

## **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, 2022 and 2021, the Company is in compliance with the terms of its loan covenants.

See excerpts from the *2022 SMPH SEC Form 17-A discussions on Long-Term Debts and Liquidity Risk*.

## 17. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Weighted Average Interest Rate	Outstanding Balance	
				2022	2021
				<i>(In Thousands)</i>	
Philippine peso-denominated loans					
Retail bonds	September 1, 2014 - April 22, 2022	May 17, 2022 - April 22, 2032	5.19%	<b>₱119,632,740</b>	₱99,632,740
Other bank loans	June 3, 2013 - November 14, 2022	April 11, 2022 - August 7, 2029	Floating BVAL + margin; Fixed - 4.63%	<b>128,726,460</b>	127,889,520
U.S. dollar-denominated loans*	May 8, 2017 - June 30, 2022	March 27, 2022 - June 9, 2027	LIBOR + spread; semi-annual/quarterly	<b>91,062,847</b>	73,177,366
			SOFR + spread; quarterly		
China yuan renminbi-denominated loans**	October 16, 2017 - December 19, 2022	October 16, 2022 - June 24, 2037	China LPR; annually; Fixed - 3.65%	<b>9,665,493</b>	8,497,291
				<b>349,087,540</b>	309,196,917
Less debt issue cost				<b>2,112,928</b>	1,966,100
				<b>346,974,612</b>	307,230,817
Less current portion				<b>50,839,776</b>	42,261,601
				<b>₱296,134,836</b>	₱264,969,216

*LIBOR – London Interbank Offered Rate*

*BVAL – Bloomberg Valuation Service*

*SOFR – Secured Overnight Financing Rate*

*\*Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 27)*

*\*\*Secured by portions of investment properties located in China (see Note 12)*



Debt Issue Cost

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

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of the year	<b>₱1,966,100</b>	₱1,249,386
Additions	<b>884,484</b>	1,261,530
Amortization	<b>(737,656)</b>	(544,816)
<b>Balance at end of the year</b>	<b>₱2,112,928</b>	₱1,966,100

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	₱51,541,407	(₱701,631)	₱50,839,776
More than 1 year to 5 years	263,086,205	(1,318,393)	261,767,812
More than 5 years	34,459,928	(92,904)	34,367,024
	<b>₱349,087,540</b>	<b>(₱2,112,928)</b>	<b>₱346,974,612</b>

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2022 and 2021, the Company is in compliance with the terms of its loan covenants.

Interest expense from long-term debt charged to profit or loss amounted to ₱11,288 million, ₱9,148 million and ₱8,224 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).

## 18. Equity

Capital Stock

As at December 31, 2022 and 2021, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2022 and 2021.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50



	Appreciation (Depreciation) of \$	Effect on Income Before Tax
		<i>(In Thousands)</i>
2021	1.50	₱85,412
	1.00	56,941
	(1.50)	(₱85,412)
	(1.00)	(56,941)

### 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 ₱42,060 million and ₱535 million, respectively, as at December 31, 2022 and ₱39,776 million and ₱547 million, respectively, as at December 31, 2021 (see Notes 6 and 9). 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:

	2022			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱5,493,870	₱-	₱-	₱5,493,870
Accounts payable and other current liabilities*	72,841,522	-	-	72,841,522
Long-term debt (including current portion)	66,498,851	300,418,234	38,218,018	405,135,103
Derivative liabilities	19,496	294,403	-	313,899
Liability for purchased land - net of current portion	-	1,129,719	-	1,129,719
Tenants' deposits - net of current portion**	-	2,017,519	21,543,716	23,561,235
Lease liabilities	900,370	3,734,664	31,127,968	35,763,002
Other noncurrent liabilities***	-	1,744,519	4,604,226	6,348,745
	<b>₱145,754,109</b>	<b>₱309,339,058</b>	<b>₱95,493,928</b>	<b>₱550,587,095</b>



	2021			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱6,518,138	₱–	₱–	₱6,518,138
Accounts payable and other current liabilities*	69,941,596	–	–	69,941,596
Long-term debt (including current portion)	53,626,924	271,237,960	21,189,605	346,054,489
Derivative liabilities	335,367	1,748,186	–	2,083,553
Liability for purchased land - net of current portion	–	1,918,283	621,767	2,540,050
Tenants' deposits - net of current portion**	–	19,364,482	1,796,763	21,161,245
Lease liabilities	788,697	3,330,446	24,779,903	28,899,046
Other noncurrent liabilities***	–	4,232,633	1,619,598	5,852,231
	₱131,210,722	₱301,831,990	₱50,007,636	₱483,050,348

\* Excluding nonfinancial liabilities and lease liabilities amounting to ₱15,281 million and ₱21,436 million as at December 31, 2022 and 2021, respectively.

\*\* Excluding residential customers' deposits amounting to ₱238 million and ₱297 million as at December 31, 2022 and 2021, respectively.

\*\*\* Excluding nonfinancial liabilities and lease liabilities amounting to ₱25,046 million and ₱22,760 million as at December 31, 2022 and 2021, respectively.

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 7, 9, 10 and 14).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 27. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

As at December 31, 2022 and 2021, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 7). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

*High Quality.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

*Standard Quality.* Other financial assets not belonging to high quality financial assets are included in this category.

