

LeadingAge® PA

2023

FALL FINANCE CONFERENCE

1-F OUTLOOK FOR BANK LENDING IN THE SENIOR LIVING SECTOR: LENDER DISCUSSION PANEL

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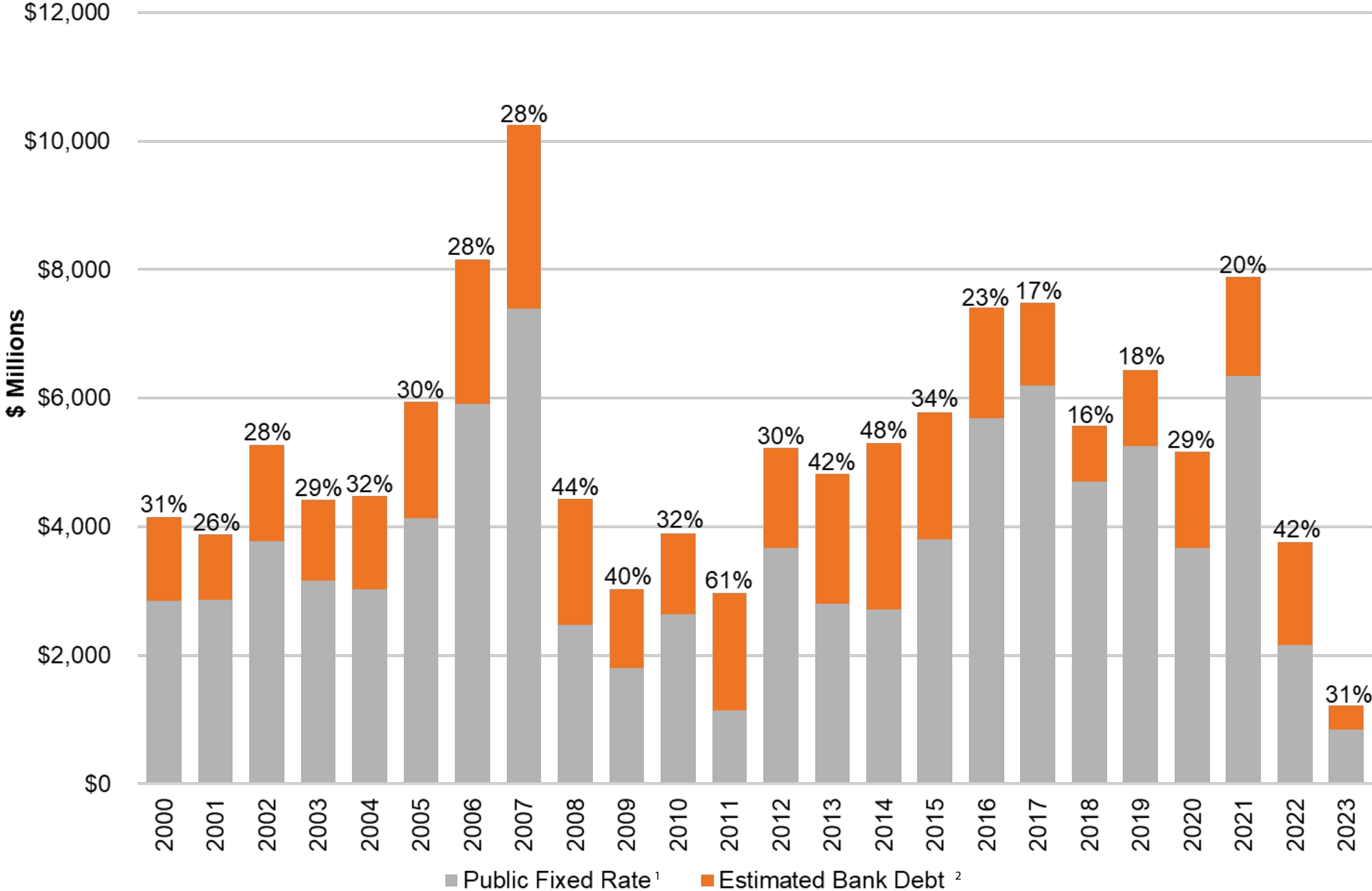
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OBJECTIVES

- Gain insight into why and how the current economic environment is affecting banks and how those effects influence banks' senior living lending decisions today
- Provide an interactive learning environment where the audience can understand the metrics and decision-making process banks are currently using to evaluate senior living lending options
- Learn how to prepare for and what to expect from the search process for a bank lending partner

NOT-FOR-PROFIT SENIOR LIVING FINANCING VOLUME



SOURCES: (1) Refinitiv data (2) Ziegler Investment Banking, Volume & Other Bank Credit Estimates thru 09/01/23



BANK FINANCING IN TODAY'S LENDING ENVIRONMENT

- Pressure on bank balance sheets from unrealized losses from fixed-income holdings
- Pressure on banks to provide higher interest rates on deposits
- Government support has eased the acute pressure from fear of bank failures seen in the spring
- Pressure on banks that were heavy lenders to for-profit senior living operators
- Pressure on banks lending to not-for-profit senior living operators that are experiencing their own operating and financial challenges

Source: Ziegler Investment Banking, September 2023



BANK FINANCING IN TODAY'S LENDING ENVIRONMENT

- Most, but not all, renewals are being honored, albeit at higher rates
- Existing lenders are not always providing term sheets for an existing client's new money needs
- Banks are less aggressive in proposing on new client transactions, opting to save a capacity for current clients
- New banking relationships demand ancillary business relationships

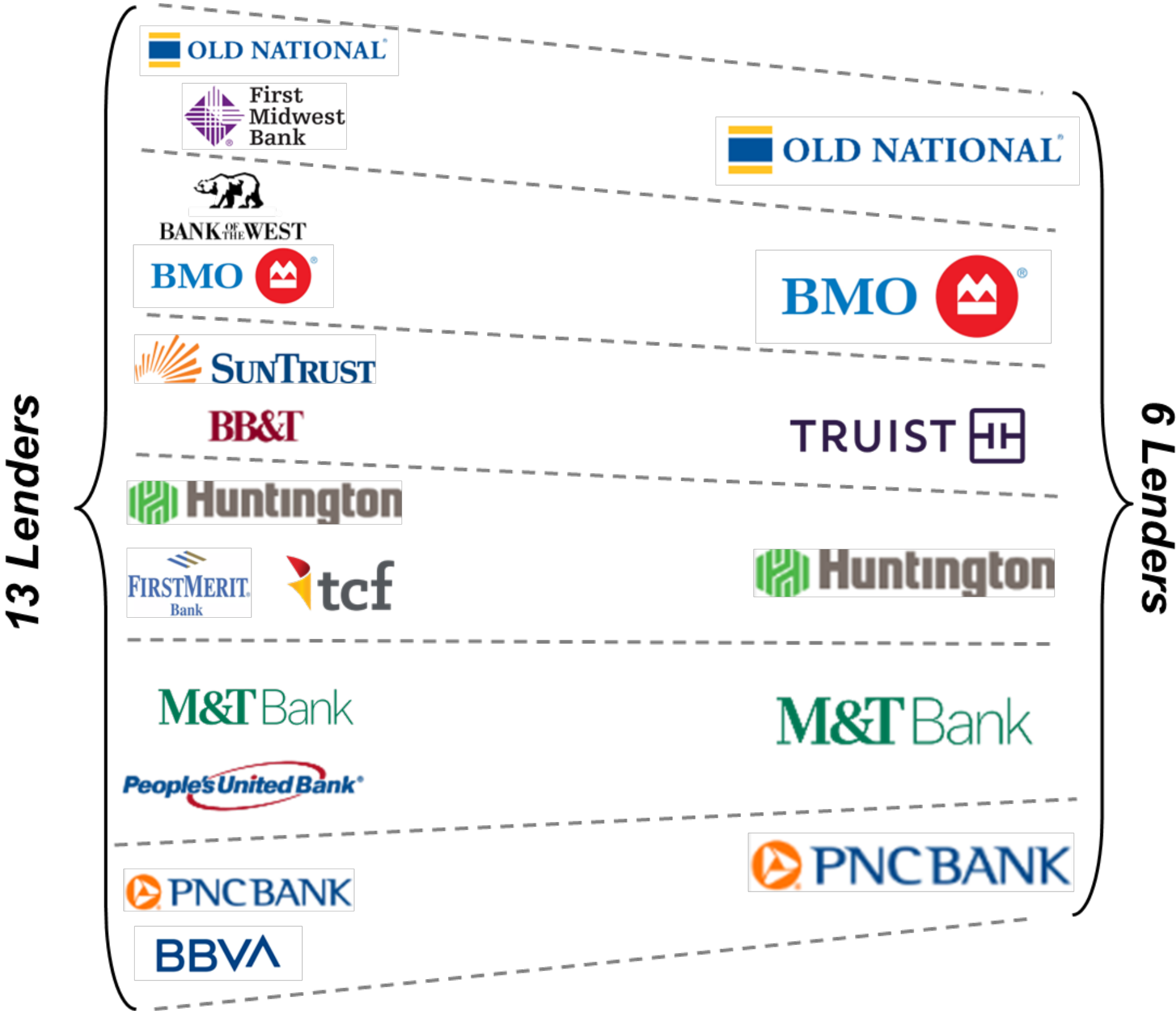
Source: Ziegler Investment Banking, September 2023

SELECT UNIVERSE OF BANKS ACTIVE IN SENIOR LIVING



Source: Ziegler Investment Banking, as of 9/1/2023

SENIOR LIVING LENDER CONSOLIDATION – LAST 5 YEARS

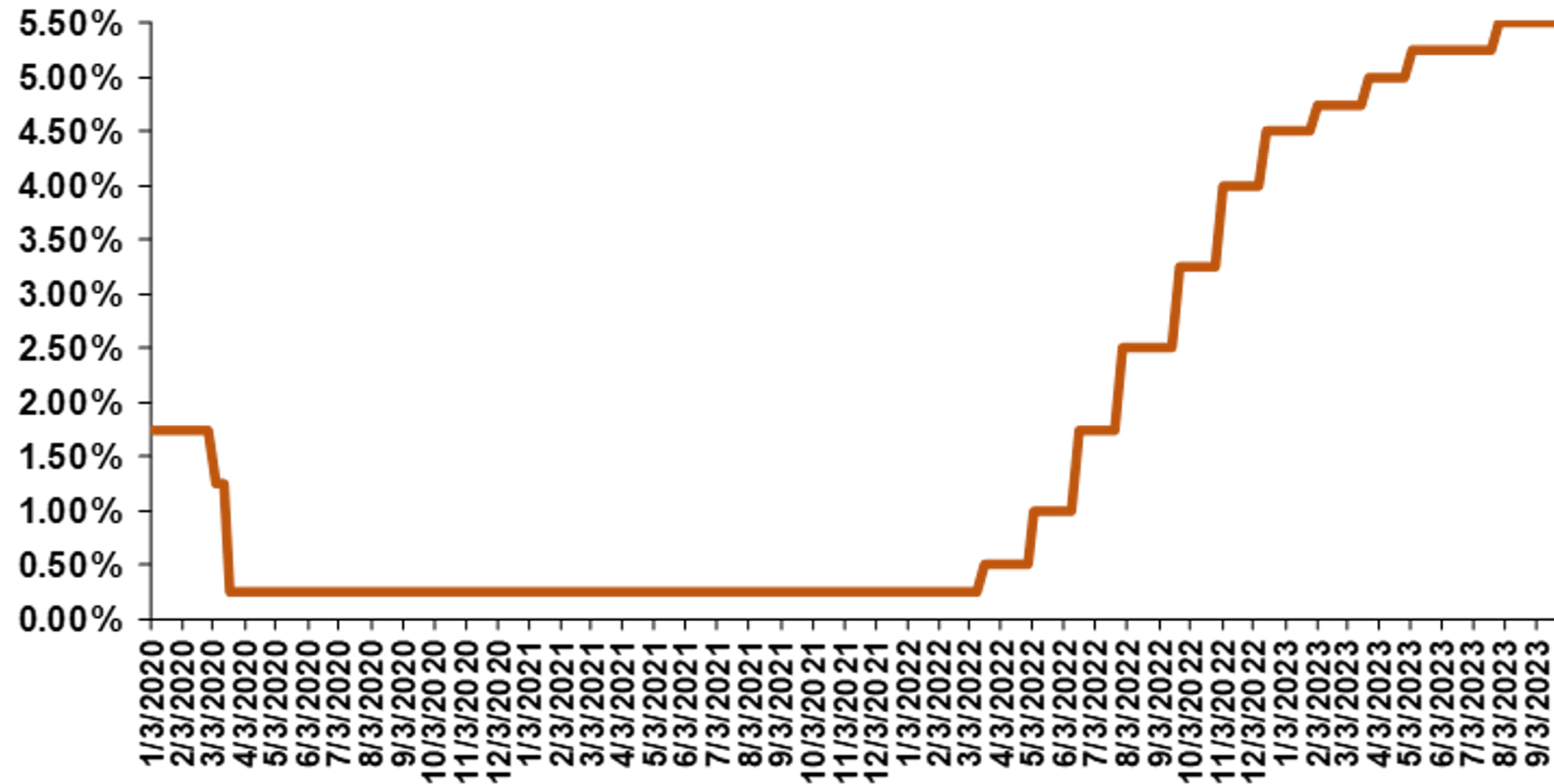


Source: Ziegler Investment Banking, as of 9/1/2023

HISTORICAL INTEREST RATES

Fed Fund Target Rate (2020 YTD-Weekly)

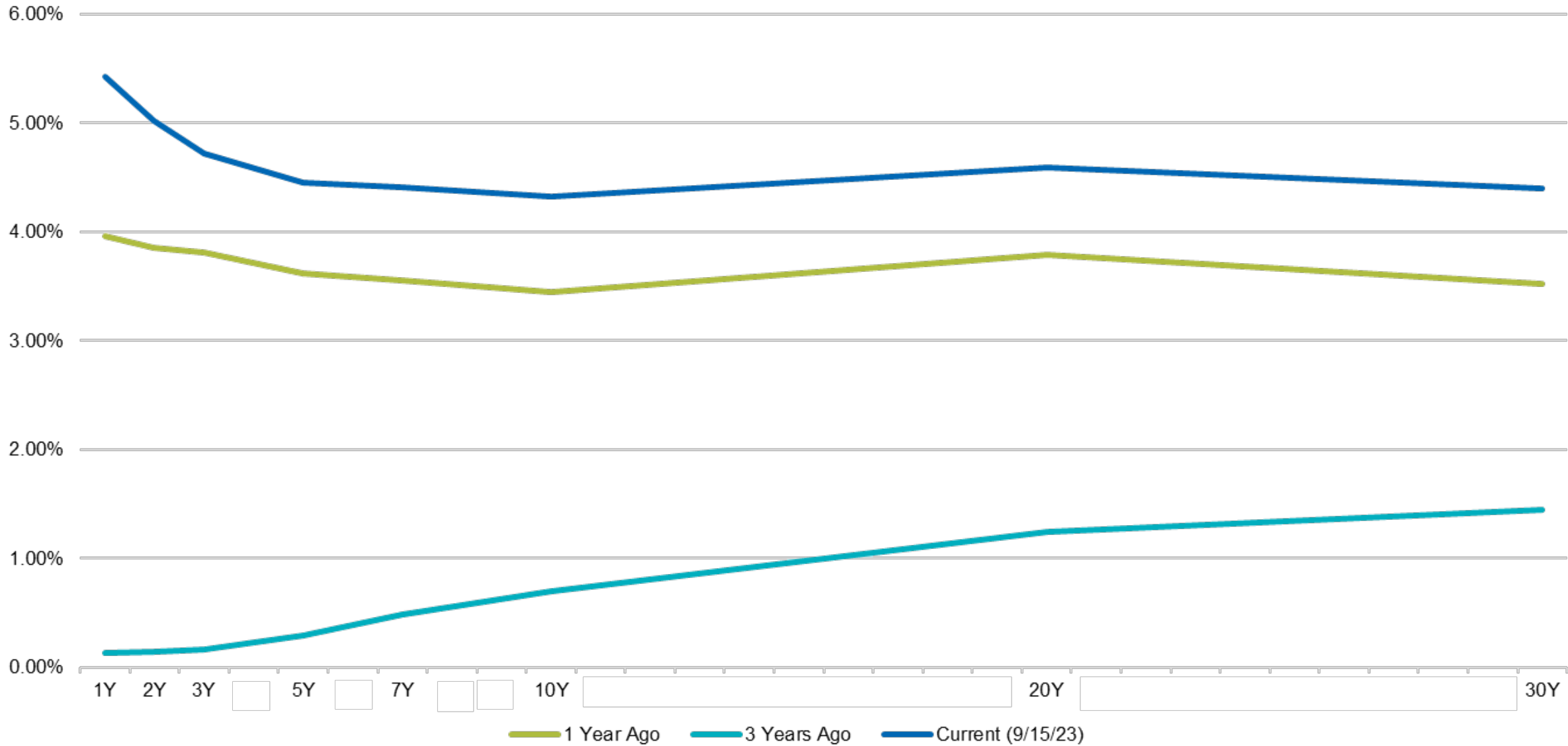
Fed. Funds Target Rate	
Minimum:	0.25%
Maximum:	5.50%
Average:	1.74%
Current:	5.50%



SOURCE: Bloomberg, as of 9/29/23

YIELD CURVE COMPARISON – US TREASURY OVER TIME

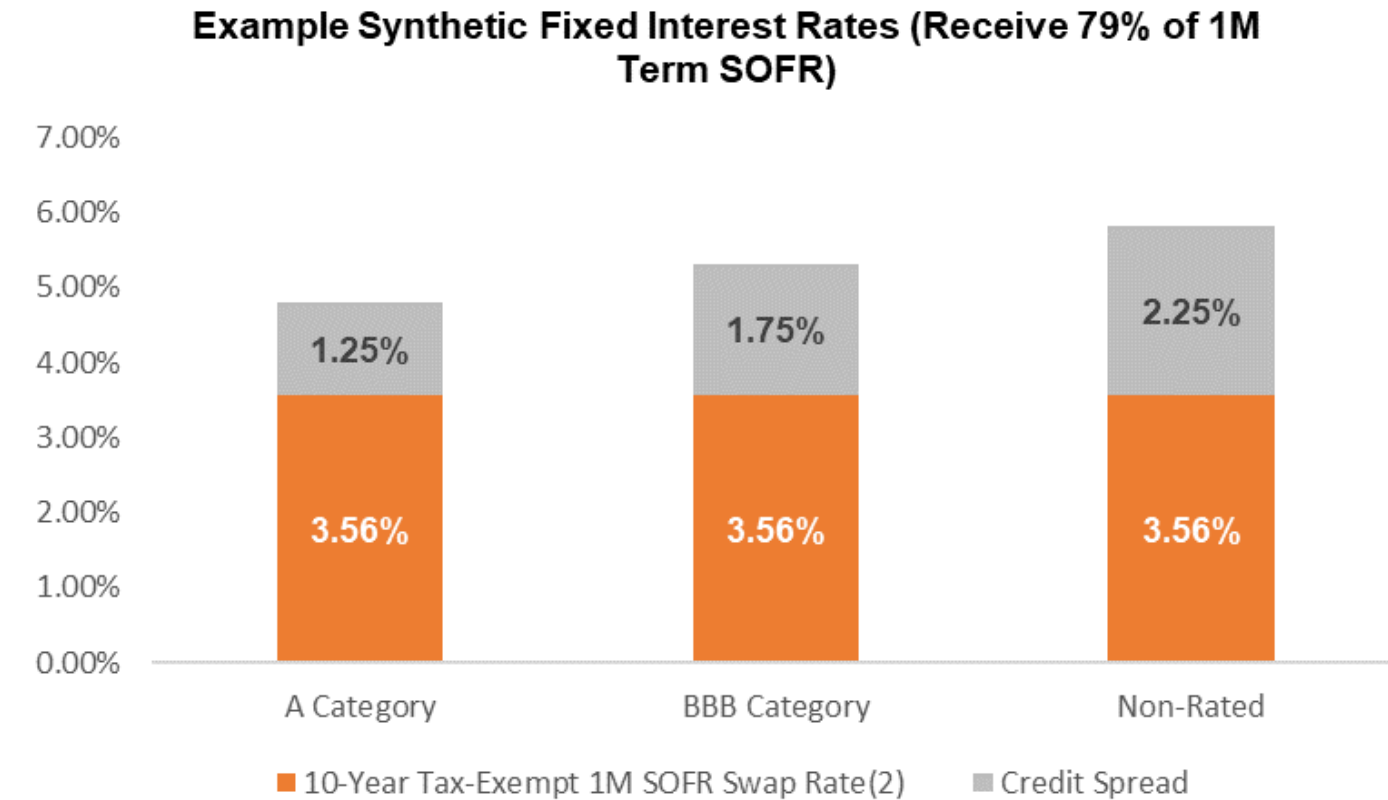
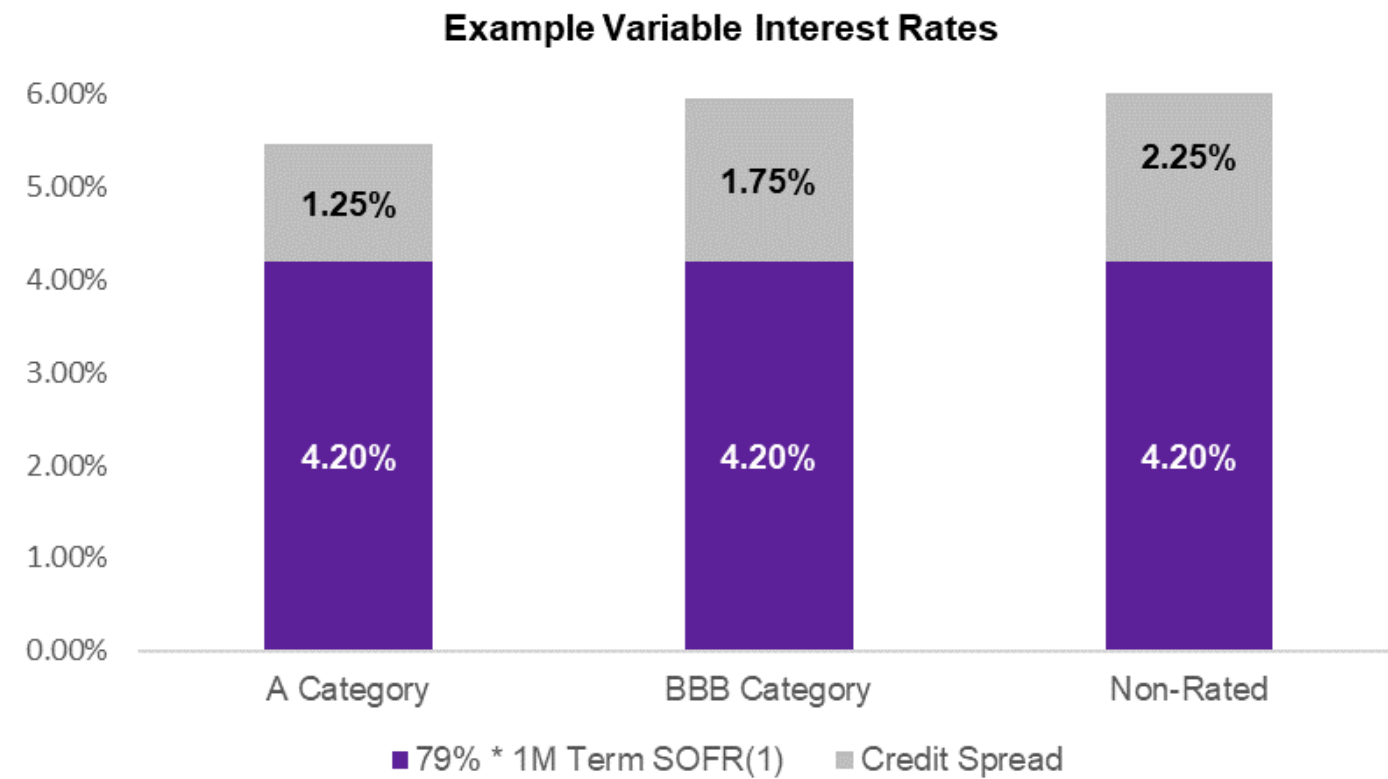
Treasury Yield Curve Comparison (Taxable)



	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	20 Year	30 Year
1 Year Ago	3.96%	3.85%	3.81%	3.62%	3.56%	3.45%	3.79%	3.52%
3 Years Ago	0.13%	0.14%	0.16%	0.29%	0.48%	0.70%	1.24%	1.45%
Current (9/15/23)	5.43%	5.02%	4.72%	4.45%	4.41%	4.33%	4.59%	4.40%

SOURCE: Bloomberg, as of 9/15/23

CURRENT INDICATIVE BANK INTEREST RATES



Example Variable Interest Rates

	79% * 1M Term SOFR ⁽¹⁾	Credit Spread	All-In Variable Rate
A Category	4.20%	1.25%	5.45%
BBB Category	4.20%	1.75%	5.95%
Non-Rated	4.20%	2.25%	6.45%

Note: Assume a SOFR Floor of 0.00%, Additional Business Provided, and a 10-year Commitment

(1) 1M Term SOFR as of 10/10/2023, per Bloomberg.

Example Synthetic Fixed Interest Rates

	10-Year Tax-Exempt 1M SOFR Swap Rate ⁽²⁾	Credit Spread	All-In Synthetic Fixed Rate
A Category	3.56%	1.25%	4.81%
BBB Category	3.56%	1.75%	5.31%
Non-Rated	3.56%	2.25%	5.81%

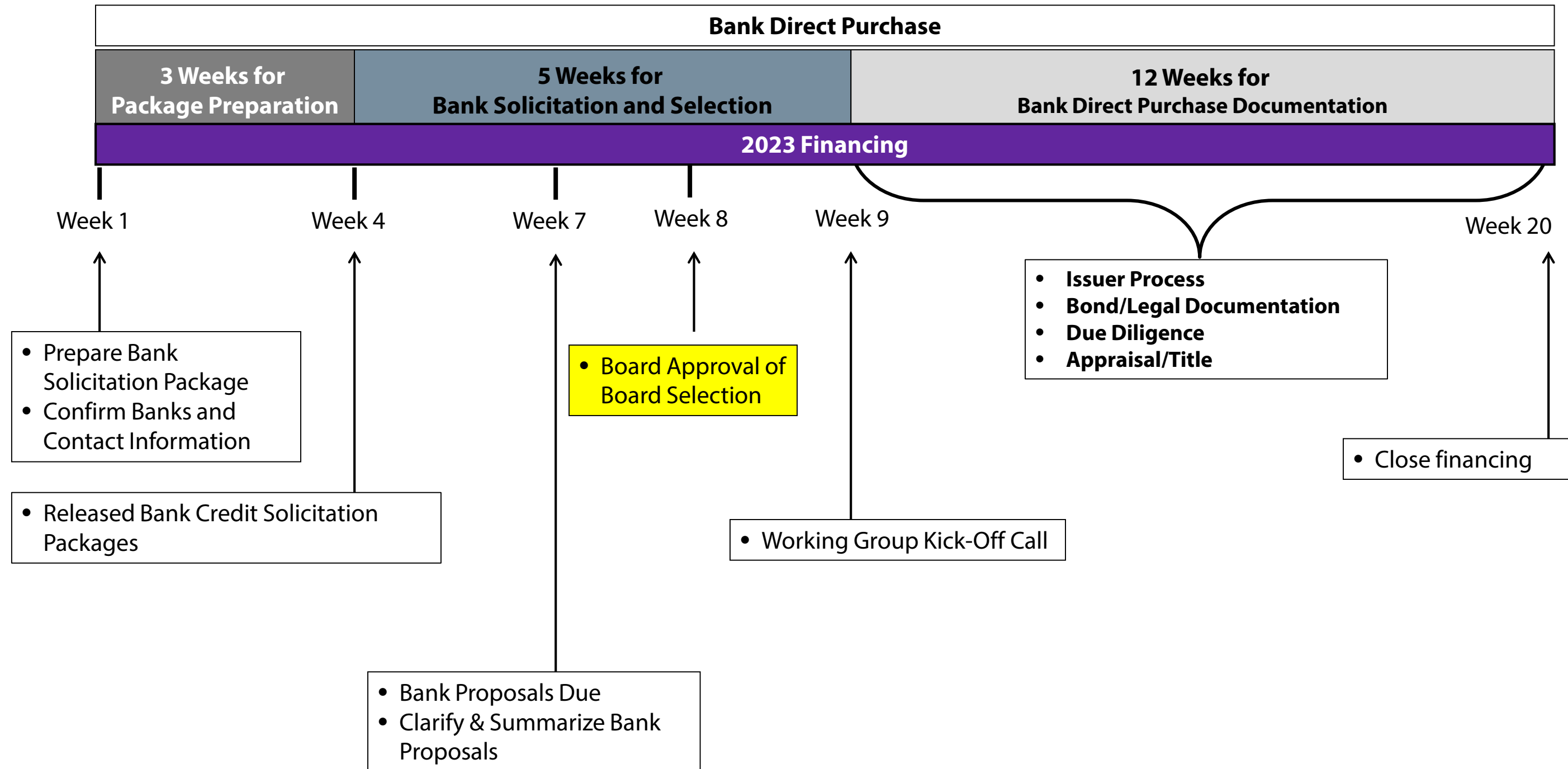
Note: Assume a SOFR Floor of 0.00%, Additional Business Provided, and a 10-year Commitment

(2) 79% of 10-Year 1M Term SOFR Pay Fixed Interest Swap Rate as of 10/10/2023, per Bloomberg.

Source: Ziegler Investment Banking, as of 10/10/2023

(Examples are for illustrative purposes only)

BANK DIRECT PLACEMENT PROCESS





BANK DISCUSSION PANEL



PANELIST INTRODUCTION

Mary Jo Medura
Senior Vice President
Healthcare Banking
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(717) 291-2428

- Mary Jo Medura is a Senior Vice President and Senior Commercial Relationship Manager in the Healthcare Banking Group at Fulton Bank.
- Mary Jo joined Fulton Bank from Truist Bank in January 2023 and has over 25 years of experience working with commercial clients including senior living and healthcare providers throughout Pennsylvania and New Jersey. Mary Jo works with clients and prospective clients to evaluate banking solutions including taxable and tax-exempt financing, treasury management, capital markets and institutional investments.
- Mary Jo is a graduate of King's College with a B.S. in Business Administration. She actively participates in Leading Age events and volunteers with the Ronald McDonald House Charities of Central Pennsylvania where she serves as a member of the Finance Committee.
- Mary Jo resides in the Lancaster area with her husband George.

PANELIST INTRODUCTION



Kevin McKeown

Director, Healthcare Banking

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(267) 421-6999



- Kevin leads the new healthcare vertical within WSFS' Commercial Banking Division. This group is focused on providing financial services solutions to senior living and long-term care facilities as well as work to build out the expertise and product offerings to other healthcare-related businesses.
- Kevin has 30+ years of experience working with Senior Living providers throughout the Northeast, Mid-Atlantic and Midwest providing financing and full-service banking solutions to not for profit and for-profit providers.
- WSFS Bank, headquartered in Wilmington, DE, is a diversified financial institution with assets totaling \$20.4 billion. WSFS is nationally chartered with a physical footprint throughout DE, PA, NJ, MD and VA. WSFS is the largest bank headquartered in the Greater Philadelphia area.
- The Private Banking and Wealth division of WSFS Bank, Bryn Mawr Trust, has \$67.9 billion Assets under Management ("AUM") with offices in DE, NJ, PA, MD, FL and NV. Through its Cash Connect division, WSFS Bank provides ATM servicing to clients throughout the 50 states. Through its New Lane Finance division, WSFS Bank provides small ticket leasing to clients throughout the 50 states.

PANELIST INTRODUCTION

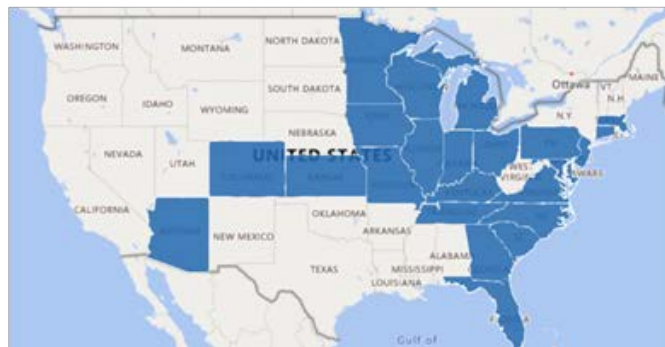


Michael Mason

Director and Co-Head of Senior Housing Finance

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- Michael is the Director and Co-Head of the Senior Housing Finance Division at Old National Bank. This dedicated line of business currently maintains \$1.7 billion in loan exposure supporting the unique and specialized commercial banking needs of both not-for-profit and for-profit owners, operators, and developers of Senior Housing communities located across 23 states.
- Before joining Old National Bank seven years ago, Michael spent the previous 14 years with FirstMerit Bank where he was a Senior Vice President, Relationship Manager in their Healthcare Finance Group providing both taxable and tax-exempt financing solutions for his clients throughout the Midwest. Prior to FirstMerit Bank, Mike worked for Regions Bank and Bank One as a hybrid commercial middle market and commercial real estate banker.

OLD NATIONAL BANK & SENIOR HOUSING FINANCE

- Established in 1834 and is one of the oldest banks in the country.
- \$48 Billion in Assets
- Top quartile among banks when measured by Liquidity, Tier 1 Capital, and percentage of FDIC insured deposits.
- Senior Housing Finance is a dedicated line of business with loan exposure of \$1.7 billion across 23 states.
- Experienced team of twenty professionals consisting of lenders, portfolio relationship managers, underwriters, credit, product partners and support staff.



DISCUSSION TOPICS OVERVIEW

- General Banking and Senior Living Focused Industry Trends
- Terms and Pricing
- Covenants/Loan-to-Value/Ancillary Business Requirements
- Syndicated Loans/Club Structures
- 2024 NFP Senior Living Lending Outlook

GENERAL BANKING AND SENIOR LIVING INDUSTRY TRENDS

- What is your bank's current lending appetite?
 - Existing clients/New clients
 - Refinancings/New projects
- What is your client lending capacity? Does it vary based on rating?
- How are your NFP senior living clients performing?
 - Current construction project performance
 - Occupancy trends
 - Covenant violations and waivers
- What strategic and operational trends are you seeing across clients?
 - Skilled nursing reduction
 - Sponsorship transitions and acquisitions



TERMS AND PRICING

- We have seen a slight shortening of term length over the past six months. Is your bank favoring shorter term lengths over longer ones?
- What are the general pricing ranges being offered for various term lengths? Are credit spreads dramatically different for shorter or longer terms?
- Does your bank offer hedging instruments and/or natural fixed rates? Are there rate lock-in procedures available?
- Are there any emerging or unique financing structures that you are having success with in this environment?



COVENANTS/LTV/ANCILLARY BUSINESS REQUIREMENTS

- Are there any new covenants that you are focused on outside of the typical (days cash on hand, debt service coverage)?
- Are you comfortable accepting covenants that match a typical Master Trust Indenture?
 - For example, annual coverage of 1.2x with a consultant report cure in some instances
- What are your bank's loan-to-value requirements and are they changing?
- Discuss expectations for ancillary business as a part of the lending relationship.



SYNDICATED LOAN VS CLUB STRUCTURES

- Explain the difference between a syndicate and a club transaction?
- Does your bank have a preference?
- What issues should borrowers consider if more than one bank is involved?



2024 NFP SENIOR LIVING LENDING OUTLOOK

- What is your bank's outlook for the overall economic climate over the short- and medium term?
 - Housing/Inflation/Labor Markets
 - Short- and long-term interest rates
- What is your bank's outlook for the Pennsylvania not-for-profit senior living sector over the short- and long-term?
 - Pennsylvania Housing/Labor Costs
 - Affiliations and Acquisitions
- What are your expectations for your bank's lending appetite in 2024?



ABOUT ZIEGLER

Ziegler is a privately-held investment bank, capital markets and proprietary investments firm

A registered broker dealer with SIPC & FINRA

Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research

Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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