Are Not FDIC Insured**
- **Offer No Bank Guarantee**
- **May Lose Value**
- **Are Not Insured by Any Federal Government Agency**
- **Are Not a Deposit**

+ Services and activities offered through Fifth Third Bank, National Association.
++ Services and activities offered through Fifth Third Securities, Inc.

For more information, visit: 53.com/capitalmarkets

Credit and lending products are offered by Fifth Third Bank, National Association. Credit products are subject to credit review and approval and mutually acceptable documentation.