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Ministry of Finance, Economic Stabilization & National Policies

Update to Creditors



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Sri Lankan Authorities Already Took Measures to Tackle the Unprecedented Crisis the Country is Facing

The Authorities have decisively reacted to the crisis, taking a series of challenging decisions aiming at restoring macroeconomic stability as promptly as possible



Engaging with the International Monetary Fund to Secure a Program¹



Implementing an Interim Debt Policy to Preserve Liquidity



Hiring Financial and Legal Advisors

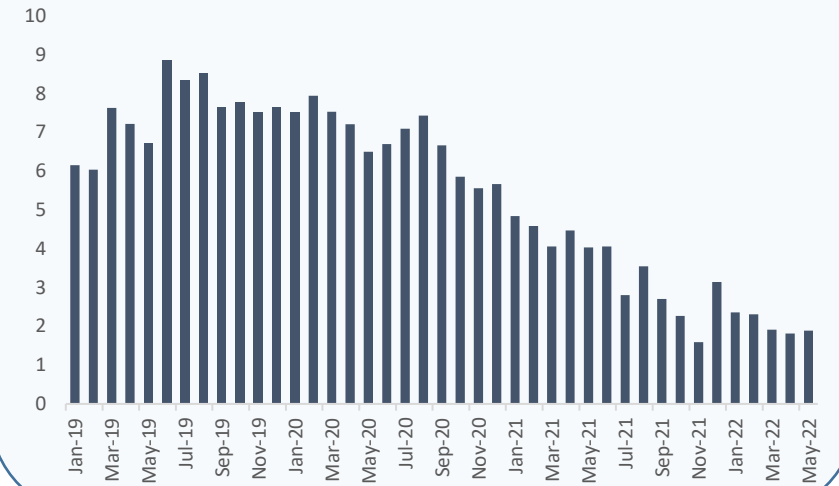


Initiating the Design of an Economic Reform Program



Engaging with Bilateral Creditors, Notably to Secure Emergency Liquidity Credit Lines

CBSL's FX Reserve Holdings² (in USDbn)



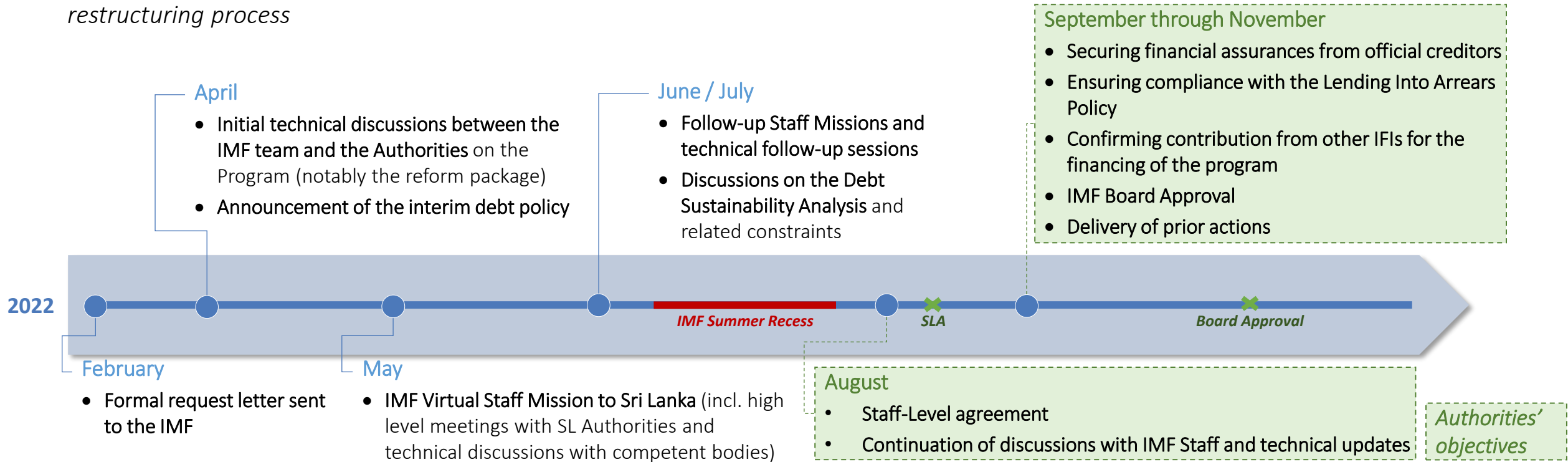
Source: Central Bank of Sri Lanka

Note: (1) Supported under the Extend Fund Facility ("EFF"), (2) Liquid reserves remain at significantly low level at present



Where do we Stand in the Discussions with the IMF? – *Update on the Process*

From the outset of the crisis, Sri Lanka called upon the IMF to provide financing to tackle the severe liquidity crisis and catalyze the restructuring process



▶ Sri Lanka is currently in active negotiations of a realistic macro-economic and fiscal framework with the IMF. This should lead to a Staff-Level Agreement in the coming weeks that will unlock the necessary financing to address the liquidity needs the country is currently facing



As per the Debt Sustainability Analysis Conducted by the IMF, Sri Lanka's Public Debt Has Reached Unsustainable Levels – *End-2021 Debt Stock*¹

Public Debt stood at 114% of GDP as at end 2021, of which 47% was denominated in foreign currency

| <i>In USDbn equiv.</i> | Foreign Currency | Local Currency | Total | |
|---|------------------|----------------|--------------|-----------------------|
| | Total | Total | USDbn | % of GDP ² |
| Central Government Debt | 38.9 | 50.5 | 89.4 | 101.3% |
| Multilateral | 9.5 | | 9.5 | 10.7% |
| Bilateral | 9.6 | | 9.6 | 10.9% |
| Private³ | 19.8 | 46.2 | 66.0 | 74.8% |
| Bonded | 15.3 | 46.1 | 61.4 | 69.6% |
| Non-bonded | 4.5 | 0.1 | 4.6 | 5.2% |
| CBSL | | 4.3 | 4.3 | 4.9% |
| Guaranteed SOEs Debt | 5.4 | 3.1 | 8.5 | 9.6% |
| Multilateral | 0.5 | | 0.5 | 0.5% |
| Bilateral | 0.3 | | 0.3 | 0.4% |
| Commercial (incl. SOE debt) | 4.6 | 3.1 | 7.7 | 8.7% |
| Central Bank of Sri Lanka's Debt | 3.0 | - | 3.0 | 3.4% |
| Multilateral | 1.3 | | 1.3 | 1.4% |
| Bilateral⁴ | 1.8 | | 1.8 | 2.0% |
| TOTAL | 47.3 | 53.6 | 100.9 | 114.4% |



Source: Ministry of Finance

Note: (1) The debt stock showcased reflects the DSA coverage currently contemplated by the Authorities, (2) Assuming a 2021 nominal GDP of 17.69trn LKR, (3) Includes ECA-backed facilities, (4) Bilateral swap lines with the People's Bank of China and the Bank of Bangladesh included in the IMF DSA Perimeter

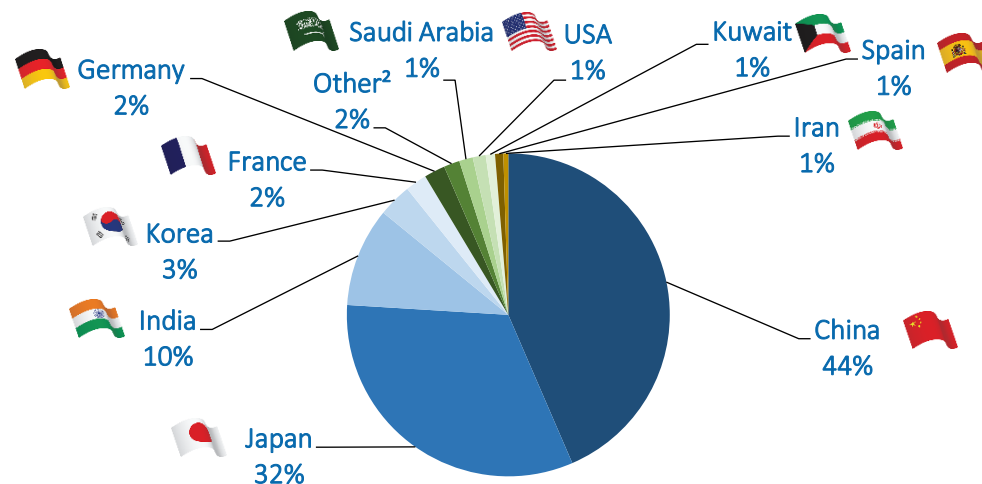
Sri Lanka's External Public Debt Includes a Wide Range of Bilateral Creditors

Central Government and Guaranteed SOEs' external public debt has a broad variety of bilateral creditors, for USD 10bn in overall bilateral debt

Who holds Sri Lanka's bilateral debt¹?

In %

Overall Bilateral debt (ca. USD 10 bn, including USD 0.3bn Guaranteed SOEs bilateral debt)



Key metrics of Sri Lanka's CG existing debt³

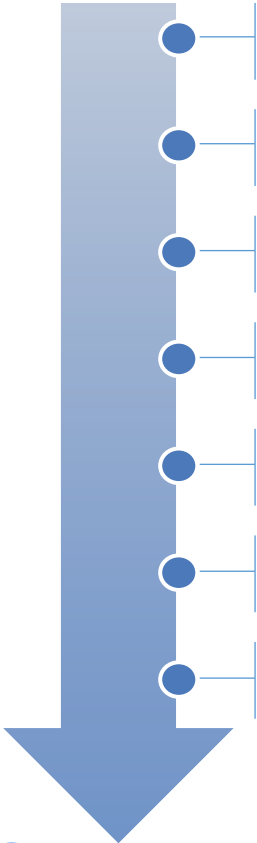
| Terms | FX Denominated Debt | LC Denominated Debt | Overall |
|---------------------------|---------------------|---------------------|------------|
| Weighted Average Maturity | 6.68 years | 3.86 years | 5.66 years |
| Average Interest Rate | 2.9% | 9.3% | 4.8% |



Note: (1) Central Government and Guaranteed SOEs external bilateral debt, (2) "Other" includes Russia, Hungary, Sweden, Canada, Australia and Pakistan, (3) Total CG Existing Debt as of end 2021

Next Steps

Although the process is highly dependent on the progress of an IMF program, the country has a clear view on the next steps in the restructuring process

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- ▶ Finalize discussions with the IMF to reach Staff-Level Agreement
 - ▶ Public Investor Presentation to update creditors on economic situation and process
 - ▶ Continue engagement with creditors and sharing of information
 - ▶ Continue engagement with creditors in order to obtain financing assurances
 - ▶ Reach IMF Board Approval and unlock additional much-needed multilateral financings
 - ▶ Negotiations of debt treatment with creditors included in the restructuring perimeter
 - ▶ Execution of the restructuring agreements

