

## IMPORTANT NOTICE

**THIS INVITATION TO EXCHANGE IS AVAILABLE ONLY TO REGISTERED OWNERS OF ELIGIBLE BONDS (AS DEFINED BELOW) (i) THAT ARE SUPERANNUATION FUNDS (AS DEFINED BELOW) OR (ii) THAT ARE OTHERWISE ACCEPTED AS REGISTERED OWNERS OF ELIGIBLE BONDS BY THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA, AT ITS SOLE DISCRETION, TO PARTICIPATE IN THIS INVITATION TO EXCHANGE ("ELIGIBLE HOLDERS"). FOR THE AVOIDANCE OF DOUBT, INDIVIDUAL INVESTORS (AS DEFINED BELOW) ARE NOT ELIGIBLE HOLDERS.**

An "**Individual Investor**" is a natural person that is the legal owner of record of Eligible Bonds and will not be eligible to participate in the Invitation to Exchange.

A "**Superannuation Fund**" is an employees' trust fund, an approved provident fund or a pension fund, or an approved termination fund within the meaning of the Inland Revenue Act, No. 24 of 2017 (as amended).

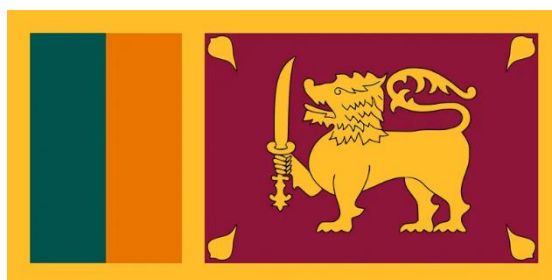
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Nothing in this document constitutes an offer of securities for sale in any other jurisdiction apart from Sri Lanka. Any securities to be offered or sold have not been, and will not be, registered under the securities laws of any state or any other jurisdiction.

Each version of the Exchange Memorandum as attached hereto will be available on the website of the Ministry of Finance, Economic Stabilization and National Policies ([www.treasury.gov.lk/web/ddo](http://www.treasury.gov.lk/web/ddo)).

In order to be able to view the attached document or make an investment decision with respect to the Invitation to Exchange described therein, investors must be an Eligible Holder.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession the attached document may be lawfully delivered and you may not nor are you authorised to deliver the attached document, electronically or otherwise, to any other person. If you receive the attached document by e-mail, your use of the e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



**THE DEMOCRATIC SOCIALIST REPUBLIC OF  
SRI LANKA  
EXCHANGE MEMORANDUM**

**Invitation to Exchange the Treasury Bonds of the Democratic Socialist Republic of Sri Lanka Specified Below under "*The Eligible Bonds*" (the "**Eligible Bonds**") for New Treasury Bonds of the Democratic Socialist Republic of Sri Lanka (the "**New Bonds**").**

The Invitation to Exchange (as defined below) will expire at 4:00 p.m. (IST) on 25 July 2023 (such time and date, as may be extended or earlier terminated by the Republic at its sole discretion with respect to each series of Eligible Bonds, the "**Expiration Date**"). Eligible Holders (as defined below) who validly deliver an Offer or Exchange Instruction (as defined below) on or before the Expiration Date will be eligible to receive on the Settlement Date (as defined below) the applicable principal amount of New Bonds. Offers may not be revoked or withdrawn at any time. The Republic reserves the right to extend the Expiration Date with respect to one or more series of Eligible Bonds at its sole discretion.

The Democratic Socialist Republic of Sri Lanka ("**Sri Lanka**" or the "**Republic**") is hereby inviting Eligible Holders to submit Offers (as defined below) to exchange their Eligible Bonds for New Bonds of the Republic on the terms and subject to the conditions described herein (the "**Invitation to Exchange**"). For the list of the Eligible Bonds, see "*The Eligible Bonds*" below. For a detailed description of the financial terms of the New Bonds, see "*Financial Terms of the New Bonds*" below.

Eligible Holders whose validly submitted Offers are accepted by the Republic will receive on the Settlement Date principal amounts of New Bonds calculated with the following consideration ratios (the "**Exchange Consideration Ratios**") per applicable principal amount of Eligible Bonds tendered:

<i>Exchange Consideration Ratios of New Bonds in Exchange for Each Eligible Bond Tendered</i>			
<b>New 2027 Bond</b>	<b>New 2028 Bond</b>	<b>New 2029 Bond</b>	<b>New 2030 Bond</b>
1/12	1/12	1/12	1/12
<b>New 2031 Bond</b>	<b>New 2032 Bond</b>	<b>New 2033 Bond</b>	<b>New 2034 Bond</b>
1/12	1/12	1/12	1/12
<b>New 2035 Bond</b>	<b>New 2036 Bond</b>	<b>New 2037 Bond</b>	<b>New 2038 Bond</b>
1/12	1/12	1/12	1/12

04 July 2023

## **RESPONSIBILITY STATEMENT**

The Republic accepts responsibility for the information contained in this Exchange Memorandum.

To the best of the knowledge and belief of the Republic, the information contained in this Exchange Memorandum is true and accurate in every material respect and is not misleading in any material respect.

## **IMPORTANT NOTICE**

No person has been authorised to give any information or to make any representation other than those contained in this Exchange Memorandum in connection with the Invitation to Exchange and any offering of the Eligible Bonds under this Invitation to Exchange and, if given or made, such information or representation must not be relied upon as having been authorised by the Republic. Neither the delivery of this Exchange Memorandum nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Republic since the date hereof.

This Exchange Memorandum may only be used for the purpose for which it has been published. This Exchange Memorandum does not constitute an offer of, or an invitation by, or on behalf of, the Republic to tender Eligible Bonds or to subscribe for, exchange or purchase, any of the New Bonds in any other jurisdiction.

Neither this Exchange Memorandum nor any other information supplied in connection with the Invitation to Exchange or any New Bonds is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Republic that any recipient of this Exchange Memorandum should tender offers in connection with Eligible Bonds. Each investor contemplating tendering its Eligible Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Republic and the implications of accepting the Invitation to Exchange in respect of its holdings of Eligible Bonds.

The Invitation to Exchange is made solely to Eligible Holders and is made pursuant to the RSSO and the Regulations. The Invitation to Exchange was authorised by a resolution of The Parliament of Sri Lanka dated 1 July 2023.

This Exchange Memorandum does not constitute, and may not be used for or in connection with, an offer to sell or the solicitation of an offer to buy or exchange any securities whether in the Republic or in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Exchange Memorandum and the Invitation to Exchange are restricted to the territory of the Republic. The distribution of this Exchange Memorandum and the Invitation to Exchange may be restricted by law in certain jurisdictions. The Republic does not represent that this Exchange Memorandum may be lawfully distributed, or that any securities described herein may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or assume any responsibility for facilitating any such distribution or offer, or that all actions have been taken by the Republic which would permit the Invitation to Exchange or distribution of this Exchange Memorandum in any jurisdiction where action for that purpose is required.

Each Eligible Holder must, when submitting an Offer in relation to its Eligible Bonds pursuant to the Invitation to Exchange, make certain required representations and agreements as set out in this Exchange Memorandum.

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**LETTER FROM THE MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND  
NATIONAL POLICIES OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**

04 July 2023

**To:** Superannuation Funds and other Eligible Holders

**Re:** Domestic debt invitation to exchange (Invitation to Exchange).

On behalf of the Government of the Democratic Socialist Republic of Sri Lanka (Republic) I wish to set out the background to a domestic debt optimisation programme, of which this Invitation to Exchange forms part, that will allow our country to restore sovereign debt sustainability following the ongoing economic and humanitarian crisis. The invitation to exchange certain domestic treasury bonds issued by the Republic (collectively, the Eligible Bonds) for new domestic treasury bonds of the Republic is made in terms of the Registered Stock and Securities Ordinance, No. 7 of 1937 (as amended) and regulations issued thereunder. The details of the Invitation to Exchange are provided in this Exchange Memorandum.

The Invitation to Exchange is an arrangement through which Eligible Holders of Eligible Bonds can submit their holdings of Eligible Bonds governed by Sri Lankan law and denominated in Sri Lankan Rupees for a basket of new Treasury bonds to be issued by the Republic with the same aggregate principal amount but extended average maturity compared with the Eligible Bonds. The interest rate has been calibrated to maintain existing returns in the first years and will step down afterwards as inflation pressure abates. The structure was designed to provide a positive projected real return for beneficiaries of the Superannuation Funds in the medium-term whilst being mindful of the need to reduce the Republic's gross financing needs and close the financing gap.

This transaction is a vital element of the measures which, together with economic reform programme, we are undertaking consistent with the Extended Fund Facility agreed with the International Monetary Fund (the IMF) (the IMF Programme) in March 2023.

In the 75 years of the Republic's independence, there has never been a more critical period for our economic wellbeing and future development. That is why we have introduced a robust reform agenda aimed at achieving sovereign debt sustainability, strengthening governance, widening the social safety nets supporting the most vulnerable and ensuring we can grow an inclusive economy attractive to international business. This is how we will improve the lives of our people and ensure they are first in line to benefit from improvements in our economic conditions.

The IMF's debt sustainability analysis has determined the Republic's public debt to be unsustainable and the IMF Programme is critical to achieving our vision for our country. Hence, this new era starts with the full implementation of IMF Programme and the resolution of our external debt situation with our external official and commercial creditors.

However, in addition to the resolution of the Republic's external public debt situation, a domestic public debt optimisation – of which this Invitation to Exchange is one element – is necessary to, among other things, bring down the Republic's gross financing needs and restore long-term sovereign debt sustainability.

The successful completion of this domestic debt optimisation is a critical component of both the debt resolution programme and the IMF Programme; it will contribute to unlocking the support of the Republic's external creditors and will allow the Republic to reach debt targets agreed with the IMF. We need the full participation of the Superannuation Funds in accordance with the Participation Threshold (as defined in the Exchange Memorandum) in order to achieve these goals and I therefore urge you to give it your full consideration.

Whilst the Invitation to Exchange is directed primarily at the Superannuation Funds, other Eligible Holders may submit Offers which the Republic will consider on a case-by-case basis. Acceptance of any such offers

will be at the sole discretion of the Republic. All valid Offers made by a Superannuation Fund necessary to achieve its Participation Threshold will be accepted.

On behalf of the Government of Sri Lanka, I request for your full support for this Invitation to Exchange.

Yours sincerely,

Sgd. Ranil Wickremesinghe

Minister for Finance, Economic Stabilisation and National Policies  
Democratic Socialist Republic of Sri Lanka

## THE ELIGIBLE BONDS

The following tables set forth the series of Eligible Bonds subject to the Invitation to Exchange (collectively, the "Eligible Bonds").

ISIN No.	Series Name	Maturity Date	Outstanding Principal Amount (Rs. Mn) as at 28 June 2023	
1.	LKB01123I017	09.00%2023A	1 September 2023	87,232.36
2.	LKB01023I019	11.20%2023A	1 September 2023	99,881.32
3.	LKB02023J016	07.00%2023A	1 October 2023	223,221.57
4.	LKB00323K150	06.30%2023A	15 November 2023	180,593.29
5.	LKB00523L153	11.60%2023A	15 December 2023	91,968.82
6.	LKB01024A014	11.40%2024A	1 January 2024	102,434.80
7.	LKB00524C150	10.90%2024A	15 March 2024	181,860.19
8.	LKB00224E013	22.50%2024A	1 May 2024	85,762.20
9.	LKB00524F153	10.25%2024A	15 June 2024	208,031.99
10.	LKB00824H013	11.00%2024A	1 August 2024	217,515.94
11.	LKB00524I157	09.85%2024A	15 September 2024	195,596.52
12.	LKB00224K150	22.00%2024A	15 November 2024	19,450.13
13.	LKB01024L011	06.00%2024A	1 December 2024	184,028.25
14.	LKB00325A156	22.50%2025A	15 January 2025	86,055.83
15.	LKB01025C157	10.25%2025A	15 March 2025	168,878.71
16.	LKB01225E019	09.00%2025A	1 May 2025	162,441.03
17.	LKB00425F013	17.00%2025A	1 June 2025	187,228.70
18.	LKB00325G013	18.00%2025A	1 July 2025	278,248.43
19.	LKB01025H016	11.00%2025A	1 August 2025	175,069.23
20.	LKB00825J156	10.35%2025A	15 October 2025	159,907.69
21.	LKB00526A159	06.75%2026A	15 January 2026	183,879.61
22.	LKB01326B011	09.00%2026A	1 February 2026	184,851.11
23.	LKB01526C014	05.35%2026A	1 March 2026	240,730.29
24.	LKB00426E154	22.50%2026A	15 May 2026	243,874.22
25.	LKB01226F014	11.00%2026A	1 June 2026	112,998.23
26.	LKB01026H014	11.50%2026A	1 August 2026	126,237.00
27.	LKB01026L206	05.00%2026A	20 December 2026	9,142.22
28.	LKB00827A151	11.40%2027A	15 January 2027	186,686.77
29.	LKB00527E019	18.00%2027A	1 May 2027	237,716.15
30.	LKB01027F156	11.75%2027A	15 June 2027	271,017.63
31.	LKB01027G212	11.00%2027A	21 July 2027	5,000.00
32.	LKB00827H156	07.80%2027A	15 August 2027	127,756.57
33.	LKB00527I150	20.00%2027A	15 September 2027	230,992.78
34.	LKB00827J152	10.30%2027A	15 October 2027	237,115.24
35.	LKB01027L154	11.25%2027A	15 December 2027	158,167.25
36.	LKB00628A153	18.00%2028A	15 January 2028	152,383.00
37.	LKB01028C151	10.75%2028A	15 March 2028	155,500.00
38.	LKB01528E016	09.00%2028B	1 May 2028	167,620.78
39.	LKB01628G019	09.00%2028A	1 July 2028	191,134.20
40.	LKB01528I017	11.50%2028A	1 September 2028	283,068.43
41.	LKB01529A012	13.00%2029A	1 January 2029	114,804.31
42.	LKB01529E014	13.00%2029B	1 May 2029	109,785.34
43.	LKB00729G156	20.00%2029A	15 July 2029	96,240.62
44.	LKB01530E152	11.00%2030A	15 May 2030	164,702.00
45.	LKB01231C151	11.25%2031A	15 March 2031	223,255.00
46.	LKB00931E153	18.00%2031A	15 May 2031	131,637.27
47.	LKB01031L016	12.00%2031A	1 December 2031	97,799.52
48.	LKB02032A016	08.00%2032A	1 January 2032	242,596.66
49.	LKB01032G014	18.00%2032A	1 July 2032	194,458.24
50.	LKB02032J017	09.00%2032A	1 October 2032	108,292.85
51.	LKB01533A154	11.20%2033A	15 January 2033	238,900.00
52.	LKB02033F013	09.00%2033A	1 June 2033	101,455.90
53.	LKB02033G011	13.25%2033A	1 July 2033	23,511.76
54.	LKB02033K013	09.00%2033B	1 November 2033	20,008.84
55.	LKB02034A012	13.25%2034A	1 January 2034	77,858.98
56.	LKB01534I155	10.25%2034A	15 September 2034	45,000.00
57.	LKB02035C155	11.50%2035A	15 March 2035	124,565.00
58.	LKB02039H156	10.50%2039A	15 August 2039	25,000.00
59.	LKB02541A016	12.00%2041A	1 January 2041	29,885.00
60.	LKB03043F011	09.00%2043A	1 June 2043	33,809.25
61.	LKB03044A010	13.50%2044A	1 January 2044	10,969.85
62.	LKB03044F019	13.50%2044B	1 June 2044	77,861.76
63.	LKB03045C013	12.50%2045A	1 March 2045	10,058.00
<b>Total:</b>			<b>8,903,734.63</b>	

### FINANCIAL TERMS OF THE NEW BONDS

*The table set forth below presents a summary description of key financial terms of the New Bonds, and should be read in conjunction with the more detailed description of the bonds appearing elsewhere in this Exchange Memorandum. You should refer to "Terms and Conditions of the Invitation to Exchange" to determine your allocation of New Bonds.*

New Bonds	Interest Rate	Interest Payment Dates	Maturity Date	Principal Repayment
New 2027 Bond	From, and including the Settlement Date, to but excluding 15 March 2026: 12.0%  From, and including 15 March 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 March and 15 September of each year	15 March 2027	Bullet repayment
New 2028 Bond	From, and including the Settlement Date, to but excluding 15 April 2026: 12.0%  From, and including 15 April 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 April and 15 October of each year	15 April 2028	Bullet repayment
New 2029 Bond	From, and including the Settlement Date, to but excluding 15 May 2026: 12.0%  From, and including 15 May 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 May and 15 November of each year	15 May 2029	Bullet repayment
New 2030 Bond	From, and including the Settlement Date, to but excluding 15 June 2026: 12.0%  From, and including 15 June 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 June and 15 December of each year	15 June 2030	Bullet repayment
New 2031 Bond	From, and including the Settlement Date, to but excluding 15 January 2026: 12.0%  From, and including 15 January 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 January and 15 July of each year	15 January 2031	Bullet repayment



<b>New Bonds</b>	<b>Interest Rate</b>	<b>Interest Payment Dates</b>	<b>Maturity Date</b>	<b>Principal Repayment</b>
New 2032 Bond	From, and including the Settlement Date, to but excluding 15 February 2026: 12.0%  From, and including 15 February 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 February and 15 August of each year	15 February 2032	Bullet repayment
New 2033 Bond	From, and including the Settlement Date, to but excluding 15 March 2026: 12.0%  From, and including 15 March 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 March and 15 September of each year	15 March 2033	Bullet repayment
New 2034 Bond	From, and including the Settlement Date, to but excluding 15 April 2026: 12.0%  From, and including 15 April 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 April and 15 October of each year	15 April 2034	Bullet repayment
New 2035 Bond	From, and including the Settlement Date, to but excluding 15 May 2026: 12.0%  From, and including 15 May 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 May and 15 November of each year	15 May 2035	Bullet repayment
New 2036 Bond	From, and including the Settlement Date, to but excluding 15 June 2026: 12.0%  From, and including 15 June 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 June and 15 December of each year	15 June 2036	Bullet repayment
New 2037 Bond	From, and including the Settlement Date, to but excluding 15 January 2026: 12.0%	Semi-annual payments, on 15 January and 15 July of each year	15 January 2037	Bullet repayment

<b>New Bonds</b>	<b>Interest Rate</b>	<b>Interest Payment Dates</b>	<b>Maturity Date</b>	<b>Principal Repayment</b>
	From, and including 15 January 2026, to but excluding the Maturity Date: 9.0%			
New 2038 Bond	From, and including the Settlement Date, to but excluding 15 February 2026: 12.0%  From, and including 15 February 2026, to but excluding the Maturity Date: 9.0%	Semi-annual payments, on 15 February and 15 August of each year	15 February 2038	Bullet repayment

## TRANSACTION TIMETABLE

The following summarises the anticipated time schedule for the Invitation to Exchange, assuming, among other things, that the Republic does not extend the Expiration Date or terminate Invitation to Exchange early. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Exchange Memorandum. All references are to Indian Standard Time (IST) unless otherwise noted. Eligible Holders of the Eligible Bonds should inform themselves of any earlier deadlines that may be imposed by any intermediaries, which may affect the timing of the submission of an Offer or Exchange Instruction.

<b>Date</b>	<b>Action</b>
04 July 2023 .....	<i>Launch Date</i>  On this date the Republic will distribute this Exchange Memorandum describing the terms of the Invitation to Exchange. Eligible Holders may submit Offers.
04 July 2023 to 25 July 2023.....	<i>Invitation Period (unless extended or earlier terminated)</i>  The Invitation is open during this period.
07 July 2023 at 10:00 a.m. (IST).....	<i>Presentation</i>  Presentation to Superannuation Funds regarding the Invitation to Exchange.
25 July 2023 at 4:00 p.m. (IST).....	<i>Expiration Date</i>  Deadline for Eligible Holders to submit Offers.
On or about 28 July 2023 .....	<i>Announcement Date</i>  Announcement of acceptance of Offers by the Republic via Dealer Direct Participants and in local newspapers.
31 July 2023 .....	<i>Settlement Date</i>  Registrar takes steps to debit Eligible Bonds from CDS securities accounts of Eligible Holders whose Offers have been accepted. MOF shall also issue the New Bonds to such Eligible Holders by way of credit to their respective CDS securities accounts.

## TERMS AND CONDITIONS OF THE OFFER TO EXCHANGE

### General

The Republic, acting through its Ministry of Finance, Economic Stabilization and National Policies, invites Eligible Holders (as defined below) holding Eligible Bonds to submit Offers to exchange Eligible Bonds for New Bonds in this Invitation to Exchange on the terms and conditions set out in this section and in this Exchange Memorandum generally.

The Invitation to Exchange is made to registered owners of Eligible Bonds (i) that are Superannuation Funds or (ii) that are otherwise accepted by the Republic, at its sole discretion, to participate in this Invitation to Exchange (each an "**Eligible Holder**"). For the avoidance of doubt, Individual Investors are not Eligible Holders. An "**Individual Investor**" is a natural person that is the legal owner of record of Eligible Bonds and will not be eligible to participate in the Invitation to Exchange.

It is the responsibility of each owner of Eligible Bonds, and not of the Republic or its agents, to determine its eligibility as an Eligible Holder (or request that the Republic accepts it as such) and whether it is an Individual Investor. If the Republic determines that an owner that submits an Offer or Exchange Instruction is an Individual Investor, the Republic may, in its sole discretion, reject such Offer.

Each owner of Eligible Bonds delivering Offers will represent and warrant, among others set forth under "*Representations, Warranties and Covenants Made by Eligible Holders Submitting Offers*" in this section, that it (i) has full power and authority to deliver such Offer, (ii) has not relied on the Registrar in connection with its investigation of the accuracy of the information contained in this Exchange Memorandum, and (iii) acknowledges that the information contained in this Exchange Memorandum has not been independently verified by the Registrar and has been provided by the Republic and other sources that the Republic deems reliable. Use of this Exchange Memorandum for any other purpose is not authorised.

### Purpose of this Invitation to Exchange

On 20 March 2023, the International Monetary Fund (the "**IMF**") approved a U.S.\$3 billion extended fund facility ("**EFF**") for the Republic (the "**IMF Programme**").

The purpose of this Invitation to Exchange is to enable the Republic to reduce the cost and lengthen the maturity of certain of its debt instruments in furtherance of the objective of restoring sovereign debt sustainability consistent with the IMF Programme. A successful Invitation to Exchange, in which each Superannuation Fund makes successful Offers to exchange 100% of its holding of Eligible Bonds maturing between 2024 and 2032 (inclusive) and not less than 50% of its holding of Eligible Bonds maturing in 2023 outstanding on the business day prior to the Launch Date, will be a critical element in securing ongoing access to borrowing facilities granted to the Republic by the IMF and borrowing facilities expected to be granted to the Republic by other multilateral lenders.

### Terms and conditions of Invitation to Exchange

The Invitation to Exchange is made subject to the terms and conditions set out in this section and this Exchange Memorandum generally.

All Eligible Holders submitting Offers shall be considered to have accepted the terms and conditions of this Invitation to Exchange that are set out in this section and this Exchange Memorandum generally.

### Offers generally

Eligible Holders should analyse the implications of making or not making an Offer by reference to the legal, tax, financial, regulatory, accounting and related aspects of such Offer.

Eligible Holders who respond by submitting Eligible Bonds for exchange for New Bonds will be making an Offer to the Republic which the Republic may or may not accept. All such Offers must be made in accordance with the procedures set out in Appendix 1 of this Exchange Memorandum.

Receipt by the Republic (or the Registrar on its behalf) of any Offer does not constitute acceptance of such Offer by the Republic, nor does such receipt constitute any representation or warranty by either the Republic

or the Registrar as to the validity or completeness of any Offer made by an Eligible Holder, or that the Offer will be accepted.

### **Eligible Bonds**

Only the Eligible Bonds that are listed under "*Eligible Bonds*" in this Exchange Memorandum (the "**Eligible Bonds**") are eligible for exchange for New Bonds in this Invitation to Exchange.

Under "*Financial Terms of the New Bonds*" elsewhere in this Exchange Memorandum the Republic sets out the key financial terms of the New Bonds.

The Eligible Bonds eligible for, and subject to, this Invitation to Exchange are in scripless form as Scripless Treasury Bonds.

### **Amount of New Bonds Received in respect of the Eligible Bonds**

Eligible Holders whose validly submitted Offers are accepted by the Republic will receive on the Settlement Date the following principal amounts of New Bonds due 2027 (the "**New 2027 Bonds**"), New Bonds due 2028 (the "**New 2028 Bonds**"), New Bonds due 2029 (the "**New 2029 Bonds**"), New Bonds due 2030 (the "**New 2030 Bonds**"), New Bonds due 2031 (the "**New 2031 Bonds**"), New Bonds due 2032 (the "**New 2032 Bonds**"), New Bonds due 2033 (the "**New 2033 Bonds**"), New Bonds due 2034 (the "**New 2034 Bonds**"), New Bonds due 2035 (the "**New 2035 Bonds**"), New Bonds due 2036 (the "**New 2036 Bonds**"), New Bonds due 2037 (the "**New 2037 Bonds**"), and New Bonds due 2038 (the "**New 2038 Bonds**" and, together with the New 2027 Bonds, New 2028 Bonds, New 2029 Bonds, New 2030 Bonds, New 2031 Bonds, New 2032 Bonds, New 2033 Bonds, New 2034 Bonds, New 2035 Bonds, New 2036 Bonds and New 2037 Bonds, the "**New Bonds**") calculated with the following Exchange Consideration Ratios per applicable principal amount of Eligible Bonds tendered:

<i>Exchange Consideration Ratios of New Bonds in Exchange for Each Eligible Bond Tendered</i>			
<b>New 2027 Bond</b>	<b>New 2028 Bond</b>	<b>New 2029 Bond</b>	<b>New 2030 Bond</b>
1/12	1/12	1/12	1/12
<b>New 2031 Bond</b>	<b>New 2032 Bond</b>	<b>New 2033 Bond</b>	<b>New 2034 Bond</b>
1/12	1/12	1/12	1/12
<b>New 2035 Bond</b>	<b>New 2036 Bond</b>	<b>New 2037 Bond</b>	<b>New 2038 Bond</b>
1/12	1/12	1/12	1/12

The principal amount of New Bonds issued to an Eligible Holder will be rounded to the nearest LKR 1.00.

All calculations by the Republic will be final and binding on Eligible Holders save in the event of manifest error.

Offers to exchange any of the Eligible Bonds may only be submitted in a minimum principal amount of LKR1.00 and integral multiples of LKR1.00 in excess thereof. Any New Bonds to be issued to any Eligible Holder in the Invitation to Exchange will be in a minimum principal amount of LKR1.00 and integral multiples of LKR1.00 thereof.

### **Amendment and Extension of this Invitation to Exchange by the Republic**

The Republic reserves the right to amend any of the terms and conditions set out in this section or to terminate this Invitation to Exchange at any time, **provided that** any such amendment shall not, in the sole discretion of the Republic, be materially adverse to the interests of some or all Eligible Holders. The Republic shall endeavour to notify Eligible Holders of any such amendments or termination promptly, by way of press release or a notice published on the MOF Website, communicated via Dealer Direct Participants and published in local newspapers, in each case as promptly as practicable.

These amendment rights of the Republic shall include, but shall not be limited to, the rights to act in its sole discretion in order to:

- (1) amend the coupon, maturity, or other commercial features of any or all the New Bonds, on a series by series basis or generally;
- (2) amend, shorten or extend any date set out in the transaction timetable for this Invitation to Exchange (including with respect to one or more series of Eligible Bonds), or make provision for additional settlement dates or the period of this Invitation to Exchange generally;
- (3) determine any person that can participate in this Invitation to Exchange as an Eligible Holder;
- (4) amend the procedures for making Offers;
- (5) waive any defect in any Offer submitted by an Eligible Holder, or grant any exceptions to the terms and conditions set out in this section or the procedures for making Offers set out in Appendix 1, either on a case by case basis or generally;
- (6) determine whether to accept or reject any Offer made by an Eligible Holder;
- (7) amend the procedures for the making of Offers by Eligible Holders;
- (8) amend the procedures for the receipt, acceptance and settlement of Offers, including the receipt, acceptance and settlement of late Offers;
- (9) include or exclude any series of Eligible Bonds from this Invitation to Exchange; or
- (10) amend the terms and conditions set out in this section, or the procedures for making Offers set out in Appendix 1.

#### **Blocking, Debit and Disclosure Instructions**

By submitting an Offer or Exchange Instruction, Eligible Holders consent to the Registrar and, where applicable, the relevant Dealer Direct Participants or Custodian:

- blocking any attempt to transfer an owner's Eligible Bonds prior to the Settlement Date or the termination of the Invitation to Exchange;
- debiting an owner's account on the Settlement Date in respect of all of an owner's Eligible Bonds, or in respect of such lesser portion of an owner's Eligible Bonds as are accepted for exchange by the Republic; and
- disclosing to the Republic and its financial and legal advisors any information that CDS maintains regarding the applicable CDS securities account holder and the legal and beneficial owners of the Eligible Bonds being tendered.

#### **Extension of Settlement Date and Longstop Date**

The Republic reserves the right to extend the Settlement Date of this Invitation to Exchange (including with respect to one or more series of Eligible Bonds), **provided that** such extended Settlement Date is not later than 31 August 2023 (the "**Longstop Date**"). The Republic may extend the Settlement Date beyond such Longstop Date and designate a new Longstop Date.

#### **Accrued Interest**

Eligible Holders holding a series of Eligible Bonds in respect of which an interest payment date will occur in the period after such Eligible Holder submits an Offer or Exchange Instruction, but before the Settlement Date, will receive a payment of accrued and unpaid interest, on the usual interest payment date.

Eligible Holders who submit successful Offers in respect of Eligible Bonds will receive an amount equal to interest accrued and unpaid up to (but excluding) the Settlement Date on such Eligible Bonds, net of any applicable withholding taxes, on the Settlement Date.

All calculations made in respect of principal and interest due on Eligible Bonds made by the Republic shall, in the absence of manifest error, be final and binding.

#### **Expiration Date for Offers**

Offers may be made by Eligible Holders after the Launch Date. All such Offers must be delivered by 4:00p.m. (IST) on the Expiration Date. The Republic may in its sole discretion extend the Expiration Date (including for one or more series of Eligible Bonds).

The deadlines set by any Dealer Direct Participant or Custodians to Eligible Holders will be earlier than the Expiration Date.

#### **Acceptance of Offers by the Republic and No Revocation Rights**

All Offers made by Eligible Holders are irrevocable.

Whilst the Invitation to Exchange is directed primarily at the Superannuation Funds, other Eligible Holders may submit Offers which the Republic will consider on a case-by-case basis. The Republic shall, in its sole discretion, determine whether to accept or reject any such Offer, without any obligation to provide its reasons for doing so. All valid Offers made by a Superannuation Fund necessary to achieve its Participation Threshold will be accepted.

In the event that any Offer is rejected, the relevant Eligible Holder will no longer be blocked from transferring the relevant Eligible Bonds.

#### **Presentation to Superannuation Funds**

The Republic intends to give a virtual presentation on the Invitation to Exchange to Superannuation Funds on 07 July 2023 at 10:00 a.m. (IST).

You can register for the presentation [here](#).

#### **Announcement of Results of Invitation to Exchange**

The Republic intends to announce the result of this Invitation to Exchange on the Announcement Date.

#### **Representations, Warranties and Covenants to be Made by Eligible Holders Submitting Offers**

In addition to the other representations, warranties and covenants contained elsewhere in this Exchange Memorandum, in the Offer or Exchange Instruction each Eligible Holder shall make the following representations, warranties and covenants to the Republic:

- (1) the Eligible Holder is or will be the legal owner of record of the Eligible Bonds by the Settlement Date, with full power and authority to make the Offer in respect of Eligible Bonds for the purposes of this Invitation to Exchange;
- (2) the Eligible Holder is not an Individual Investor;
- (3) the Eligible Holder is a Superannuation Fund or is otherwise seeking to be accepted by the Republic as an Eligible Holder, at its sole discretion, to participate in this Invitation to Exchange;
- (4) the Eligible Holder has accepted the terms and conditions of this Invitation to Exchange set out in this section and in the Exchange Memorandum generally;
- (5) there are no liens, pledges, charges, security interest, encumbrances, or similar restrictions (for the purposes of this paragraph only, "**restrictions**") on the Eligible Bonds that are the subject of the Offer made by the Eligible Holder; or, if any such restrictions exist at the time the Offer is made, the Eligible Holder has made the necessary arrangements with any beneficiary of the restriction to either (i) remove the restriction at the time any Offer is made, so that the Eligible Bonds may be accepted by the Republic free of such restrictions but subject to the imposition of the restriction on the New Bonds issued in place of the Eligible Bonds by such Eligible Holder (or its custodian) or (ii) to fully discharge the restriction on or before the Settlement Date;

- (6) not to assign, pledge or otherwise transfer or trade in the Eligible Bonds from: (i), with regards to each Eligible Holder other than Designated Non-Dealer Bidders, the date on which an Offer or Exchange Instruction in respect of Eligible Bonds is sent by such Eligible Holder to a Dealer Direct Participant or Custodian; and (ii) with respect to Designated Non-Dealer Bidders, the date on which an Offer or Exchange Instruction in respect of Eligible Bonds is sent by such Designated Non-Dealer Bidder to the Registrar directly, until the earlier of the Settlement Date and the termination of the Invitation to Exchange;
- (7) (other than Designated Non-Dealer Bidders) consents to the blocking by the relevant Dealer Direct Participant or Custodian of any attempt to transfer such Eligible Holders' Eligible Bonds subject to the Offer, from the date on which an Offer or Exchange Instruction in respect of Eligible Bonds is sent by such Eligible Holder to a Dealer Direct Participant or Custodian until the Settlement Date or the termination of the Invitation to Exchange; and
- (8) the Eligible Holder agrees to disclose to the Republic and its financial and legal advisors any information that CDS maintains regarding the applicable CDS securities account holder, the legal and beneficial owner of the Eligible Bonds and the Eligible Bonds being tendered, and all the information included in the relevant instruction.

#### **Final settlement and delivery of New Bonds**

On the Settlement Date the Republic will issue the New Bonds to Eligible Holders whose Offers are accepted for credit to the account of such Eligible Holder in CDS.

Where Eligible Bonds are subject to any liens, pledges, charges, security interest, encumbrances, or similar restrictions (for purposes of this paragraph only, "**restrictions**") at CDS, the Eligible Holder who has made an Offer or Exchange Instruction to exchange such Eligible Bonds shall be considered to represent and warrant to the Republic that it has made the necessary arrangements with the party benefiting from the restriction, to release the restriction for the purposes of this Invitation to Exchange.

#### **Tax Treatment of Superannuation Funds following the Settlement Date**

In accordance with the Cabinet Decision dated 28 June 2023, any Superannuation Fund which does not submit successful Offers in response to this Invitation to Exchange which, in aggregate, relate to 100% of the relevant Superannuation Fund's holding of Eligible Bonds maturing between 2024 and 2032 (inclusive) and not less than 50% of its holding of Eligible Bonds maturing in 2023 outstanding on the business day prior to the Launch Date (the "**Participation Threshold**") may be subjected to a tax rate of 30 per cent on its taxable income, attributable from Treasury bond investments, applied from 01 October 2023.

All valid Offers made by a Superannuation Fund necessary to achieve its Participation Threshold will be accepted.

For the avoidance of doubt, meeting the Participation Threshold does not require Superannuation Funds to submit Offers in relation to any Eligible Bonds maturing after 2033 (inclusive) however Superannuation Funds are permitted to submit Offers in relation to such Eligible Bonds in any event (acceptance of any such Offers being at the discretion of the Republic).

The tax treatment of Superannuation Funds which do submit successful Offers at least equal to the Participation Threshold will remain unchanged.

#### **Accounting Treatment of New Bonds held by Superannuation Funds**

CASL has provided a clarification of its application of LKAS 26 (Accounting and Reporting by Retirement Benefit Plans) to New Bonds held by Superannuation Funds in which CASL stated that New Bonds which have a fixed redemption value and which are acquired to match the obligations of the relevant Superannuation Fund may not necessarily align with the classification requirements of SLFRS 9 and as a result may be accounted for at their transaction price rather than at fair value.

#### **Validity of Invitation to Exchange and the New Bonds**

The Invitation to Exchange is made pursuant to the RSSO and the Regulations. The Invitation to Exchange was authorised by a resolution of The Parliament of Sri Lanka dated 1 July 2023.



The New Bonds will be issued pursuant to the RSSO, the Regulations and the Exchange Offer Order. A copy of the Regulations is available on the MOF Website.

Trading of New Bonds in the secondary market is not restricted.

**Governing Law**

This Exchange Memorandum, the Invitation to Exchange and any written contract arising from acceptance by the Republic of Offers made by Eligible Holders will be governed by the laws of Sri Lanka.

## GLOSSARY OF TERMS

In this Exchange Memorandum, the following terms shall have the following meanings:

**"Acceptance Date"** means a date on or prior to the Settlement Date that the Republic shall designate for the purposes of accepting any or all Offers made by Eligible Holders in this Invitation to Exchange.

**"Announcement Date"** means 28 July 2023, or such date as the Republic shall designate for the purposes of announcing the results of this Invitation to Exchange.

**"CASL"** means the Institute of Chartered Accountants of Sri Lanka.

**"CDS"** means the Central Depository System, the registry of scripless treasury bonds issued under the RSSO which is a part of the LankaSettle System.

**"Custodian"** means a person who provides custodian services for clients holdings and transacting in scripless treasury bonds issued under the RSSO.

**"Dealer Direct Participant"** means a licensed bank or primary dealer or any other person appointed as a participant in LankaSettle by the Central Bank of Sri Lanka pursuant to the RSSO and the laws of Sri Lanka.

**"Designated Non-Dealer Bidder "** means a person which is not a Dealer Direct Participate but which is appointed as a participant in the LankaSettle System by the Central Bank of Sri Lanka pursuant to the RSSO and the laws of Sri Lanka.

**"Eligible Bond(s)"** has the meaning assigned to it under "*The Eligible Bonds*" in this Exchange Memorandum.

**"Eligible Holder(s)"** has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—General*" in this Exchange Memorandum.

**"Exchange Consideration Ratios"** has the meaning assigned to it on the cover page of this Exchange Memorandum.

**"Exchange Form"** means a form in the form set out in Appendix 2 attached hereto.

**"Exchange Memorandum"** means this document, including its appendices.

**"Exchange Offer Order"** means the exchange offer order which will be published in the *Gazette* pursuant to Article 4 of the RSSO on or around the Settlement Date confirming the issuance of the New Bonds and the economic terms thereof.

**"Exchange Procedures"** means the exchange procedures set out in Appendix 1 attached hereto.

**"Expiration Date"** means 25 July 2023 or such date as the Republic shall designate as the date on which all Offers to be made by Eligible Holders must be submitted by 4:00 p.m. (IST).

**"Government"** means the Democratic Socialist Republic of Sri Lanka, acting through the MOF (unless otherwise indicated).

**"Individual Investor"** means a natural person that is the legal owner of record of Eligible Bonds and will not be eligible to participate in the Invitation to Exchange.

**"Invitation to Exchange"** means the invitation made by the Republic to Eligible Holders to offer to exchange their holdings of Eligible Bonds for New Bonds subject to the terms and conditions set out in this Exchange Memorandum generally.

**"LankaSettle System"** means the system established and operated by the Central Bank of Sri Lanka pursuant to the Monetary Law Act, comprising of CDS, Scripless Securities Settlement System (which together form the LankaSecure system) and the Real Time Gross Settlement System.

**"Launch Date"** means 4 July 2023, or such date as the Republic shall designate for the purposes of the commencement of the submission of Offers by Eligible Holders.

"**LKR**" means the Sri Lankan rupee, which is the lawful currency of the Democratic Socialist Republic of Sri Lanka.

"**Longstop Date**" means 31 August 2023, or such date as the Republic shall designate as the latest date that the Republic may select as the Settlement Date of this Invitation to Exchange.

"**MOF**" means the Ministry of Finance, Economic Stabilization and National Policies of Sri Lanka.

"**MOF Website**" means the website of MOF accessible at the following address:  
[www.treasury.gov.lk/web/ddo](http://www.treasury.gov.lk/web/ddo).

"**Monetary Law Act**" means the Monetary Law Act, No. 58 of 1949 (Chapter 422), as amended or replaced.

"**New 2027 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2028 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2029 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2030 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2031 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2032 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2033 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2034 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2035 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2036 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2037 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New 2038 Bonds**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Amount of New Bonds Received in respect of the Eligible Bonds*".

"**New Bond(s)**" means any new debt security issued by the Republic for the purposes of this Invitation to Exchange, including the New 2027 Bond, the New 2028 Bond, the New 2029 Bond, the New 2030 Bond, the New 2031 Bond, the New 2032 Bond, the New 2033 Bond, the New 2034 Bond, the New 2035 Bond, the New 2036 Bond, the New 2037 Bond, and the New 2038 Bond.

"**Offer(s)**" or "**Exchange Instruction**" means an offer by an Eligible Holder to the Republic to exchange one or more Eligible Bond(s) for New Bond(s) pursuant to this Invitation to Exchange, which offer may take the form of an instruction to exchange pursuant to this Invitation to Exchange given by such Eligible Holder to a Dealer Direct Participant or Custodian (or, in relation to Designated Non-Dealer Bidders only, directly to the Registrar).

"**Participation Threshold**" has the meaning assigned to it under "*Terms and Conditions of the Invitation to Exchange—Tax Treatment of Superannuation Funds following the Settlement Date*".

"**person(s)**" means a legal or natural person, as the context shall require.

"**Registrar**" means the Registrar appointed as such by the Monetary Board of the Central Bank of Sri Lanka pursuant to the RSSO to maintain the registry of each issue of scripless treasury bonds.

"**Regulations**" means the Registered Stock and Securities (Conversion of Securities) Regulations, No. 2 of 2023 issued on 3 July 2023.

"**RSSO**" means the Registered Stock and Securities Ordinance, No. 7 of 1937, as amended.

"**Settlement Date**" means 31 July 2023, or such date as the Republic shall designate, being the date of termination of the Eligible Bonds and issue of the New Bonds belonging to Eligible Holders whose Offers were accepted by the Republic.

"**Sri Lanka**" or the "**Republic**" means The Democratic Socialist Republic of Sri Lanka.

"**Superannuation Funds**" means an employee's trust fund, an approved provident fund or a pension fund, or an approved termination fund within the meaning of the Inland Revenue Act, No. 24 of 2017 (as amended).

## KEY CONTACTS

*Set out below is the contact information for representatives of the Registrar. These parties are available to assist Eligible Holders with general inquiries with respect to this Exchange Memorandum or this Invitation to Exchange. Eligible Holders should note that those persons are not authorised to offer legal, tax, business, financial, accounting or other advice with respect to whether any Eligible Holder should submit Offers in this Invitation to Exchange.*

Eligible Holders (other than Designated Non-Dealer Bidders) should contact their Dealer Direct Participant or Custodian for assistance with regard to matters related to the Invitation to Exchange processing or matters related to the submission of Offers in the first instance.

The Registrar may be contacted for assistance and with regard to matters related to the Invitation to Exchange processing or matters related to the submission of Offers at:

### **The Registrar and the Superintendent of Public Debt**

#### **Central Bank of Sri Lanka**

30 Janadhipathi Mawatha

Colombo 00100

Sri Lanka

#### **Inquiries**

Local: 1935 -Hotline 9.00 am - 4.00 pm (IST)

Foreign: +94 11 2477 000 9.00 am - 4.00 pm (IST)

+94 11 2477 966 9.00 am - 4.00 pm (IST)

Email address: [ddo.tbond@cbsl.lk](mailto:ddo.tbond@cbsl.lk)

Website: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)

For information and announcements relating to the Invitation to Exchange please refer to the MOF Website.

Each version of the Exchange Memorandum will be available on the MOF Website ([www.treasury.gov.lk/web/ddo](http://www.treasury.gov.lk/web/ddo)).

**APPENDIX 1  
EXCHANGE PROCEDURES**

**Exchange Procedures for Eligible Holders (other than Designated Non-Dealer Bidders)**

Eligible Holders interested in participating in the Invitation to Exchange are invited to send an Offer or Exchange Instruction to their respective Dealer Direct Participant or Custodian, in the Exchange Form (format for the Exchange Form to be filled by the Eligible Holders is provided in Microsoft Excel on the MOF Website) and via the channels agreed and customary between them.

As of the Launch Date until the Expiration Date of the Invitation to Exchange, Eligible Holders having active securities accounts' balances and interested in participating in the Invitation to Exchange will have the opportunity to send an Offer or Exchange Instruction to their respective Dealer Direct Participant or Custodian.

*Eligible Holders (other than Designated Non-Dealer Bidders) can use any of the following avenues to participate in the Invitation to Exchange:*

Send an Offer or Exchange Instruction to the relevant Dealer Direct Participant or Custodian via:

- (a) email **OR**
- (b) an internal communication platform provided by the relevant Dealer Direct Participant or Custodian to customers (if any) **OR**
- (c) both (a) and (b) above.

Eligible Holders should strictly adhere to the format provided in Microsoft Excel on the MOF Website when filling out the Exchange Form. Accordingly, Eligible Holders shall:

1. Download a copy of the Exchange Form in Microsoft Excel.
2. Fill out the (electronic) form in full with all due care.
3. Save the duly completed Exchange Form in Microsoft Excel format (searchable electronic version).
4. Print the duly filled form and place the authorised signatures and the official stamps (signed printed original of the Exchange Form).
5. Scan the signed printed original of the Exchange (scanned copy of the signed Exchange Form).

**All Offers and Exchange Instructions sent electronically as above must include both the searchable electronic version of the Exchange Form and a scanned copy of the signed Exchange Form.**

**The signed printed original of the Exchange Form shall be provided to the Registrar by 4:00p.m. (IST) at the address provided in the Exchange Memorandum on the Expiration Date. It is the Eligible Holder's responsibility to maintain constancy (i.e. have NO discrepancy) between the electronic version and the signed printed original of the Exchange Form.**

In the event that an Eligible Holder holds Eligible Bonds with more than one Dealer Direct Participant or Custodian, such Eligible Holder will need to provide the instructions set out above to each relevant Dealer Direct Participant or Custodian in respect of the relevant Eligible Bonds.

In the event that an Eligible Holder holds Eligible Bonds under more than one Beneficial Owner Code with any Dealer Direct Participant or Custodian, such Eligible Holder must complete one Exchange Form per Beneficial Owner Code (in accordance with the instructions above) in respect of the relevant Eligible Bonds.

The deadlines set by any Dealer Direct Participant or Custodian to Eligible Holders will be earlier than the Expiration Date.

### **Exchange Procedures for Dealer Direct Participant and Custodians**

Once an Offer or Exchange Instruction is received by a Dealer Direct Participant or Custodian from an owner of Eligible Bonds, such Dealer Direct Participant or Custodian shall not accept any other instructions from the relevant Eligible Holder to transfer or otherwise deal in such Eligible Bonds until the earliest of the Settlement Date and the termination of the Invitation to Exchange.

Once an Offer or Exchange Instruction is received by a Dealer Direct Participant or Custodian from an owner of Eligible Bonds, such Dealer Direct Participant or Custodian is required to collate the information in such Offer or Exchange Instruction in the form and file format provided to them by the Registrar.

During the duration of the Invitation to Exchange, on each business day Dealer Direct Participant and Custodians are required to forward to the Registrar the collated file containing the information on each Offer or Exchange Instruction received from each owner of Eligible Bonds that expressed interest to participate in the Invitation to Exchange on or before 4:00p.m. (IST) using the form and file format provided to them by the Registrar.

### **Exchange Procedures for Designated Non-Dealer Bidders**

Designated Non-Dealer Bidders are invited to send an Offer or Exchange Instruction to the Registrar directly.

*Designated Non-Dealer Bidders can use any of the following avenues to participate in the Invitation to Exchange:*

Send an Offer or Exchange Instruction to the Registrar via email.

Designated Non-Dealer Bidders should strictly adhere to the format provided in Microsoft Excel on the MOF Website when filling out the Exchange Form. Accordingly, Designated Non-Dealer Bidders shall:

1. Download a copy of the Exchange Form in Microsoft Excel.
2. Fill out the (electronic form) in full with all due care.
3. Save the duly completed Exchange Form in Microsoft Excel format (searchable electronic version).
4. Print the duly filled form and place the authorised signatures and the official stamps (signed printed original of the Exchange Form).
5. Scan the signed printed original of the Exchange (scanned copy of the signed Exchange Form).

**All Offers and Exchange Instructions must include both a searchable electronic version of the Exchange Form and a scanned copy of the signed Exchange Form.**

**A signed hard copy original of the Exchange Form shall be provided to the Registrar by 4:00p.m. (IST) at the address provided in the Exchange Memorandum on the Expiration Date. It is the Eligible Holder's responsibility to maintain constancy (i.e. have NO discrepancy) between the electronic version and the hard copy of the Exchange Form.**

By tendering their Eligible Bonds, Superannuation Funds represent and warrant that such Eligible Bonds (when tendering via more than one Dealer Direct Participant or Custodian, the total of such Eligible Bonds) meet the Participation Threshold.

**APPENDIX 2  
EXCHANGE FORM**



**EXCHANGE FORM**

To be completed by Eligible Holders and sent to the respective Dealer Direct Participant or Custodian (or, in the case of Designated Non-Dealer Bidders only, directly to the Registrar) to participate in the Invitation to Exchange

**-- USE THE MICROSOFT EXCEL FORMAT PROVIDED IN THE SAME LOCATION OF THE MOF WEBSITE TO FILL OUT THE EXCHANGE FORM --**

**ELIGIBLE HOLDERS ARE STRONGLY ADVISED TO READ THE EXCHANGE PROCEDURES SET OUT IN APPENDIX 1 TO THE EXCHANGE MEMORANDUM BEFORE COMPLETING THIS EXCHANGE FORM.**

**Invitation to Exchange Certain Treasury Bonds of the Democratic Socialist Republic of Sri Lanka (the "Eligible Bonds") for New Treasury Bonds of the Democratic Socialist Republic of Sri Lanka (the "New Bonds")**

**THE INVITATION TO EXCHANGE IS AVAILABLE ONLY TO REGISTERED OWNERS OF ELIGIBLE BONDS (i) THAT ARE SUPERANNUATION FUNDS (AS DEFINED BELOW) OR (ii) THAT ARE OTHERWISE ACCEPTED AS REGISTERED OWNERS OF ELIGIBLE BONDS BY THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA, AT ITS SOLE DISCRETION, TO PARTICIPATE IN THIS INVITATION TO EXCHANGE ("ELIGIBLE HOLDERS"). FOR THE AVOIDANCE OF DOUBT, INDIVIDUAL INVESTORS (AS DEFINED BELOW) ARE NOT ELIGIBLE HOLDERS.**

An "**Individual Investor**" is a natural person that is the legal owner of record of Eligible Bonds and will not be eligible to participate in the Invitation to Exchange.

A "**Superannuation Fund**" is an employee's trust fund, an approved provident fund or a pension fund, or an approved termination fund within the meaning of the Inland Revenue Act, No. 24 of 2017 (as amended).

Eligible Holders whose validly submitted Offers are accepted by the Republic will receive on the Settlement Date principal amounts of New Bonds calculated with the following Exchange Consideration Ratios per applicable principal amount of Eligible Bonds tendered.

<i>Exchange Consideration Ratios of New Bonds in Exchange for Each Eligible Bond Tendered</i>			
<b>New 2027 Bond</b>	<b>New 2028 Bond</b>	<b>New 2029 Bond</b>	<b>New 2030 Bond</b>
1/12	1/12	1/12	1/12
<b>New 2031 Bond</b>	<b>New 2032 Bond</b>	<b>New 2033 Bond</b>	<b>New 2034 Bond</b>
1/12	1/12	1/12	1/12
<b>New 2035 Bond</b>	<b>New 2036 Bond</b>	<b>New 2037 Bond</b>	<b>New 2038 Bond</b>
1/12	1/12	1/12	1/12

**INVITATION TO EXCHANGE TIMETABLE:**

**Launch Date:** 04 July 2023 (launch of the Invitation to Exchange)



**Expiration Date:** 25 July 2023 at 4:00p.m. (IST) (Deadline for Eligible Holders to submit Offers). (Note that the deadlines set by any Dealer Direct Participant or Custodian to Eligible Holders will be earlier than the Expiration Date).

**Announcement Date:** On or about 28 July 2023 (Announcement of acceptance of Offers by the Republic)

**Settlement Date:** 31 July 2023 (Settlement of New Bonds vs tendered Eligible Bonds)

*The above summarises the anticipated schedule for the Invitation to Exchange, assuming, among other things, that the Democratic Socialist Republic of Sri Lanka does not extend the Expiration Date or terminate Invitation to Exchange early. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in the Exchange Memorandum. All references are to Indian Standard Time (IST) unless otherwise noted. Eligible Holders of the Eligible Bonds should inform themselves of any earlier deadlines that may be imposed by any intermediaries, which may affect the timing of the submission of an Offer or Exchange Instruction. Capitalised terms not defined herein shall have the meanings assigned to them in the Exchange Memorandum.*

**SECTION A (ELIGIBLE HOLDER'S DETAILS)**

NAME OF ELIGIBLE HOLDER:		DATE(DD/MM/YYYY) :	
NAME OF DEALER DIRECT PARTICIPANT/Custodian		CDS SECURITIES ACCOUNT NUMBER / BENEFICIAL OWNER CODE (BOC):	
ADDRESS OF ELIGIBLE HOLDER:		TELEPHONE & MOBILE NUMBER OF ELIGIBLE HOLDER:	
EMAIL ADDRESS OF ELIGIBLE HOLDER:		TAX IDENTIFICATION NUMBER / TAX FILE NUMBER:	

**SECTION B (TOTAL SECURITIES HOLDING OF THE ELIGIBLE HOLDER)**

The following table set forth the total series of Eligible Bonds which are in possession of the Eligible Holder without restrictions as at the business day prior to the Launch Date:

ISIN:	Account type Ex: CSL, OWN	AMOUNT:	AMOUNT (In words):
LKB01123I017*			
LKB01023I019*			
LKB02023J016*			
LKB00323K150*			
LKB00523L153*			
LKB01024A014*			
LKB00524C150*			
LKB00224E013*			
LKB00524F153*			

<b>ISIN:</b>	<b>Account type</b> <b>Ex: CSL, OWN</b>	<b>AMOUNT:</b>	<b>AMOUNT</b> <b>(In words):</b>
LKB00824H013*			
LKB00524I157*			
LKB00224K150*			
LKB01024L011*			
LKB00325A156*			
LKB01025C157*			
LKB01225E019*			
LKB00425F013*			
LKB00325G013*			
LKB01025H016*			
LKB00825J156*			
LKB00526A159*			
LKB01326B011*			
LKB01526C014*			
LKB00426E154*			
LKB01226F014*			
LKB01026H014*			
LKB01026L206*			
LKB00827A151*			
LKB00527E019*			
LKB01027F156*			
LKB01027G212*			
LKB00827H156*			
LKB00527I150*			
LKB00827J152*			
LKB01027L154*			
LKB00628A153*			
LKB01028C151*			
LKB01528E016*			

<b>ISIN:</b>	<b>Account type</b> <b>Ex: CSL, OWN</b>	<b>AMOUNT:</b>	<b>AMOUNT</b> <b>(In words):</b>
LKB01628G019*			
LKB01528I017*			
LKB01529A012*			
LKB01529E014*			
LKB00729G156*			
LKB01530E152*			
LKB01231C151*			
LKB00931E153*			
LKB01031L016*			
LKB02032A016*			
LKB01032G014*			
LKB02032J017*			
LKB01533A154			
LKB02033F013			
LKB02033G011			
LKB02033K013			
LKB02034A012			
LKB01534I155			
LKB02035C155			
LKB02039H156			
LKB02541A016			
LKB03043F011			
LKB03044A010			
LKB03044F019			
LKB03045C013			

*\*For Superannuation Funds only, series forms part of Participation Threshold.*

**SECTION C (SECURITIES TO OFFER FOR EXCHANGE)**

**The following table set forth the series of Eligible Bonds subject to the Offer:**

<b>ISIN:</b>	<b>Account type</b> <b>Ex: CSL, OWN</b>	<b>AMOUNT:</b>	<b>AMOUNT</b> <b>(In words):</b>
LKB01123I017*			
LKB01023I019*			
LKB02023J016*			
LKB00323K150*			
LKB00523L153*			
LKB01024A014*			
LKB00524C150*			
LKB00224E013*			
LKB00524F153*			
LKB00824H013*			
LKB00524I157*			
LKB00224K150*			
LKB01024L011*			
LKB00325A156*			
LKB01025C157*			
LKB01225E019*			
LKB00425F013*			
LKB00325G013*			
LKB01025H016*			
LKB00825J156*			
LKB00526A159*			
LKB01326B011*			
LKB01526C014*			
LKB00426E154*			
LKB01226F014*			
LKB01026H014*			
LKB01026L206*			
LKB00827A151*			
LKB00527E019*			

<b>ISIN:</b>	<b>Account type</b> <b>Ex: CSL, OWN</b>	<b>AMOUNT:</b>	<b>AMOUNT</b> <b>(In words):</b>
LKB01027F156*			
LKB01027G212*			
LKB00827H156*			
LKB00527I150*			
LKB00827J152*			
LKB01027L154*			
LKB00628A153*			
LKB01028C151*			
LKB01528E016*			
LKB01628G019*			
LKB01528I017*			
LKB01529A012*			
LKB01529E014*			
LKB00729G156*			
LKB01530E152*			
LKB01231C151*			
LKB00931E153*			
LKB01031L016*			
LKB02032A016*			
LKB01032G014*			
LKB02032J017*			
LKB01533A154			
LKB02033F013			
LKB02033G011			
LKB02033K013			
LKB02034A012			
LKB01534I155			
LKB02035C155			
LKB02039H156			

<b>ISIN:</b>	<b>Account type</b> <b>Ex: CSL, OWN</b>	<b>AMOUNT:</b>	<b>AMOUNT</b> <b>(In words):</b>
LKB02541A016			
LKB03043F011			
LKB03044A010			
LKB03044F019			
LKB03045C013			

*\*For Superannuation Funds only, series forms part of Participation Threshold.*

Irrespective of the principal amount of each series of Eligible Bonds declared in Section B, in the event that principal amount of each series of Eligible Bonds for the Eligible Holder recorded in CDS is less than the amount of Eligible Bonds offered in Section C, the full principal amount of each series of Eligible Bonds recorded in CDS will be considered to be subject to the Offer.

#### **SECTION D (REPRESENTATIONS AND WARRANTIES)**

In addition to the other representations, warranties and covenants contained in the Exchange Memorandum, by submitting an Offer or Exchange Instruction the Eligible Holder makes the following representations, warranties and covenants to the Republic:

- (1) the Eligible Holder is or will be the legal owner of record of the Eligible Bonds by the Settlement Date, with full power and authority to make the Offer in respect of Eligible Bonds for the purposes of this Invitation to Exchange;
- (2) the Eligible Holder is not an Individual Investor;
- (3) the Eligible Holder is a Superannuation Fund or is seeking to be accepted by the Republic as an Eligible Holder, at its sole discretion, to participate in this Invitation to Exchange;
- (4) the Eligible Holder has accepted the terms and conditions of this Invitation to Exchange set out in this section and in the Exchange Memorandum generally;
- (5) there are no liens, pledges, charges, security interest, encumbrances, or similar restrictions (for the purposes of this paragraph only, "**restrictions**") on the Eligible Bonds that are the subject of the Offer made by the Eligible Holder; or, if any such restrictions exist at the time the Offer is made, the Eligible Holder has made the necessary arrangements with any beneficiary of the restriction to either (i) remove the restriction at the time any Offer is made, so that the Eligible Bonds may be accepted by the Republic free of such restrictions but subject to the imposition of the restriction on the New Bonds issued in place of the Eligible Bonds or (ii) to fully discharge the restriction on or before the Settlement Date;
- (6) not to assign, pledge or otherwise transfer or trade in the Eligible Bonds from: (i), with regards to each Eligible Holder other than Designated Non-Dealer Bidders, the date on which an Offer or Exchange Instruction in respect of Eligible Bonds is sent by such Eligible Holder to a Dealer Direct Participant or Custodian; and (ii) with respect to Designated Non-Dealer Bidders, the date on which an Offer or Exchange Instruction in respect of Eligible Bonds is sent by such Designated Non-Dealer Bidder to the Registrar directly, until the earlier of the Settlement Date and the termination of the Invitation to Exchange;
- (7) (other than Designated Non-Dealer Bidders) consents to the blocking by the relevant Dealer Direct Participant or Custodian of any attempt to transfer such Eligible Holders' Eligible Bonds subject to the Offer, from the date on which an Offer or Exchange Instruction in respect of Eligible Bonds is sent by such Eligible Holder to a Dealer Direct Participant or Custodian; and

- (8) the Eligible Holder agrees to disclose to the Republic, its advisors any information that CDS maintains regarding the applicable CDS securities account holder, the legal and beneficial owner of the Eligible Bonds and the Eligible Bonds being tendered, and all the information included in the relevant instruction.

**SECTION E (ELIGIBLE HOLDER INSTRUCTIONS TO THE REGISTRAR)**

I hereby authorize and instruct the Dealer Direct Participant or Custodian and the Registrar to block any transfer of the Eligible Bonds described above until the Settlement Date or the termination of the Invitation to Exchange.

I hereby authorise and instruct the Registrar to execute the exchange of the above referenced Eligible Bonds for New Bonds in accordance with the above Exchange Consideration Ratios and to reflect such exchange in the relevant CDS securities account(s) held under the name and BOC specified above, and to take any other action incidental to the execution of such exchange.

**SECTION F (ELIGIBLE HOLDER SIGNATURE)**

ELIGIBLE HOLDER'S SIGNATURE/AUTHO RIZED SIGNATORY		DATE(DD/MM/YYYY)	
--	--	------------------	--

Official Stamp of Eligible Holder:

Name:

Designation of Authorized Officer:

<b>FOR OFFICE USE ONLY (THE DEALER DIRECT PARTICIPANT OR CUSTODIAN)</b>			
SIGNATURE of authorised signatory:		DATE(DD/MM/YYYY)	
AUTHORISED BY (Name & ID):			

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