



# මුදල්, ආර්ථික ස්ථායීකරණ සහ ජාතික ප්‍රතිපත්ති අමාත්‍යාංශය

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திகதி } 04/07/2024  
Date }

## PRESS RELEASE

### SRI LANKA ANNOUNCES SUCCESSFUL CONCLUSION OF SECOND ROUND OF RESTRICTED DISCUSSIONS WITH MEMBERS OF THE AD HOC GROUP OF BONDHOLDERS

Colombo, Sri Lanka, 3 July 2024 – The Government of the Democratic Socialist Republic of Sri Lanka ("**Sri Lanka**") announces today that it has held restricted discussions between 21 June 2024 and 2 July 2024 (the "**Restricted Period**") with nine members of the steering committee who agreed to take part in the restricted discussions (the "**Steering Committee**") of the Ad Hoc Group of Bondholders (the "**Group**", and together with Sri Lanka, the "**Parties**") of its International Sovereign Bonds ("**ISBs**"). Sri Lanka was joined by its legal and financial advisors, Clifford Chance LLP and Lazard, respectively, and the restricted members of the Steering Committee were joined by the Group's legal and financial advisors, White & Case and Rothschild & Co, respectively. The Steering Committee as a whole comprises ten of the largest members of the Group, with the Group controlling approximately 50% of the aggregate outstanding amount of ISBs.

During the Restricted Period, Sri Lanka, the Steering Committee and its advisors met during a two-day working session in Paris on 27 and 28 June 2024 (the "**Meetings**"). At the conclusion of the Meetings, Sri Lanka is pleased to report that, following negotiations, the Parties agreed core financial terms of a restructuring of the ISBs, the terms of which are embodied in a joint working debt treatment framework (the "**Joint Working Framework**"), a copy of which is included in the Annex to this announcement. In addition, the Parties agreed to include Governance-linked Bond features in the terms of one or more series of the plain vanilla bond instruments that form part of the Joint Working Framework.

As the Joint Working Framework includes a state-contingent feature, it remains to be confirmed by (i) the Secretariat of Sri Lanka's Official Creditor Committee (the "**OCC**") to ensure comparability of treatment with the terms agreed between Sri Lanka and the OCC ("**Comparability of Treatment**") and (ii) the IMF staff to ensure consistency with the parameters and debt sustainability objectives of Sri Lanka's IMF-supported Program. As such, following the Meetings, the advisors to Sri Lanka and the Steering Committee will consult with each of the Secretariat of the OCC, to confirm the consistency of the Joint Working Framework with the principle of Comparability of Treatment, and staff at the IMF, to confirm the consistency of the Joint Working Framework with the parameters and debt sustainability objectives of Sri Lanka's IMF-supported Program.

During the restricted discussions, Sri Lanka and the Steering Committee also progressed discussions on certain non-financial provisions.

Sri Lanka would like to thank the Steering Committee, the Group and their advisors for their close collaboration and valuable contribution in the Meetings, and looks forward to further constructive interaction to finalise the ISB restructuring.

## ANNEX

### Joint Working Framework (1/2)

Indicative terms of new bonds under an MLB structure <sup>1,2</sup> (under IMF Baseline)						
Instrument type	Bonds instalments	Notional amount at exchange date (U \$m)	Notional at end 2027 (U \$m)	Coupon rate		
				Up to 2027 (cash)	2028-2032 (cash)	2033 onwards (cash)
<b>Past Due Interest<sup>2</sup></b>		<b>1,678</b>				
Plain Vanilla #1 <sup>3</sup>	2024	291	n.a.	4.00%	n.a.	n.a.
	2025	336	n.a.	4.00%	n.a.	n.a.
	2026	336	n.a.	4.00%	n.a.	n.a.
	2027	336	n.a.	4.00%	n.a.	n.a.
	2028	380	n.a.	4.00%	n.a.	n.a.
<b>New bonds instalments</b>		<b>9,036</b>				
MLB #1	2029	650	650	3.50%	3.75%	-
	2030	650	650	3.50%	3.75%	-
MLB #2	2031	900	900	3.75%	4.00%	-
	2032	900	900	3.75%	4.00%	-
Plain Vanilla #2 <sup>3</sup>	2033	750	750	3.75%	4.00%	8.75%
	2034	800	800	4.00%	5.50%	9.25%
MLB #3	2035	800	800	4.00%	5.50%	9.25%
	2036	1,195	1,195	4.00%	4.25%	9.50%
MLB #4	2037	1,196	1,196	4.00%	4.25%	9.75%
	2038	1,196	1,196	4.00%	4.25%	9.75%

- **Accrual start date on 31 March 2024, with first coupon payments due on 30 September 2024 and principal instalments due in March of the relevant year**
- **28% haircut on the nominal amount of existing bonds**
- **11% haircut on PDIs (calculated as of end March 2024)**
- **Consent fee representing c.1.8% of original principal claim (excl. PDIs, US\$ 225m) to be paid upfront**

#### Key evolutions of the MLB structure :

- **Adjustment of 2024 payouts (consent fee, PDI, first half coupon)**
- **Reduction of MLB upper bound**
- **Calibration of GDP thresholds**
- **Introduction of a control variable (see next page)**

Note 1. Terms calibrated under a DSA based on public debt stock at end-2023

Note 2. "PDIs" capitalized into a new instrument, with first amortization and coupon due in September 2024, and final maturity in September 2028. PDIs based on estimated past due interest accumulated at end March-2024, i.e. \$1,889m, with an 11% haircut resulting in a notional amount at exchange date of \$1,678m

Note 3. New vanilla bond could potentially be structured (in whole or in part) as a "Governance-Linked Bond", as outlined separately

# Joint Working Framework (2/2)

## Overview of Joint Working Framework MLB adjustment mechanisms

### Overview of GDP thresholds under the updated MLB structure

Baseline	US\$ nominal GDP (avg. 2025-2027, billion)	Adjustments			Control Variable (real GDP cumulative growth in %, 2024-2027)	
		Weighted incremental principal reinstatement <sup>1</sup>	2028 principal (as a % of original claim excluding PDIs)	Weighted average coupon post 2028 <sup>2</sup>	Observed cumulative growth greater than 11.1% (IMF projections)	Observed cumulative growth lower than 11.1% (IMF projections)
GDP threshold #1	100.0	18.1%	85.0%	8.2%	Adjustment activated	No adjustment activated
GDP threshold #2	96.0	18.1%	85.0%	7.2%	Adjustment activated	No adjustment activated
GDP threshold #3	92.0	10.7%	79.7%	6.6%	Adjustment activated	No adjustment activated
IMF baseline	88.6	-	72.0%	6.3%	N/R	N/R
Threshold below IMF baseline #1	86.7	(9.1%)	65.5%	6.3%	No adjustment activated	Adjustment activated
Threshold below IMF baseline #2	84.7	(17.3%)	59.6%	6.3%	No adjustment activated	Adjustment activated

*Additional protection for the authorities with a control variable activating or not the adjustments based on the observed cumulative real GDP growth*

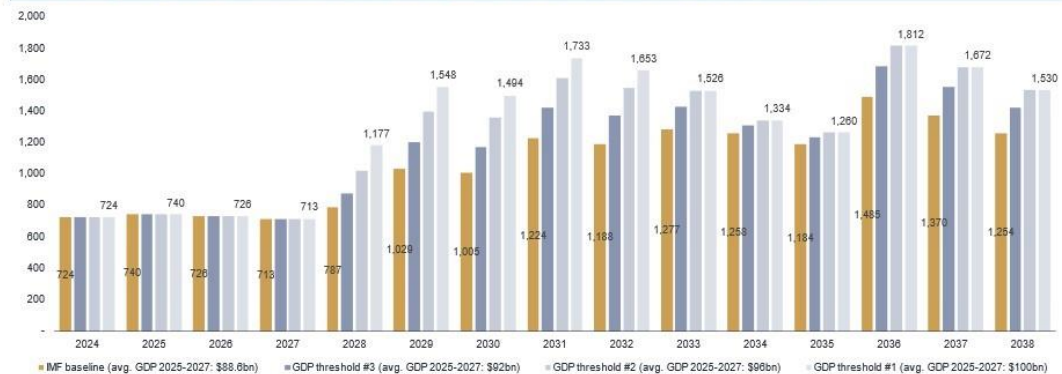
Note 1. Triggered by the adjustment (as a % of 2027 principal), weighted averages including the vanilla bond  
 Note 2. Until maturity of the respective series, weighted averages including the vanilla bond

## Appendix

### Debt Service under the Joint Working Framework (1/2)

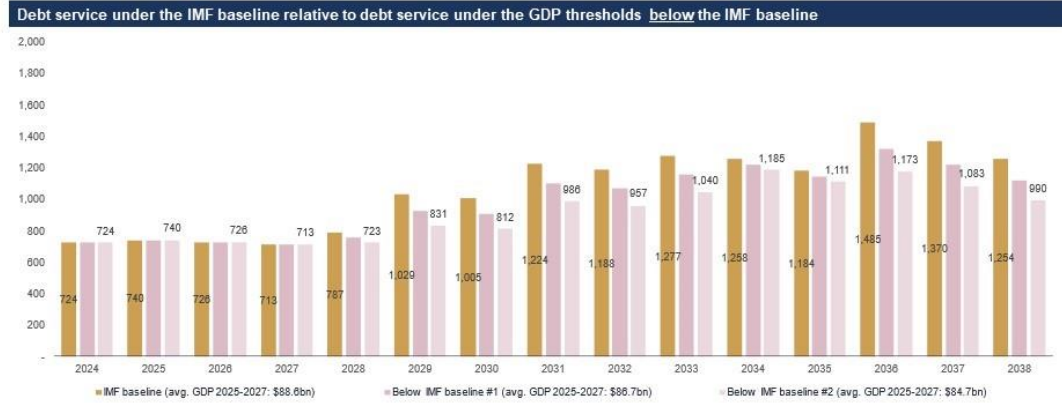
Debt service under the Joint Working Framework																
US\$m	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total debt service
GDP threshold #1 (avg. GDP 2025-2027: \$100bn)	724	740	726	713	1,177	1,548	1,494	1,733	1,663	1,526	1,334	1,260	1,812	1,672	1,530	19,640
GDP threshold #2 (avg. GDP 2025-2027: \$96bn)	724	740	726	713	1,015	1,393	1,363	1,607	1,544	1,526	1,334	1,260	1,812	1,672	1,530	18,947
GDP threshold #3 (avg. GDP 2025-2027: \$92bn)	724	740	726	713	875	1,199	1,169	1,414	1,369	1,424	1,303	1,229	1,678	1,548	1,417	17,527
IMF baseline (avg. GDP 2025-2027: \$88.6bn)	724	740	726	713	787	1,029	1,005	1,224	1,188	1,277	1,258	1,184	1,485	1,370	1,254	15,963
Below IMF baseline #1 (avg. GDP 2025-2027: \$86.7bn)	724	740	726	713	753	925	904	1,099	1,067	1,163	1,220	1,146	1,322	1,220	1,116	14,827
Below IMF baseline #2 (avg. GDP 2025-2027: \$84.7bn)	724	740	726	713	723	831	812	968	967	1,040	1,185	1,111	1,173	1,083	990	13,794

### Debt service under the IMF baseline relative to debt service under the GDP thresholds above the IMF baseline



# Debt Service under the Joint Working Framework (2/2)

Debt service under the Joint Working Framework																
US\$m	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total debt service
GDP threshold #1 (avg. GDP 2025-2027: \$100bn)	724	740	726	713	1,177	1,548	1,494	1,733	1,653	1,526	1,334	1,260	1,812	1,672	1,530	19,640
GDP threshold #2 (avg. GDP 2025-2027: \$90bn)	724	740	726	713	1,015	1,393	1,363	1,607	1,544	1,526	1,334	1,260	1,812	1,672	1,530	18,947
GDP threshold #3 (avg. GDP 2025-2027: \$82bn)	724	740	726	713	875	1,199	1,189	1,414	1,369	1,424	1,303	1,229	1,678	1,548	1,417	17,527
<b>IMF baseline (avg. GDP 2025-2027: \$88.6bn)</b>	<b>724</b>	<b>740</b>	<b>726</b>	<b>713</b>	<b>787</b>	<b>1,029</b>	<b>1,005</b>	<b>1,224</b>	<b>1,188</b>	<b>1,277</b>	<b>1,258</b>	<b>1,184</b>	<b>1,485</b>	<b>1,370</b>	<b>1,254</b>	<b>15,963</b>
Below IMF baseline #1 (avg. GDP 2025-2027: \$86.7bn)	724	740	726	713	763	925	904	1,089	1,067	1,153	1,220	1,146	1,322	1,220	1,116	14,827
Below IMF baseline #2 (avg. GDP 2025-2027: \$84.7bn)	724	740	726	713	723	831	812	986	957	1,040	1,185	1,111	1,173	1,083	990	13,794



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## Overview of MLB adjustments based on various baselines

Overview of the MLB adjustment mechanism					Adjustments to the terms of the new MLBs, depending on various USG nominal GDP thresholds													
MLB #	Maturity date	Nominal amount at exchange date (B\$bn)	Coupon rate			Adjustment below baseline #2 (avg. GDP 2025-2027: \$94.2bn)		Adjustment below baseline #1 (avg. GDP 2025-2027: \$86.7bn)		IMF baseline (avg. GDP 2025-2027: \$88.6bn)		Threshold #1 (avg. GDP 2025-2027: \$90bn)		Threshold #2 (avg. GDP 2025-2027: \$85bn)		Threshold #3 (avg. GDP 2025-2027: \$80bn)		
			Up to 2027 (cash)	2028-2032 (cash)	2033 onwards (cash)	Coupon adjustment (2025-2027)	Additional interest haircut (2028, % exchanged notional)	Coupon adjustment (2028-2027)	Additional interest haircut (2028, % exchanged notional)	Coupon adjustment (2025-2027)	Residual reinvestment (2028, % exchanged notional)	Coupon adjustment (2025-2027)	Residual reinvestment (2028, % exchanged notional)	Coupon adjustment (2025-2027)	Residual reinvestment (2028, % exchanged notional)	Coupon adjustment (2025-2027)	Residual reinvestment (2028, % exchanged notional)	
<b>New bonds (USD, FTD, treated as zero-coupon)</b>																		
MLB #1	1	2029	850	3.50%	3.75%	-	-	(21%)	-	(11%)	-	-	0.25%	13%	1.25%	22%	3.00%	22%
MLB #2	2	2030	600	3.00%	3.75%	-	-	(21%)	-	(11%)	-	-	0.25%	13%	1.25%	22%	3.00%	22%
MLB #3	3	2031	800	3.75%	4.00%	-	-	(21%)	-	(11%)	-	-	0.50%	13%	1.75%	22%	3.25%	22%
MLB #4	4	2032	600	3.75%	4.00%	-	-	(21%)	-	(11%)	-	-	0.50%	13%	1.75%	22%	3.25%	22%
MLB #5	5	2033	700	3.75%	4.00%	0.75%	-	(21%)	-	(11%)	-	-	0.50%	13%	1.75%	22%	3.25%	22%
Plain Vanilla #6	6	2034	600	4.00%	5.00%	0.25%	-	-	-	-	-	-	-	-	-	-	-	-
MLB #7	7	2036	800	4.00%	5.00%	0.25%	-	-	-	-	-	-	-	-	-	-	-	-
MLB #8	8	2036	1,000	4.00%	4.25%	0.90%	-	(21%)	-	(11%)	-	-	0.75%	13%	2.00%	22%	4.00%	22%
MLB #9	9	2037	1,180	4.00%	4.25%	0.75%	-	(21%)	-	(11%)	-	-	0.75%	13%	2.00%	22%	4.00%	22%
MLB #10	10	2038	1,000	4.00%	4.25%	0.75%	-	(21%)	-	(11%)	-	-	0.75%	13%	2.00%	22%	4.00%	22%
<b>Total / Wt.Avg</b>			<b>9,638</b>	<b>3.88%</b>				<b>(21.28%)</b>		<b>(9.85%)</b>			<b>0.67%</b>	<b>10.70%</b>	<b>1.67%</b>	<b>18.91%</b>	<b>2.84%</b>	<b>18.91%</b>

Note 1. FTDs calculated with a new double zero preference.  
 Note 2. New vanilla bond portfolio structured as a Governance Linked Bond.  
 Note 3. Coupon adjustment applied over 2025-2027. For series maturing between 2033 and 2038, MLB coupons will level to their original level from 2025 onwards.

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