

Creditors' Rights

SM Prime upholds the rights of its creditors. The Company faithfully complies with all its loan agreements with various creditors. It ensures timely payment of its loans and efficiently operates its business to assure creditors of the Company's sound financial standing and loan payment capabilities. To ensure its commitment, SM Prime manages its liquidity profile to service its maturing debts.

As at December 31, 2020 and 2019, the Company is in compliance with the terms of its loan covenants.

See excerpts from the *2020 SMPH SEC Form 17-A discussions on Long-Term Debts and Liquidity Risk*.

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					2020	2019
<i>(In Thousands)</i>						
Parent Company						
Philippine peso-denominated loans						
Retail bonds	September 1, 2014 - March 25, 2020	March 1, 2020 - March 25, 2027	4.20% - 6.22%	Unsecured	₱99,964,260	₱100,000,000
Other bank loans	January 12, 2012 - December 14, 2020	January 12, 2022 - December 14, 2025	Floating BVAL + margin; Fixed 4.51% - 6.74%	Unsecured	31,548,000	22,048,400
U.S. dollar-denominated loans*	July 30, 2018 - November 10, 2020	October 2, 2022 - June 14, 2023	LIBOR + spread; quarterly	Unsecured	10,084,830	5,569,850
Subsidiaries						
Philippine peso-denominated loans	June 3, 2013 - December 29, 2020	June 3, 2020 - August 7, 2029	Floating BVAL + margin; Fixed - 3.61% - 6.37%	Unsecured	78,992,080	74,511,969
U.S. dollar-denominated loans**	March 21, 2016 - September 23, 2020	January 29, 2021 - April 5, 2024	LIBOR + spread; semi-annual/quarterly	Unsecured	39,669,574	34,179,449
China yuan renminbi-denominated loans	January 14, 2016 - October 16, 2017	June 1, 2020 - October 16, 2022	CBC rate less 10%; quarterly; Fixed - 5.85%	Unsecured/ Secured***	2,559,639	2,670,803
					262,818,383	238,980,471
Less debt issue cost					1,249,386	1,126,048
					261,568,997	237,854,423
Less current portion					42,738,350	23,521,373
					₱218,830,647	₱214,333,050

LIBOR – London Interbank Offered Rate

BVAL – Bloomberg Valuation Service

CBC – Central Bank of China

**Hedged against foreign exchange risks using cross-currency swaps*

***Hedged against foreign exchange and interest rate risks using cross-currency swaps, principal-only swaps and interest rate swaps*

****Long-term debt secured by portions of investment properties located in China matured in June 2020 (see Note 13)*



The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.80:0.20 and interest coverage ratio of not less than 2.50:1.00 and material change in ownership or control. As at December 31, 2020 and 2019, the Company is in compliance with the terms of its loan covenants.

The re-pricing frequencies of floating rate loans of the Company range from three to six months.

Interest expense incurred from long-term debt amounted to ₱8,224 million, ₱8,663 million and ₱7,451 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Debt Issue Cost

The movements in unamortized debt issue cost of the Company follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of the year	₱1,126,048	₱1,136,169
Additions	540,881	386,742
Amortization	(417,543)	(396,863)
Balance at end of the year	₱1,249,386	₱1,126,048

Amortization of debt issuance costs is recognized in the consolidated statements of income under “Others - net” account.

Repayment and Debt Issue Cost Schedule

The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱42,738,350	(₱416,274)	₱42,322,076
More than 1 year to 5 years	203,516,574	(813,111)	202,703,463
More than 5 years	16,563,459	(20,001)	16,543,458
	₱262,818,383	(₱1,249,386)	₱261,568,997



Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to ₱30,662 million and ₱568 million, respectively, as at December 31, 2020 and ₱34,600 million and ₱659 million, respectively, as at December 31, 2019 (see Notes 6 and 10). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2020			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱10,956,069	₱–	₱–	₱10,956,069
Accounts payable and other current liabilities*	63,449,508	–	–	63,449,508
Long-term debt (including current portion)	51,645,867	228,715,038	17,274,810	297,635,715
Derivative liabilities	357,662	2,445,735	–	2,803,397
Liability for purchased land - net of current portion**	–	1,251,227	–	1,251,227
Tenants' deposits - net of current portion	–	21,023,323	54,549	21,077,872
Lease liabilities	655,840	2,636,354	22,131,323	25,423,517
Other noncurrent liabilities***	–	4,397,581	794,710	5,192,291
	₱127,064,946	₱260,469,258	₱40,255,392	₱427,789,596

	2019			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱100,000	₱–	₱–	₱100,000
Accounts payable and other current liabilities*	55,618,612	–	–	55,618,612
Long-term debt (including current portion)	30,199,771	209,574,775	95,275,297	335,049,843
Derivative liabilities	–	711,617	–	711,617
Liability for purchased land - net of current portion	–	4,214,234	–	4,214,234
Tenants' deposits - net of current portion**	–	20,797,637	–	20,797,637
Lease liabilities	662,887	2,625,786	22,943,876	26,232,549
Other noncurrent liabilities***	–	8,184,737	–	8,184,737
	₱86,581,270	₱246,108,786	₱118,219,173	₱450,909,229

* Excluding nonfinancial liabilities and lease liabilities amounting to ₱17,585 million and ₱14,507 million as at December 31, 2020 and 2019, respectively.

